

Management's Discussion and Analysis

Canadian Tire Corporation, Limited
Third Quarter 2021

Management's Discussion and Analysis

Canadian Tire Corporation, Limited
Third Quarter 2021

Table of Contents

1.0	PREFACE	1
2.0	COMPANY AND INDUSTRY OVERVIEW	3
3.0	FINANCIAL PERFORMANCE	3
3.1	Consolidated Financial Performance	3
3.2	Retail Segment Performance	10
3.3	Financial Services Segment Performance	17
3.4	CT REIT Segment Performance	20
4.0	BALANCE SHEET ANALYSIS, LIQUIDITY, AND CAPITAL RESOURCES	23
5.0	EQUITY	29
6.0	TAX MATTERS	30
7.0	ACCOUNTING POLICIES, ESTIMATES, AND NON-GAAP MEASURES	30
8.0	KEY RISKS AND RISK MANAGEMENT	40
9.0	INTERNAL CONTROLS AND PROCEDURES	41
10.0	ENVIRONMENTAL AND SOCIAL RESPONSIBILITY	41
11.0	FORWARD-LOOKING STATEMENTS AND OTHER INVESTOR COMMUNICATION	41

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 “Financial Services segment”, and the “CT REIT 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”), 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.

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

“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 that operate under the Mark’s, Mark’s Work Wearhouse, and L’Équipeur names and trademarks.

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

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

“Party City” refers to the party supply business that operates 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 that operate under the SportChek, Sports Experts, Atmosphere, 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 forecasted 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 11.0 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 10, 2021.

1.4 Quarterly and Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q3 2021 (39 weeks ended October 2, 2021) are compared against Q3 2020 (39 weeks ended September 26, 2020).

Comparison of results for Q3 2021 is also made against Q3 2019 in certain sections of the MD&A so as to provide a more meaningful comparison of results against the last comparable quarter prior to the onset of the COVID-19 pandemic.

1.5 Accounting Framework

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 3 to the Company's 2020 Consolidated Financial Statements.

1.6 Accounting Estimates and Assumptions

The preparation of the Company's 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 7.1 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 7.3.1 and 7.3.2 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.

1.9 Forward-Looking Financial Information

Given the ongoing uncertainty regarding the duration and severity of COVID-19 and its impact on the economy, consumer demand, and operations, the Company believes it is not appropriate at this time to provide forward-looking financial information with respect to its financial aspirations and expectations relating to its annual effective tax rate.

2.0 Company and Industry Overview

Canadian Tire Corporation, Limited (TSX: CTC.A) (TSX: CTC) is a group of companies that includes a Retail segment, a Financial Services segment 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+, Party City and Pro Hockey Life are key parts of the Canadian Tire network. The Retail segment also includes Mark's, a leading source for casual and industrial wear; and SportChek, Hockey Experts, Sports Experts and Atmosphere, which offer the best activewear brands. The approximately 1,719 retail and gasoline outlets are supported and strengthened by our Financial Services segment 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 Helly Hansen, a leading global brand in sportswear and workwear based in Oslo, Norway, whose results are included in the Retail segment. A description of the Company's business and select core capabilities can be found in the Company's 2020 Annual Information Form ("2020 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 Financial Performance

3.1 Consolidated Financial Performance

3.1.1 Consolidated Financial Results

(C\$ in millions, except where noted)				YTD		YTD	
	Q3 2021	Q3 2020	Change	Q3 2021	Q3 2020	Change	
Retail sales ¹	\$ 4,603.2	\$ 4,414.4	4.3 %	\$ 12,603.6	\$ 11,547.2	9.1 %	
Revenue	\$ 3,913.1	\$ 3,986.4	(1.8) %	\$ 11,154.5	\$ 9,996.5	11.6 %	
Gross margin dollars	\$ 1,357.1	\$ 1,346.8	0.8 %	\$ 3,888.5	\$ 3,226.7	20.5 %	
Gross margin as a % of revenue	34.7 %	33.8 %	90 bps	34.9 %	32.3 %	258 bps	
Other (income) expense	\$ (2.7)	\$ 5.6	NM ²	\$ (28.7)	\$ 29.8	NM ²	
Selling, general and administrative expenses	935.0	838.8	11.5 %	2,766.9	2,545.7	8.7 %	
Net finance costs	54.9	60.1	(8.7) %	168.4	197.7	(14.8) %	
Income before income taxes	\$ 369.9	\$ 442.3	(16.4) %	\$ 981.9	\$ 453.5	116.5 %	
Income tax expense	90.4	116.0	(22.1) %	256.9	112.7	128.0 %	
Effective tax rate	24.5 %	26.2 %		26.2 %	24.9 %		
Net income	\$ 279.5	\$ 326.3	(14.4) %	\$ 725.0	\$ 340.8	112.7 %	
Net income attributable to:							
Shareholders of Canadian Tire Corporation	\$ 243.7	\$ 296.3	(17.8) %	\$ 619.1	\$ 263.0	135.4 %	
Non-controlling interests	35.8	30.0	19.3 %	105.9	77.8	36.0 %	
	\$ 279.5	\$ 326.3	(14.4) %	\$ 725.0	\$ 340.8	112.7 %	
Basic EPS	\$ 4.01	\$ 4.87	(17.7) %	\$ 10.18	\$ 4.32	135.6 %	
Diluted EPS	\$ 3.97	\$ 4.84	(18.0) %	\$ 10.08	\$ 4.30	134.4 %	
Weighted average number of Common and Class A Non-Voting Shares outstanding:							
Basic	60,807,123	60,808,021	NM ²	60,807,859	60,928,842	NM ²	
Diluted	61,337,523	61,185,383	NM ²	61,430,301	61,101,887	NM ²	

¹ Retail sales is a key operating performance measure. Refer to section 7.3.1 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 2020 Consolidated Financial Statements.

(C\$ in millions)	Q3 2021		Q3 2020	
	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Financial Services				
Non-controlling interest percentage 20.0% (2020 – 20.0%)	\$ 17.0	\$ 13.1	\$ 53.7	\$ 30.5
CT REIT				
Non-controlling interest percentage 30.9% (2020 – 30.9%)	17.0	15.9	49.9	46.7
Retail segment subsidiary				
Non-controlling interest percentage 50.0% (2020 – 50.0%)	1.8	1.0	2.3	0.6
Net income attributable to non-controlling interests	\$ 35.8	\$ 30.0	\$ 105.9	\$ 77.8

Operational Efficiency program

Since launching the Company's Operational Efficiency program in the fall of 2019, the Company has eliminated redundancies, simplified processes, captured enterprise-wide efficiencies, and changed the way it operates to enable the Company's strategy through the implementation of over 150 separate initiatives. As a result of our sustained focus, we were able to achieve our previously announced annualized run rate savings target of \$200+ million at the end of Q3 2021, one quarter ahead of schedule.

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

The Operational Efficiency program continues to execute on more than 100 initiatives to improve efficiency and enable capabilities to deliver value to our customers and key stakeholders. With this program momentum, subsequent to the quarter, the Company is increasing its Operational Efficiency target by \$100 million to \$300+ million, which we expect to achieve in annualized run rate by the end of 2022.

Normalizing Items

The results of operations in the third quarter of 2021 and 2020 include costs relating to the Company's Operational Efficiency program which were considered as normalizing items. During the quarter, non-recurring costs relating to severance, IT projects, and the continued wind down of non-core businesses amounted to \$18.9 million. These costs are included in "selling, general and administrative expenses", and "other income" in the consolidated statements of income.

(C\$ in millions)	Q3 2021		Q3 2020	
	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Operational Efficiency program	\$ 18.9	\$ 7.6	\$ 34.4	\$ 21.4

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 7.3.2 in this MD&A.

Selected Normalized Metrics – Consolidated

(C\$ in millions, except where noted)	Q3 2021	Normalizing Items ¹	Normalized Q3 2021	Q3 2020	Normalizing Items ¹	Normalized Q3 2020	Change ²
Revenue	\$ 3,913.1	\$ —	\$ 3,913.1	\$ 3,986.4	\$ —	\$ 3,986.4	(1.8) %
Cost of producing revenue	2,556.0	—	2,556.0	2,639.6	—	2,639.6	(3.2) %
Gross margin	\$ 1,357.1	\$ —	\$ 1,357.1	\$ 1,346.8	\$ —	\$ 1,346.8	0.8 %
Gross margin rate	34.7 %	—	34.7 %	33.8 %	—	33.8 %	90 bps
Other (income) expense	\$ (2.7)	\$ (0.9)	\$ (3.6)	\$ 5.6	\$ —	\$ 5.6	NM ³
Selling, general and administrative expenses	935.0	(18.0)	917.0	838.8	(7.6)	831.2	10.3 %
Net finance costs	54.9	—	54.9	60.1	—	60.1	(8.7) %
Income before income taxes	\$ 369.9	\$ 18.9	\$ 388.8	\$ 442.3	\$ 7.6	\$ 449.9	(13.6) %
Income tax expense	90.4	5.0	95.4	116.0	2.0	118.0	(19.2) %
Net income	\$ 279.5	\$ 13.9	\$ 293.4	\$ 326.3	\$ 5.6	\$ 331.9	(11.6) %
Net income attributable to shareholders of CTC	243.7	13.9	257.6	296.3	5.6	301.9	(14.7) %
Diluted EPS	\$ 3.97	\$ 0.23	\$ 4.20	\$ 4.84	\$ 0.09	\$ 4.93	(14.8) %

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

² Change is between normalized results.

³ Not meaningful.

(C\$ in millions, except where noted)	YTD Q3 2021	Normalizing Items ¹	Normalized YTD Q3 2021	YTD Q3 2020	Normalizing Items ¹	Normalized YTD Q3 2020	Change ²
Revenue	\$ 11,154.5	\$ —	\$ 11,154.5	\$ 9,996.5	\$ —	\$ 9,996.5	11.6 %
Cost of producing revenue	7,266.0	(1.7)	7,264.3	6,769.8	—	6,769.8	7.3 %
Gross margin	\$ 3,888.5	\$ 1.7	\$ 3,890.2	\$ 3,226.7	\$ —	\$ 3,226.7	20.6 %
Gross margin rate	34.9 %	2 bps	34.9 %	32.3 %	—	32.3 %	260 bps
Other (income) expense	\$ (28.7)	\$ (0.9)	\$ (29.6)	\$ 29.8	\$ —	\$ 29.8	NM ³
Selling, general and administrative expenses	2,766.9	(31.8)	2,735.1	2,545.7	(21.4)	2,524.3	8.4 %
Net finance costs	168.4	—	168.4	197.7	—	197.7	(14.8) %
Income before income taxes	\$ 981.9	\$ 34.4	\$ 1,016.3	\$ 453.5	\$ 21.4	\$ 474.9	114.0 %
Income tax expense	256.9	9.1	266.0	112.7	5.7	118.4	124.7 %
Net income	\$ 725.0	\$ 25.3	\$ 750.3	\$ 340.8	\$ 15.7	\$ 356.5	110.5 %
Net income attributable to shareholders of CTC	619.1	25.3	644.4	263.0	15.7	278.7	131.2 %
Diluted EPS	\$ 10.08	\$ 0.41	\$ 10.49	\$ 4.30	\$ 0.26	\$ 4.56	130.0 %

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

² Change is between normalized results.

³ Not meaningful.

Consolidated Results Commentary

Diluted EPS for the third quarter of 2021 was \$3.97 per share, \$0.87 lower compared to the prior year. Normalized diluted EPS was \$4.20, \$0.73 lower compared to the prior year, primarily attributable to a decline in revenue, led by lower shipments to Dealers at Canadian Tire, and an increase in SG&A expenses in the Retail segment. Retail revenue was \$3,607.1 million, a decrease of 2.1 percent compared to the prior year. Retail gross margin dollars, excluding Petroleum, were \$1,091.6 million, decreasing 1.9 percent, compared to the prior year. Retail gross margin rate, excluding Petroleum, was up 155 bps driven by higher margin rates at Canadian Tire, SportChek and Mark's. Canadian Tire's margin rate improved primarily due to favourable pricing mix, partially offset by higher freight costs, compared to the prior year. SportChek and Mark's margin rate improved due to higher in-store sales mix and lower promotions compared to the prior year. Retail segment normalized SG&A expenses were \$887.6 million, an increase of \$84.9 million, mainly attributable to higher personnel costs resulting from an increase in mark-to-market expense on equity hedges related to share-based compensation awards, higher IT costs, higher supply chain volume-related costs, and higher marketing spend, in part relating to the Tokyo Olympic campaign, partially offset by lower net COVID-19 related costs, and additional savings from the Operational Efficiency program. Normalized SG&A adjusted for rent expense (excluding depreciation and amortization) and excluding Petroleum as a percentage of revenue was 24.6 percent, unfavourable by 367 bps as lower revenue at Canadian Tire combined with higher SG&A expenses impacted operating leverage. On a year-to-date basis, the SG&A adjusted for rent expense (excluding depreciation and amortization) and excluding Petroleum as a percentage of revenue was favourable by 22 bps compared to the prior year attributable to a strong increase Retail segment revenue partially offset by an increase in SG&A. Retail segment normalized income before income taxes was \$245.4 million, down by \$88.4 million compared to the prior year for the reasons as described above.

The Financial Services segment income before taxes was \$117.7 million, an increase of 30.0 percent, primarily attributable to an increase in gross margin resulting from lower net impairment losses and growth in revenue from higher fees relating to higher credit card sales. The expected credit loss ("ECL") allowance for loans receivable was \$811.7 million, flat to the previous quarter as the portfolio's metrics, including delinquency and net write-off rates continued to be stable. Management continues to assess the allowance with consideration for the ongoing uncertainty over future cardholder behaviour, which may be impacted by the easing of Government restrictions and the expected completion of Government relief measures, among other indicators of economic health.

During the quarter, the Company continued to execute wide-ranging measures to support its businesses and protect the health and well-being of its employees, customers, Dealers and franchisees along with supporting local communities. The Company started the quarter with restrictions limiting in-store shopping capacity for the first two weeks across its Retail segment banners primarily in Ontario and Manitoba. Refer to section 3.2 for further details on the impact on the Retail segment.

As disclosed in the Q3 2020 MD&A, the Company's consolidated financial results in Q3 2020, were negatively impacted by net expenses of \$2.1 million or \$0.07 EPS due to the impact of COVID-19 related market disruptions in the Retail segment. A description of that impact is below:

- \$18.3 million of additional operating expenses directly attributable to the Company's COVID-19 efforts, including a special support payment for active front-line employees and enhanced safety protocols for employees and customers, which are included in SG&A expenses; and
- \$16.2 million additional net income due to the recovery in share price from Q1 2020 quarter end resulting in a mark-to-market adjustment on the Company's equity hedges related to share-based compensation awards, included in the SG&A expenses.

In the current year, the impact of these disruptions has been absorbed into the day-to-day operations of the Company.

Consolidated Results Commentary (continued)

	Q3 2021	Year-to-Date
Consolidated Results Summary	<p>▼ Diluted EPS: \$0.87 per share</p> <ul style="list-style-type: none"> Consolidated revenue for the quarter was \$3,913.1 million, a decrease of \$73.3 million, or 1.8 percent. Excluding Petroleum, consolidated revenue of \$3,409.6 million decreased 5.6 percent compared to the prior year, mainly attributable to a decline in revenue in the Retail segment, which was partially offset by an increase in revenue in the Financial Services segment. The decrease in revenue in the Retail segment was mainly due to lower shipments to Dealers at Canadian Tire, following significant increases in the first two quarters. This was partially offset by increases in SportChek, Mark's and Helly Hansen. The revenue increase in the Financial Services segment was mainly due to higher fee income due to strong credit card sales compared to the prior year. Consolidated gross margin dollars were \$1,357.1 million, an increase of \$10.3 million, or 0.8 percent, compared to the prior year. The increase in gross margin dollars was primarily attributable to the Financial Services segment due to lower net impairment losses attributable to lower delinquency and write-off rates partially offset by lower margin in the Retail segment attributable mainly to lower revenue at Canadian Tire. Other income was \$2.7 million, an increase of \$8.3 million, from an expense of \$5.6 million in the prior year. Normalized other income was \$3.6 million, an increase of \$9.2 million, from an expense of \$5.6 million in the prior year. Compared to the prior year, the increase was mainly attributable to the Retail segment relating to non-operational foreign exchange gains compared to a loss, and higher real estate related gains in the current year. Consolidated SG&A expenses were \$935.0 million, an increase of \$96.2 million or 11.5 percent, and normalized consolidated SG&A was \$917.0 million, an increase of \$85.8 million or 10.3 percent, compared to the prior year. The increase in SG&A was mainly in the Retail segment due to higher personnel costs resulting from an increase in mark-to-market expense on the equity hedges related to share-based compensation awards, higher IT costs, higher supply chain volume-related costs, and higher marketing spend, in part relating to the Tokyo Olympic campaign, partially offset by additional savings from the Operational Efficiency program. <p>The prior year included a net cost of \$2.1 million relating to additional expenses directly attributable to the Company's COVID-19 efforts. This included premium pay, partially offset by a mark-to-market adjustment on the Company's equity hedges related to the share-based compensation awards.</p>	<p>▲ Diluted EPS: \$5.78 per share</p> <ul style="list-style-type: none"> Consolidated revenue was \$11,154.5 million, an increase of \$1,158.0 million, or 11.6 percent. Excluding Petroleum, consolidated revenue of \$9,907.0 million increased 10.2 percent driven by the revenue growth in the Retail segment despite being impacted by continued COVID-19 related restrictions in the first half of the year, partially offset by a decline in revenue in the Financial Services segment. Retail segment revenue increase was driven by strong growth across all banners led by Canadian Tire. The revenue decline in the Financial Services segment was mainly attributable to lower credit charges resulting from lower receivable volumes compared to the prior year. Consolidated gross margin dollars were \$3,888.5 million an increase of \$661.8 million, or 20.5 percent. Normalized gross margin dollars were \$3,890.2 million, an increase of \$663.5 million or 20.6 percent, which was primarily attributable to the increase in the Retail segment driven by strong growth across all banners led by Canadian Tire. The Financial Services segment also contributed to the increase in gross margin dollars, attributable to a decrease in the ECL allowance of \$52.3 million and lower write-offs net of recoveries compared to the prior year. Other income was \$28.7 million, an increase of \$58.5 million, from an expense of \$29.8 million in the prior year. Normalized other income was \$29.6 million, an increase of \$59.4 million, from an expense of \$29.8 million in the prior year. Compared to the prior year, the increase was mainly attributable to the Retail segment, relating to an impairment charge of \$27.9 million in the prior year which was not recorded in the current year, non-operational foreign exchange gains compared to a loss in the prior year, and higher real estate related gains. Consolidated SG&A expenses were \$2,766.9 million, an increase of \$221.2 million or 8.7 percent. Normalized consolidated SG&A expenses were \$2,735.1 million, an increase of \$210.8 million or 8.4 percent. This increase was mainly attributable to higher SG&A expenses in the Retail segment due to higher volume-related costs primarily in supply chain, higher personnel costs relating to variable compensation, partially offset by COVID-19 related costs in the prior year that were not included in the current year and additional savings from the Operational Efficiency program.

Consolidated Results Commentary *(continued)*

Q3 2021	Year-to-Date
<ul style="list-style-type: none"> Net finance costs during the quarter were \$54.9 million, which were lower by 8.7 percent, primarily due to lower lease related costs, short-term funding volume and lower rates compared to the prior year. Income taxes for the quarter were an expense of \$90.4 million, compared to an expense of \$116.0 million in the prior year, primarily due to lower income and lower non-deductible stock-option expense attributable to share price fluctuations in the quarter. Normalized diluted EPS in the quarter was \$4.20, compared to \$4.93 in the prior year. The decrease in earnings was mainly attributable to lower revenue and an increase in SG&A expenses in the Retail segment partially offset by an increase in earnings in the Financial Services segment. 	<ul style="list-style-type: none"> Net finance costs were \$168.4 million, which were lower by 14.8 percent, primarily due to lower short-term funding volume and lower rates compared to the prior year. Income taxes for the period were \$256.9 million compared to \$112.7 million, an increase of \$144.2 million compared to the prior year due to higher income. There was an increase in the effective tax rate during this year, primarily driven by lower favourable adjustments to tax estimates and higher non-deductible stock-option expense. Normalized diluted EPS was \$10.49 compared to \$4.56 in the prior year. The increase in earnings was led by strong growth in the Retail segment and earnings growth in the Financial Services segment.

3.1.2 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 7.3.1 in this MD&A for definitions and further information.

(C\$ in millions) increase/(decrease)	Q3 2021	Q3 2020	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}	24.6 %	20.9 %	367 bps
Normalized ¹ EBITDA ⁶ adjusted for rent expense ² and excluding Petroleum, as a percentage of revenue ^{4,5}	13.9 %	14.9 %	(102) bps

¹ Refer to section 3.1.1 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 \$98.4 million (2020 - \$97.4 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 7.3.2 in this MD&A for a reconciliation of these non-GAAP measures to the related GAAP measure and additional information.

⁶ Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA").

(C\$ in millions) increase/(decrease)	YTD Q3 2021	YTD Q3 2020	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}	25.3 %	25.5 %	(22) bps
Normalized ¹ EBITDA adjusted for rent expense ² and excluding Petroleum, as a percentage of revenue ^{4,5}	13.0 %	8.8 %	421 bps

¹ Refer to section 3.1.1 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 \$293.0 million (2020 - \$299.5 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 7.3.2 in this MD&A for a reconciliation of these non-GAAP measures to the related GAAP measure and additional information.

Key Operating Performance Measures Commentary

	Q3 2021	Year-to-Date
Normalized SG&A expenses adjusted for rent expense (excluding depreciation and amortization) and excluding Petroleum as a percentage of Revenue	<p>▲ 367 bps</p> <ul style="list-style-type: none"> Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) and excluding Petroleum, as a percentage of revenue, was 24.6 percent, an increase of 367 bps compared to prior year. The increase in rate was impacted by lower revenue, excluding Petroleum, of \$202.2 million, or 5.6 percent and higher SG&A expenses compared to the prior year. The decrease in revenue was mainly attributable to the Retail segment resulting from lower shipments to Dealers at Canadian Tire. <p>The increase in SG&A expenses, adjusted for rent expense, was primarily related to the Retail segment attributable mainly to higher personnel costs relating to variable compensation expense, higher IT maintenance and sustaining costs, higher supply chain volume-related costs, and higher marketing spend including costs related to the Tokyo Olympics campaign. These increases were partially offset by COVID-19 related costs in the prior year, as described in section 3.1.1. Furthermore, SG&A expenses benefited from additional savings from the Operational Efficiency program.</p>	<p>▼ 22 bps</p> <ul style="list-style-type: none"> Normalized SG&A expenses adjusted for rent (excluding depreciation and amortization) and excluding Petroleum, as a percentage of revenue, decreased 22 bps compared to the prior year. The decrease in rate was mainly attributable to the strong increase in Retail segment revenue. The increase in revenue was partially offset by an increase in SG&A. <p>Refer to section 3.1.1 of this MD&A and in the first and second quarters of 2021 MD&A for a description of COVID-19 related costs in the prior year amounting to \$57.7 million. Furthermore, SG&A expenses benefited from Operational Efficiency program savings.</p>
Normalized EBITDA adjusted for rent expense and excluding Petroleum, as a percentage of Revenue	<p>▼ 102 bps</p> <ul style="list-style-type: none"> Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum, was 13.9 percent, a decrease of 102 bps compared to the prior year. The decrease in rate was mainly driven by the decrease in Retail segment revenue attributable to Canadian Tire. The decrease in revenue was partially offset by an increase in SG&A for the reasons described above. 	<p>▲ 421 bps</p> <ul style="list-style-type: none"> Normalized EBITDA adjusted for rent expense as a percentage of revenue, excluding Petroleum, increased 421 bps compared to the prior year. The increase in rate was mainly attributable to the increase in gross margin driven by strong growth in the Retail segment across all banners, in particular Canadian Tire. The increase in gross margin was partially offset by an increase in SG&A.

3.1.3 Seasonal Trend Analysis

The following table shows the consolidated financial performance of the Company by quarter for the last two years.

(C\$ in millions, except per share amounts)	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	\$3,913.1	\$3,918.5	\$3,322.9	\$4,874.5	\$3,986.4	\$3,161.8	\$2,848.3	\$4,316.7	\$3,636.7
Net income	279.5	259.1	186.4	521.8	326.3	2.3	12.2	365.9	227.7
Normalized net income ¹	293.4	264.1	192.8	548.4	331.9	6.9	17.7	372.4	243.8
Diluted EPS	3.97	3.64	2.47	7.97	4.84	(0.33)	(0.22)	5.42	3.20
Normalized diluted EPS ¹	4.20	3.72	2.57	8.40	4.93	(0.25)	(0.13)	5.53	3.46

¹ Refer to section 3.1.1 for a description of normalizing items.

3.2 Retail Segment Performance

3.2.1 Retail Segment Financial Results

(C\$ in millions)				YTD		YTD	
	Q3 2021	Q3 2020	Change	Q3 2021	Q3 2020	Change	
Retail sales ¹	\$ 4,603.2	\$ 4,414.4	4.3 %	\$ 12,603.6	\$ 11,547.2	9.1 %	
Revenue	\$ 3,607.1	\$ 3,684.8	(2.1) %	\$ 10,253.1	\$ 9,037.8	13.4 %	
Gross margin dollars	\$ 1,143.1	\$ 1,161.4	(1.6) %	\$ 3,220.1	\$ 2,728.4	18.0 %	
Gross margin as a % of revenue	31.7 %	31.5 %	17 bps	31.4 %	30.2 %	122 bps	
Other (income)	\$ (36.3)	\$ (26.2)	39.0 %	\$ (132.5)	\$ (60.7)	118.4 %	
Selling, general and administrative expenses	905.6	810.3	11.8 %	2,671.2	2,459.1	8.6 %	
Net finance costs	47.3	51.1	(7.5) %	143.8	169.6	(15.2) %	
Income before income taxes	\$ 226.5	\$ 326.2	(30.5) %	\$ 537.6	\$ 160.4	235.2 %	

¹ Retail sales is a key operating performance measure. Refer to section 7.3.1 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 7.3.2 in this MD&A.

Selected Normalized Metrics – Retail

(C\$ in millions, except where noted)	Q3 2021		Normalized Q3 2021	Q3 2020	Normalized Q3 2020		Change ²
	Q3 2021	Normalizing Items ¹			Normalizing Items ¹	Normalized Q3 2020	
Revenue	\$ 3,607.1	\$ —	\$ 3,607.1	\$ 3,684.8	\$ —	\$ 3,684.8	(2.1) %
Cost of producing revenue	2,464.0	—	2,464.0	2,523.4	—	2,523.4	(2.4) %
Gross margin	\$ 1,143.1	\$ —	\$ 1,143.1	\$ 1,161.4	\$ —	\$ 1,161.4	(1.6) %
Gross margin rate	31.7 %	—	31.7 %	31.5 %	—	31.5 %	17 bps
Other (income)	\$ (36.3)	\$ (0.9)	\$ (37.2)	\$ (26.2)	\$ —	\$ (26.2)	42.0 %
Selling, general and administrative expenses	905.6	(18.0)	887.6	810.3	(7.6)	802.7	10.6 %
Net finance costs	47.3	—	47.3	51.1	—	51.1	(7.5) %
Income before income taxes	\$ 226.5	\$ 18.9	\$ 245.4	\$ 326.2	\$ 7.6	\$ 333.8	(26.5) %

¹ Refer to section 3.1.1 for a description of normalizing items.

² Change is between normalized results.







(C\$ in millions, except where noted)	YTD Q3 2021		Normalized YTD Q3 2021	YTD Q3 2020	Normalized YTD Q3 2020		Change ²
	YTD Q3 2021	Normalizing Items ¹			Normalizing Items ¹	Normalized YTD Q3 2020	
Revenue	\$ 10,253.1	\$ —	\$ 10,253.1	\$ 9,037.8	\$ —	\$ 9,037.8	13.4 %
Cost of producing revenue	7,033.0	(1.7)	7,031.3	6,309.4	—	6,309.4	11.4 %
Gross margin	\$ 3,220.1	\$ 1.7	\$ 3,221.8	\$ 2,728.4	\$ —	\$ 2,728.4	18.1 %
Gross margin rate	31.4 %	2 bps	31.4 %	30.2 %	—	30.2 %	124 bps
Other (income)	\$ (132.5)	\$ (0.9)	\$ (133.4)	\$ (60.7)	\$ —	\$ (60.7)	119.8 %
Selling, general and administrative expenses	2,671.2	(31.8)	2,639.4	2,459.1	(21.4)	2,437.7	8.3 %
Net finance costs	143.8	—	143.8	169.6	—	169.6	(15.2) %
Income before income taxes	\$ 537.6	\$ 34.4	\$ 572.0	\$ 160.4	\$ 21.4	\$ 181.8	214.6 %

¹ Refer to section 3.1.1 for a description of normalizing items.

² Change is between normalized results.

3.2.2 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 7.3.1 in this MD&A for further information.

(Year-over-year percentage change, C\$ in millions, except as noted)		Q3 2021	Q3 2020	Change	YTD		Change
					Q3 2021	Q3 2020	
	Revenue ¹	\$ 3,607.1	\$ 3,684.8	(2.1) %	\$ 10,253.1	\$ 9,037.8	13.4 %
	Revenue, excluding Petroleum	3,103.6	3,310.2	(6.2) %	9,005.6	8,034.0	12.1 %
	Store count	1,719	1,742				
	Retail square footage (in millions)	34.2	34.5				
	Retail sales growth	4.3 %	13.1 %		9.1 %	4.6 %	
	Retail sales growth, excluding Petroleum	1.6 %	19.1 %		7.8 %	9.8 %	
	Consolidated Comparable sales growth ²	3.3 %	18.9 %		6.8 %	NM ¹²	
	Retail ROIC ³	13.2 %	9.0 %		n/a	n/a	
	Revenue ^{1, 4}	\$ 2,067.4	\$ 2,322.7	(11.0) %	\$ 6,329.7	\$ 5,775.5	9.6 %
	Store count ⁵	667	667				
	Retail square footage (in millions)	23.5	23.4				
	Sales per square foot ⁶	\$ 509	\$ 490	3.9 %	n/a	n/a	
	Retail sales growth ⁷	(0.6) %	25.7 %		4.7 %	17.9 %	
Comparable sales growth ²	1.4 %	25.1 %		3.6 %	NM ¹²		
	Revenue ¹	\$ 560.6	\$ 533.2	5.1 %	\$ 1,410.7	\$ 1,210.0	16.6 %
	Store count	377	397				
	Retail square footage (in millions)	7.1	7.5				
	Sales per square foot ⁸	\$ 310	\$ 277	11.9 %	n/a	n/a	
	Retail sales growth ⁹	9.0 %	(1.7) %		18.2 %	(12.8) %	
Comparable sales growth ²	11.2 %	(1.4) %		18.7 %	NM ¹²		
	Revenue ^{1, 10}	\$ 307.3	\$ 286.3	7.3 %	\$ 842.3	\$ 679.8	23.9 %
	Store count	382	381				
	Retail square footage (in millions)	3.6	3.6				
	Sales per square foot ⁸	\$ 370	\$ 320	15.6 %	n/a	n/a	
	Retail sales growth ¹¹	10.5 %	4.9 %		24.7 %	(16.2) %	
Comparable sales growth ²	7.9 %	5.7 %		22.4 %	NM ¹²		
	Revenue ¹	\$ 157.6	\$ 155.4	1.5 %	\$ 394.5	\$ 345.8	14.1 %
	Revenue ¹	\$ 503.5	\$ 374.6	34.4 %	\$ 1,247.5	\$ 1,003.8	24.3 %
	Gas bar locations	293	297				
	Gross margin dollars	\$ 51.5	\$ 48.6	6.2 %	\$ 139.0	\$ 121.4	14.6 %
	Retail sales growth	27.3 %	(21.2) %		20.3 %	(25.0) %	
	Gasoline volume growth in litres	2.4 %	(14.9) %		(1.7) %	(20.5) %	
	Comparable store gasoline volume growth in litres ²	4.0 %	(16.5) %		(1.6) %	(20.5) %	

¹ Revenue reported for Canadian Tire, SportChek, Mark's and Petroleum include inter-segment revenue. Helly Hansen revenue represents external revenue only. 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. The Canadian Tire banner includes PartSource, PHL and Party City. Comparable sales growth and comparable store gasoline volume growth has been calculated by aligning the 2020 fiscal calendar to match the 2021 fiscal calendar (i.e., sales from the first week in 2021 are compared with the sales from the second week of 2020) and includes the sales from stores which were temporarily closed during 2021. Comparable sales in the prior year, for SportChek and Mark's, were calculated on sales up to March 18, 2020, beyond which their retail stores were closed. Refer to section 7.3.1 in this MD&A for additional information on Comparable sales growth.

³ Retail Return on Invested Capital ("ROIC") is calculated on a rolling 12-month basis based on normalized earnings. The prior period figures for ROIC have been restated to align with current-year calculation. Refer to section 7.3.1 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 (2020: 163 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 when the stores were temporarily closed in 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 when the stores were temporarily closed in the Retail segment.

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

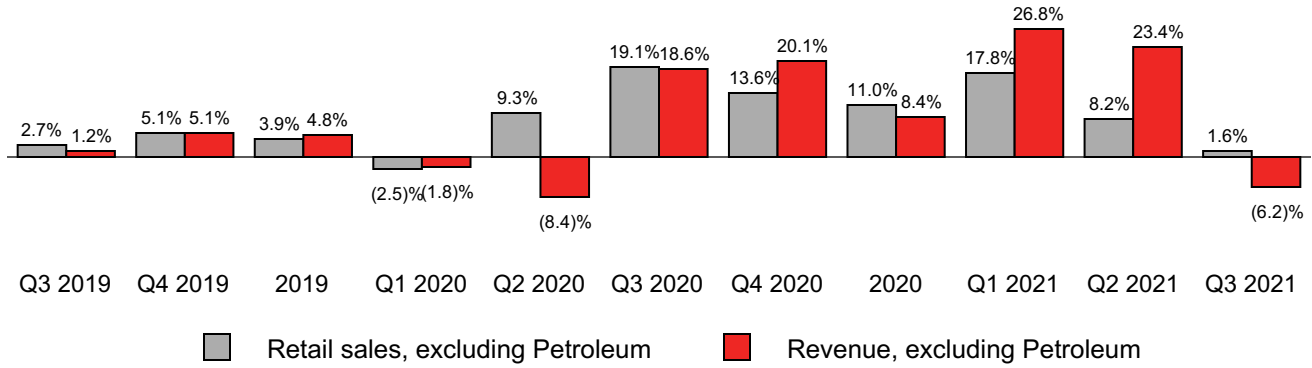
¹⁰ Revenue includes the sale of goods to Mark's franchise stores, Retail sales from Mark's corporate stores, Mark's wholesale revenue from its commercial division, and includes ancillary revenue relating to embroidery and alteration services.

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.

Year-over-year Retail Sales and Revenue Growth



Retail Segment Commentary

Q3 2021 versus Q3 2020

The Company started the quarter with restrictions limiting in-store shopping capacity for the first two weeks across its Retail segment banners, primarily in Ontario and Manitoba. As these restrictions eased in July, the Company's store network became fully operational and experienced increased foot traffic, particularly in the SportChek and Mark's banners.

Retail sales growth, excluding Petroleum, was 1.6 percent and Comparable sales growth was 3.3 percent in the quarter. Canadian Tire Comparable sales were up 1.4 percent against exceptional growth of 25.1 percent in the prior year. SportChek and Mark's were up 11.2 percent and 7.9 percent, respectively, with both banners benefiting from a lower level of store restrictions than the prior year, and SportChek benefiting from a resumption of organized team sports and a stronger back-to-school season.

Retail segment revenue, excluding Petroleum, declined 6.2 percent relative to prior year due to an 11.0 percent decline at Canadian Tire after significant increases in shipments to Dealers in the first half of the year. While Canadian Tire retail sales and revenue growth may diverge in any quarter, it is the Company's experience that historically these metrics tend to move together over the long-term.



Retail segment eCommerce sales were \$257.3 million in the quarter, a decrease of 2.2 percent versus the prior year. A higher mix of in-store sales at SportChek and Mark's, with the stores re-opening in July, led to lower eCommerce sales, which was partially offset by growth in eCommerce sales at Canadian Tire. In the prior year, SportChek and Mark's experienced higher levels of government mandated in-store shopping restrictions which negatively impacted in-store traffic and positively impacted eCommerce channel demand. Overall, eCommerce penetration rates remain about double 2019 and eCommerce sales were over \$2.1 billion on a rolling 12-month basis.

Retail segment normalized income before income taxes was \$245.4 million compared to \$333.8 million in the prior year. The decrease in earnings was primarily driven by lower shipments to Dealers at Canadian Tire and an increase in SG&A expenses. The prior year results were impacted due to COVID-19 related market disruptions described in section 3.1.1 of this MD&A.

Q3 2021 versus Q3 2019

Compared to 2019, which was the last comparable pre-pandemic quarter, Comparable sales grew by 21.0 percent. Canadian Tire Comparable sales were higher by 25.3 percent, while SportChek was higher by 7.0 percent and Mark's higher by 12.9 percent. Retail segment revenue, excluding Petroleum, was up 11.1 percent compared to 2019. Canadian Tire revenue was up 14.1 percent, SportChek was up 3.2 percent, and Mark's was higher by 15.3 percent.

Retail Segment Commentary (continued)

	Q3 2021	Year-to-Date
Retail Sales	<ul style="list-style-type: none"> ▲ \$188.8 million or 4.3% ▲ 3.3% in Comparable sales growth <ul style="list-style-type: none"> • Retail sales of \$4,603.2 million grew by 4.3 percent, excluding Petroleum, Retail sales grew 1.6 percent, or \$62.6 million compared to prior year. Retail sales growth was driven by strong performance at SportChek and Mark's. <p>Vs. 2019 Retail sales excluding Petroleum, grew 21.0 percent driven by strong omni-channel growth with eCommerce penetration rate approximately double 2019 levels.</p> <ul style="list-style-type: none"> • ▼ Canadian Tire Retail sales were relatively flat, compared to exceptional growth in the prior year of 25.7 percent. Top performing categories included Backyard Living, Cleaning, and Gardening. Owned Brand sales continued to grow driving an increase in Owned Brands penetration. <p>Vs. 2019 Retail sales were up 24.9 percent with double digit growth across all provinces and growth across all divisions.</p> <ul style="list-style-type: none"> •  Retail sales growth was 9.0 percent, compared to the prior year. Top performing categories were Athletic Footwear and Clothing. <p>Vs. 2019 Retail sales were up 7.1 percent. Top performing categories were Athletic and Lifestyle Footwear.</p> <ul style="list-style-type: none"> • ■ Mark's Strong Retail sales growth of 10.5 percent, compared to prior year, with warmer temperatures and reduced provincial restrictions on in store shopping contributed to the growth. Growth in Casualwear categories led by Casual Footwear and Jeans contributed to the growth in Retail sales. <p>Vs. 2019 Retail sales were higher by 15.9 percent driven by strong omni-channel growth with top performing categories of Industrial Businesses and Men's Casualwear.</p> <ul style="list-style-type: none"> • ▼ GAS+ Petroleum Retail sales increased 27.3 percent due to higher per litre gas prices and higher gas volume, partially offset by lower non-gas sales compared to the prior year. <p>Vs. 2019 Petroleum retail sales were relatively flat.</p>	<ul style="list-style-type: none"> ▲ \$1,056.4 million or 9.1% ▲ 6.8% in Comparable sales growth <ul style="list-style-type: none"> • Retail sales of \$12,603.6 million grew by 9.1 percent. Strong Retail sales growth for the year was attributable to strong sales growth across all banners led by Canadian Tire despite temporary store closures and restrictions during the first half of the year. <p>Excluding Petroleum, Retail sales were \$11,102.9 million, an increase of 7.8 percent or \$803.6 million compared to the prior year. Strong omni-channel growth across all banners with eCommerce penetration rate growth contributed to growth in Retail sales. eCommerce sales were over \$2.1 billion over the past 12 months.</p> <ul style="list-style-type: none"> • ▼ Canadian Tire Retail sales had strong growth of 4.7 percent compared to the prior year despite impact from shopping restrictions of varying degree across its store network during the first half of the year. Retail sales growth was driven by strength in product assortment, with Seasonal & Gardening, Automotive, and Playing being the largest contributors to growth. Strong eCommerce channel demand also contributed to the increase in Retail sales. <ul style="list-style-type: none"> •  Retail sales increased 18.2 percent, primarily attributable to omni-channel growth and less severe in-store shopping restrictions compared to the first half of the prior year. <ul style="list-style-type: none"> • ■ Mark's Retail sales increased 24.7 percent, primarily attributable to omni channel growth and less severe in-store shopping restrictions compared to the first half of the prior year. <ul style="list-style-type: none"> • ▼ GAS+ Petroleum Retail sales increased by 20.3 percent mainly due to higher per litre gas prices and non-gas sales, partially offset by lower gas volume.

Retail Segment Commentary *(continued)*

	Q3 2021	Year-to-Date
Revenue	<p>▼ \$77.7 million or 2.1%</p> <p>▼ 6.2% excluding Petroleum</p> <ul style="list-style-type: none"> Retail revenue was \$3,607.1 million, lower by 2.1 percent, compared to prior year. The decrease in revenue was due to lower shipments at Canadian Tire, following significant increases in the first half of the year. This was partially offset by an increase in revenue at SportChek and Mark's. <p>Vs. 2019 Retail revenue grew by 9.4 percent, excluding Petroleum, Retail revenue was up 11.1 percent. Canadian Tire banner was up 14.1 percent, SportChek was up 3.2 percent, and Mark's was up 15.3 percent.</p>	<p>▲ \$1,215.3 million or 13.4%</p> <p>▲ 12.1% excluding Petroleum</p> <ul style="list-style-type: none"> Retail revenue was \$10,253.1 million, an increase of 13.4 percent, compared to the prior year. Despite restrictions of varying degrees across the Retail network, Retail revenue increased across all banners driven by growth at Canadian Tire primarily attributable to strong shipment growth.
Gross Margin	<p>▼ \$18.3 million or 1.6%</p> <p>▲ 17 bps in gross margin rate</p> <p>▼ 1.9% excluding Petroleum</p> <p>▲ 155 bps in gross margin rate, excluding Petroleum</p> <ul style="list-style-type: none"> Retail gross margin dollars were \$1,143.1 million, a decrease of \$18.3 million. Excluding Petroleum, gross margin dollars were \$1,091.6 million, or a decrease of \$21.3 million. The decrease was primarily due to the decrease in revenue described above. Gross margin rate, excluding Petroleum, increased by 155 bps compared to the prior year. The gross margin rate increased across all banners led by Canadian Tire. Canadian Tire's rate improved mainly from favourable pricing mix, partially offset by higher freight costs, compared to the prior year. SportChek and Mark's rate improved due to higher in-store sales mix and fewer promotions. 	<p>▲ \$491.7 million or 18.0%</p> <p>▲ 122 bps in gross margin rate</p> <p>▲ 18.2% excluding Petroleum</p> <p>▲ 176 bps in gross margin rate, excluding Petroleum</p> <ul style="list-style-type: none"> Retail gross margin dollars were \$3,220.1 million, an increase of \$491.7 million. Excluding Petroleum, normalized gross margin dollars were \$3,082.8 million, an increase of \$475.8 million, primarily driven by an increase in revenue attributable to the reasons described above. Normalized gross margin rate, excluding Petroleum, increased by 178 bps. The increase in the gross margin rate was mainly attributable to rate increases across the Retail banners led by Canadian Tire. Canadian Tire's rate increased as a result of favourable product and price mix, partially offset by higher freight costs, compared to prior year. SportChek and Mark's rates were higher attributable to higher in-store sales and lower promotional activity.
Other Income	<p>▲ \$10.1 million or 39.0%</p> <ul style="list-style-type: none"> Other income was \$36.3 million, higher by \$10.1 million, mainly due to non-operational foreign exchange gains recognized in Helly Hansen in the current year and higher real estate related gains compared to the prior year. 	<p>▲ \$71.8 million or 118.4%</p> <ul style="list-style-type: none"> Other income was \$132.5 million, higher by \$71.8 million. Compared to the prior year, the increase was mainly attributable to an impairment charge of \$27.9 million in the prior year which was not recorded in the current year, non-operational foreign exchange gains compared to a loss in the prior year, and higher real estate related gains.

Retail Segment Commentary (continued)

	Q3 2021	Year-to-Date
Selling, General & Administrative Expenses	<p>▲ \$95.3 million or 11.8%</p> <ul style="list-style-type: none"> Normalized SG&A expenses were \$887.6 million, an increase of \$84.9 million, or 10.6 percent. The increase was mainly attributable to higher personnel costs resulting from an increase in mark-to-market expense on the equity hedges related to share-based compensation awards, higher IT costs, higher supply chain volume-related costs, and higher marketing spend, including costs related to the Tokyo Olympics campaign, partially offset by lower net COVID-19 related costs, as discussed in section 3.1.1 of this MD&A, and additional savings from the Operational Efficiency program. 	<p>▲ \$212.1 million or 8.6%</p> <ul style="list-style-type: none"> Normalized SG&A expenses were \$2,639.4 million, an increase of \$201.7 million, or 8.3 percent. This increase was mainly attributable to higher volume-related costs primarily in supply chain and higher personnel costs resulting from variable compensation expenses. These increases were partially offset by net additional costs in the prior year relating to the Company's COVID-19 efforts, including premium pay, amounting to \$57.7 million, as described in section 3.1.1 of this MD&A, and further Operational Efficiency program savings compared to the prior year.
Earnings Summary	<p>▼ \$99.7 million or 30.5%</p> <ul style="list-style-type: none"> Normalized income before income taxes was \$245.4 million, a decrease of \$88.4 million. The decrease in income was attributable mainly to a decline in revenue at Canadian Tire and an increase in SG&A expenses attributable to the reasons described above. 	<p>▲ \$377.2 million or 235.2%</p> <ul style="list-style-type: none"> Normalized income before income taxes was \$572.0 million, an increase of \$390.2 million despite continuing restrictions on its retail operations during the first half of the year. The increase in income was primarily driven by strong growth at Canadian Tire. Higher other income, additional savings from the Operational Efficiency program, and net expenses included in the prior year relating to the Company's COVID-19 efforts, as described in section 3.1.1 of this MD&A, also contributed to the increase in earnings compared to the prior year, partially offset by an increase in the SG&A expenses attributable to the reasons described above.

3.2.3 Retail Segment Seasonal Trend Analysis

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

(C\$ in millions, except per share amounts)	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Retail sales	\$4,603.2	\$4,882.6	\$3,117.8	\$5,317.2	\$4,414.4	\$4,375.7	\$2,757.1	\$4,838.2	\$3,904.3
Revenue	3,607.1	3,623.2	3,022.8	4,582.2	3,684.8	2,849.8	2,503.2	3,989.2	3,296.3
Income (loss) before income taxes	226.5	208.6	102.5	577.9	326.2	(66.2)	(99.6)	351.6	170.6
Normalized ¹ income (loss) before income taxes	245.4	215.4	111.2	613.2	333.8	(59.9)	(92.1)	360.5	192.7

¹ Refer to section 3.1.1 for a description of normalizing items.

3.3 Financial Services Segment Performance

3.3.1 Financial Services Segment Financial Results

(C\$ in millions)				YTD		YTD	
	Q3 2021	Q3 2020	Change	Q3 2021	Q3 2020	Change	
Revenue	\$ 307.6	\$ 301.3	2.1 %	\$ 900.9	\$ 953.1	(5.5) %	
Gross margin dollars	\$ 199.5	\$ 167.6	19.0 %	\$ 620.2	\$ 439.1	41.2 %	
Gross margin as a % of revenue	64.9 %	55.6 %	923 bps	68.8 %	46.1 %	2,277 bps	
Other (income) expense	\$ (0.5)	\$ 0.2	NM ¹	\$ 3.5	\$ 0.8	363.9 %	
Selling, general and administrative expenses	84.1	77.5	8.4 %	250.1	227.7	9.8 %	
Net finance (income)	(1.8)	(0.6)	207.6 %	(2.8)	(1.1)	153.7 %	
Income before income taxes	\$ 117.7	\$ 90.5	30.0 %	\$ 369.4	\$ 211.7	74.5 %	

¹ Not meaningful.

Financial Services Segment Commentary

Third quarter income before income taxes was \$117.7 million, an increase of \$27.2 million, which was primarily attributable to an increase in gross margin of \$31.9 million. The gross margin increase was mainly attributable to lower net impairment losses of \$28.4 million. Higher revenue of \$6.3 million was attributable to credit card sales which resulted in higher merchant, and interchange fees. Gross average accounts receivable ("GAAR") was 1.1 percent higher relative to the prior year due to increased cardholder activity as the average number of active accounts in the quarter increased by 4.0 percent.

The ECL allowance for loans receivable was \$811.7 million, flat to the second quarter. The ECL allowance rate declined in the quarter to 13.4 percent attributable to the growth in credit card receivables. Portfolio metrics such as delinquency, and write-off rates continued to remain stable.

	Q3 2021	Year-to-Date
Revenue	<p>▲ \$6.3 million or 2.1%</p> <ul style="list-style-type: none"> Revenue for the quarter was \$307.6 million, an increase of \$6.3 million or 2.1 percent compared to the prior year. The increase in revenue was mainly attributable to higher fee income driven by strong credit card sales. 	<p>▼ \$52.2 million or 5.5%</p> <ul style="list-style-type: none"> Revenue was \$900.9 million, a decline of \$52.2 million or 5.5 percent compared to the prior year. The decline in revenue is primarily attributable to lower credit charges, attributable mainly to lower GAAR.
Gross Margin	<p>▲ \$31.9 million or 19.0%</p> <ul style="list-style-type: none"> Gross margin was \$199.5 million, an increase of \$31.9 million or 19.0 percent compared to the prior year. The increase in gross margin was mainly due to lower net impairment losses, attributable to lower write-off rates. 	<p>▲ \$181.1 million or 41.2%</p> <ul style="list-style-type: none"> Gross margin was \$620.2 million, an increase of \$181.1 million or 41.2 percent compared to the prior year. The increase in gross margin dollars was due to lower net impairment losses, attributable to a reduction in the ECL allowance of \$52.3 million compared to an increase in the ECL allowance in the prior year, and lower write-offs net of recoveries, which were slightly offset by a decrease in revenue.

Financial Services Segment Commentary (continued)

	Q3 2021	Year-to-Date
SG&A Expenses	<p>▲ \$6.6 million or 8.4%</p> <ul style="list-style-type: none"> SG&A was \$84.1 million, an increase of \$6.6 million or 8.4 percent. The increase in SG&A expenses was primarily due to an increase in marketing costs relating to higher digital and in-store acquisition, higher personnel, and operating costs. 	<p>▲ \$22.4 million or 9.8%</p> <ul style="list-style-type: none"> SG&A was \$250.1 million, an increase of \$22.4 million or 9.8 percent. The increase in SG&A expenses was primarily due to an increase in marketing costs related to higher digital and in-store acquisition, higher personnel, and operating costs.
Earnings Summary	<p>▲ \$27.2 million or 30.0%</p> <ul style="list-style-type: none"> Income before income taxes was \$117.7 million, an increase of \$27.2 million or 30.0 percent. The increase in income before income taxes was primarily due to a higher gross margin, which was slightly offset by an increase in SG&A expenses attributable to the reasons described above. 	<p>▲ \$157.7 million or 74.5%</p> <ul style="list-style-type: none"> Income before income taxes was \$369.4 million, an increase of \$157.7 million or 74.5 percent. The increase in the income before income taxes was primarily due to a higher gross margin, which was slightly offset by an increase in SG&A expenses attributable to the reasons described above.

3.3.2 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 7.3.1 in this MD&A for definitions and further information on performance measures.

(C\$ in millions) except where noted				YTD		YTD
	Q3 2021	Q3 2020	Change	Q3 2021	Q3 2020	Change
Credit card sales growth ¹	23.3 %	(3.6) %		21.8 %	(5.8) %	
GAAR	\$ 5,940	\$ 5,875	1.1 %	\$ 5,768	\$ 6,067	(4.9) %
Revenue ² (as a % of GAAR)	20.7 %	20.9 %		n/a	n/a	
Average number of accounts with a balance ³ (thousands)	2,128	2,045	4.0 %	2,077	2,056	1.0 %
Average account balance ³ (whole \$)	\$ 2,791	\$ 2,871	(2.8) %	\$ 2,777	\$ 2,950	(5.9) %
Net credit card write-off rate ^{2, 3}	4.3 %	6.3 %		n/a	n/a	
Past due credit card receivables ("PD2+") ^{3, 4}	1.8 %	1.9 %		n/a	n/a	
Allowance rate ⁵	13.4 %	15.3 %		n/a	n/a	
Operating expenses ² (as a % of GAAR)	5.9 %	5.0 %		n/a	n/a	
Return on receivables ²	8.4 %	5.2 %		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 2021 vs. Q3 2020	
Growth	<ul style="list-style-type: none"> ▲ 1.1% in GAAR ▲ 23.3% in credit card sales growth ▲ 4.0% in average number of accounts with a balance ▼ 2.8% in average account balance <ul style="list-style-type: none"> • GAAR increased by 1.1 percent relative to last year driven by increased customer activity. The average number of active accounts for the quarter increased by 4.0 percent although the average account balance was 2.8 percent lower. • Credit card sales grew by 23.3 percent over the prior year driven by strong sales at both Retail segment banners and external merchants.
Performance	<ul style="list-style-type: none"> ▲ 316 bps in return on receivables ▼ 24 bps in revenue as a % of GAAR ▲ 95 bps in OPEX as a % of GAAR <ul style="list-style-type: none"> • Return on receivables increased by 316 bps compared to the prior year due to increased income resulting from improved gross margin. • Operating expenses as a percentage of GAAR increased by 95 bps compared to the prior year due to increased marketing costs relating to digital and in-store acquisition, as well as higher personnel, and operating costs.
Operational metrics	<ul style="list-style-type: none"> ▼ 9 bps in PD2+ rate ▼ 200 bps in net credit card write-off rate ▼ 13.4% allowance rate, down 194 bps <ul style="list-style-type: none"> • The PD2+ rate was 9 bps lower than the prior year, due to continued strong customer payments, which was a result of improved risk across the portfolio. • The decrease in the net write-off rate compared to the prior year is primarily driven by a decline in both regular write-offs and insolvencies resulting from improved risk across the portfolio. • The allowance rate decreased by 194 bps from Q3 2020 to 13.4 percent reflecting the continued strength in portfolio metrics, as evidenced by the ongoing trends of strong payment and low aging and delinquency rates. Management continues to assess the allowance with consideration for ongoing uncertainty associated with the ongoing impacts of COVID-19 on the economy.

3.3.3 Financial Services Segment Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. In the first quarter, the Financial Services segment would typically contribute the majority of consolidated earnings. The following table shows the financial performance of the segment by quarter for the last two years.

(C\$ in millions, except per share amounts)	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	\$ 307.6	\$ 296.1	\$ 297.2	\$ 295.3	\$ 301.3	\$ 309.9	\$ 341.9	\$ 333.0	\$ 343.0
Income before income taxes	117.7	125.3	126.4	115.6	90.5	51.0	70.2	109.5	108.9

3.4 CT REIT Segment Performance

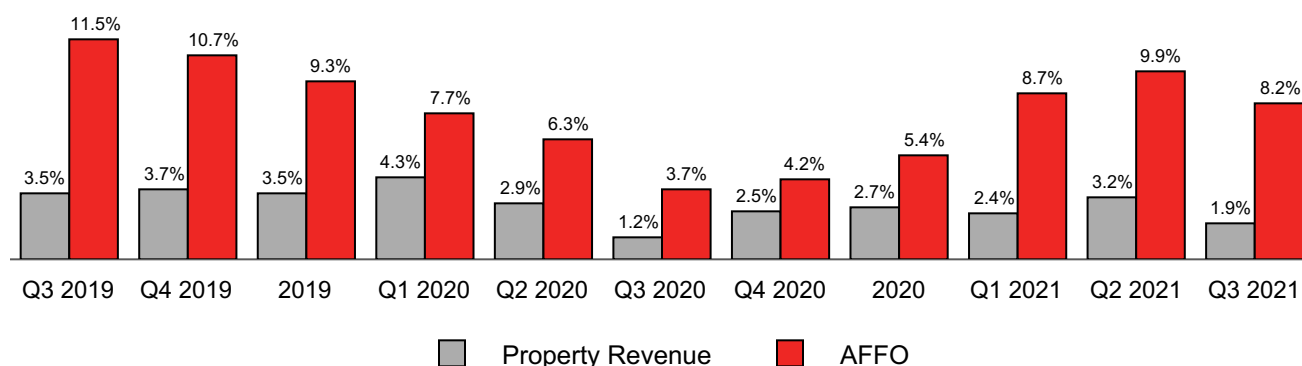
3.4.1 CT REIT Segment Financial Results

(C\$ in millions)				YTD		YTD	
	Q3 2021	Q3 2020	Change	Q3 2021	Q3 2020	Change	
Property revenue	\$ 125.5	\$ 123.2	1.9 %	\$ 385.0	\$ 375.5	2.5 %	
Property expense	23.3	25.6	(8.9) %	80.2	83.0	(3.4) %	
General and administrative expense ("G&A")	3.5	2.8	22.1 %	10.7	9.0	17.4 %	
Net finance costs	26.3	26.3	0.1 %	79.3	80.7	1.7 %	
Fair value (gain) loss adjustment	(5.9)	4.4	NM ¹	(116.7)	33.5	NM ¹	
Income before income taxes	\$ 78.3	\$ 64.1	22.2 %	\$ 331.5	\$ 169.3	95.8 %	

¹ Not meaningful.

The following shows the CT REIT year-over-year property revenue and adjusted funds from operations ("AFFO") performance by quarter for the last two years.

Year-over-year Property Revenue and AFFO Growth



CT REIT Segment Commentary

Earnings at the REIT were positively impacted by an increase in property revenue and a decrease in property expenses during the quarter. The increase in revenue was mainly attributable to contractual rent escalations during the year and in the prior year. The decrease in property expenses were attributable to lower expected credit losses relating to assistance provided to tenants, which helped increase the earnings for the quarter by \$14.2 million.

AFFO was \$4.7 million higher compared to the previous year attributable to an increase in operating income driven by rent escalations, lower provisions due to lower collection risk, and operating and property tax adjustments.

CT REIT Segment Commentary (continued)

	Q3 2021	Year-to-Date
Property Revenue	<p>▲ \$2.3 million or 1.9%</p> <ul style="list-style-type: none"> Property revenue was \$125.5 million, an increase of \$2.3 million, or 1.9 percent. The increase was mainly due to contractual rent escalations, additional base rent relating to properties acquired, and developments and intensifications completed during 2021 and 2020. 	<p>▲ \$9.5 million or 2.5%</p> <ul style="list-style-type: none"> Property revenue was \$385.0 million, an increase of \$9.5 million, or 2.5 percent. The increase was mainly due to contractual rent escalation, additional base rent relating to properties acquired and developments and intensifications completed during 2021 and 2020.
Property Expense	<p>▼ \$2.3 million or 8.9%</p> <ul style="list-style-type: none"> The property expense was \$23.3 million, a decrease of \$2.3 million or 8.9 percent. The decrease in property expense was primarily due to the reduction of the expected credit losses relating to assistance provided to tenants, partially offset by operating expenses relating to property acquisitions completed during 2021 and 2020. 	<p>▼ \$2.8 million or 3.4%</p> <ul style="list-style-type: none"> The property expense was \$80.2 million, a decrease of \$2.8 million, or 3.4 percent. The decrease in property expense was primarily due to the reduction of REIT's assistance to its tenants, partially offset by higher operating expenses related to property acquisitions completed during 2021 and 2020.
G&A Expenses	<p>▲ \$0.7 million or flat to the prior year</p> <ul style="list-style-type: none"> G&A expense was \$3.5 million, was overall in line with the prior year. 	<p>▲ \$1.7 million or 17.4%</p> <ul style="list-style-type: none"> G&A expense was \$10.7 million, an increase of \$1.7 million, or 17.4 percent. The increase was primarily due to higher personnel costs partially offset by timing of professional fees and lower income tax expense.
Net Finance Cost	<p>▲ Flat to the prior year</p> <ul style="list-style-type: none"> Net finance cost of \$26.3 million was overall in line with the prior year. 	<p>▼ \$1.4 million or 1.7%</p> <ul style="list-style-type: none"> Net finance cost was \$79.3 million, a decrease of \$1.4 million or 1.7 percent. The decrease was mainly attributable to decreased interest on the Class C LP Units.
Fair Value Adjustment on Investment Properties	<p>▲ \$10.3 million</p> <ul style="list-style-type: none"> The fair value adjustment on investment properties was a gain of \$5.9 million, mainly attributable to contractual rent escalations and the reduction in COVID-19 pandemic related impacts which were present in the prior year. 	<p>▲ \$150.2 million</p> <ul style="list-style-type: none"> The fair value adjustment on investment properties was a gain of \$116.7 million mainly attributable to changes to investment metrics for industrial and urban retail properties within the portfolio based on market activity, as well as contractual rent escalations.
Earnings Summary	<p>▲ \$14.2 million or 22.2%</p> <ul style="list-style-type: none"> Income before income taxes was \$78.3 million, an increase of \$14.2 million, or 22.2 percent. The increase in earnings was primarily due to the fair value adjustments on investment properties and an increase in property revenue while reducing property expenses. 	<p>▲ \$162.2 million or 95.8%</p> <ul style="list-style-type: none"> Income before income taxes was \$331.5 million, an increase of \$162.2 million, or 95.8 percent. The increase in earnings was primarily due to the fair value adjustments on investment properties and higher property revenue while reducing property expenses.

3.4.2 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 7.3.1 in this MD&A for definitions and further information on performance measures.

(C\$ in millions)				YTD		YTD	
	Q3 2021	Q3 2020	Change	Q3 2021	Q3 2020	Change	
Net operating income ¹	\$ 100.8	\$ 95.2	5.9 %	\$ 300.2	\$ 284.7	5.4 %	
Funds from operations ¹	72.4	68.6	5.9 %	215.6	202.5	6.4 %	
Adjusted funds from operations ¹	64.8	60.1	8.2 %	192.4	176.6	8.9 %	

¹ Non-GAAP measures exclude all fair value adjustments, refer to section 7.3.2 in this MD&A for additional information.

Net operating income (NOI)

NOI for the quarter increased by 5.9 percent compared to the prior year, primarily due to the acquisition of income-producing properties and completion of properties that were under development in 2021 and 2020. NOI is a non-GAAP measure. Refer to section 7.3.2 for additional information.

Funds from operations (FFO)

FFO for the quarter increased by 5.9 percent compared to the prior year, primarily due to the impact of NOI variances, lower interest expense and timing of professional fees. FFO is a non-GAAP measure. Refer to section 7.3.2 for additional information.

Adjusted funds from operations

AFFO for the quarter increased by 8.2 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 7.3.2 for additional information.

4.0 Balance Sheet Analysis, Liquidity, and Capital Resources

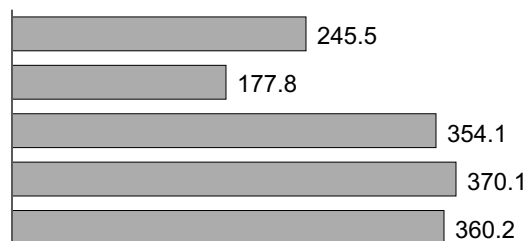
4.1 Selected Balance Sheet Highlights

Selected line items from the Company's assets and liabilities, as at October 2, 2021 and the year-over-year change versus September 26, 2020, are noted below:

Total change	▲ \$ 1,588.6
---------------------	---------------------

Selected Asset	October 2, 2021
Cash and cash equivalents	1,548.3
Short-term Investments	580.0
Loans receivable (current portion)	5,329.1
Merchandise inventories	2,875.2
Right-of-use assets	1,872.6

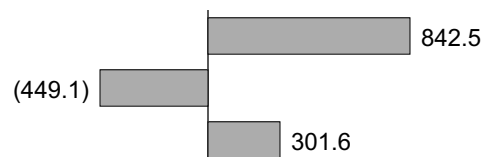
Year-over-year change in assets



Total change	▲ \$ 685.8
---------------------	-------------------

Selected Liability	October 2, 2021
Deposits (current and long-term)	4,091.5
Short-term borrowings	114.8
Lease liabilities (current and long-term)	2,376.4

Year-over-year change in liabilities



Assets

Cash and cash equivalents	▲ \$245.5 million	Refer to section 4.2 for further details.
Short-term Investments	▲ \$177.8 million	Short-term investments increased as the Company ended the quarter with an improved liquidity position in the Financial Services segment.
Loans receivable (current portion)	▲ \$354.1 million	The increase was mainly attributable to higher cardholder activity as well as a reduction in the Company's allowance for loans receivable.
Merchandise inventories	▲ \$370.1 million	The increase was primarily driven by continued investment in non-seasonal and seasonal products at Canadian Tire due to anticipated consumer demand. The impact was partially offset by reduced inventory levels at SportChek due to strong sales growth compared to the prior year as well as the closure of National Sports stores in the year.
Right-of-use assets	▲ \$360.2 million	The increase was driven by renewal of leases based on an annual review of expiring leases performed in Q3, as well as the addition of the Brampton distribution centre lease in Q4 2020.

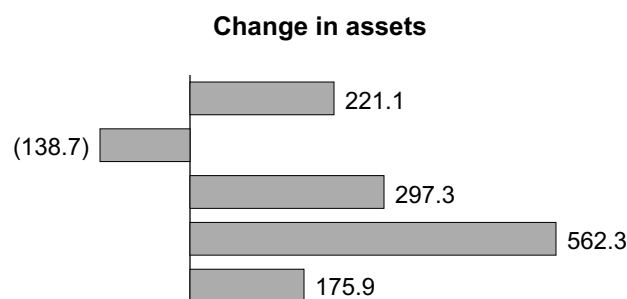
Liabilities

Deposits (current and long-term)	▲ \$842.5 million	The increase was mainly driven by the growth in demand deposits.
Short-term borrowings	▼ \$449.1 million	The decrease was mainly attributable to partial repayment of Glacier asset-backed commercial paper and US commercial paper.
Lease liabilities (current and long-term)	▲ \$301.6 million	The increase was driven by renewal of leases based on an annual review of expiring leases and the addition of the Brampton distribution centre lease in Q4 2020.

Selected line items from the Company's assets and liabilities, as at October 2, 2021 and the change versus January 2, 2021, are noted below:

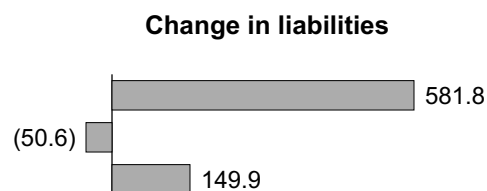
Total change ▲ \$ **1,184.4**

Selected Asset	October 2, 2021
Cash and cash equivalents	1,548.3
Trade and other receivables	834.9
Loans receivable (current portion)	5,329.1
Merchandise inventories	2,875.2
Right-of-use assets	1,872.6



Total change ▲ \$ **659.9**

Selected Liability	October 2, 2021
Deposits (current and long-term)	4,091.5
Short-term borrowings	114.8
Lease liabilities (current and long-term)	2,376.4



Assets

Cash and cash equivalents	▲ \$221.1 million	Refer to section 4.2 for further details.
Trade and other receivables	▼ \$138.7 million	The decrease was primarily attributable to a decrease in Dealer receivables driven by lower shipments to Dealers in the quarter, partially offset by an increase in the fair value position for foreign exchange derivative contracts.
Loans receivable (current portion)	▲ \$297.3 million	The increase was mainly attributable to higher cardholder activity as well a reduction in the Company's allowance for loans receivable.
Merchandise inventories	▲ \$562.3 million	The increase was primarily driven by higher inventory levels at Canadian Tire to meet both seasonal and non-seasonal driven customer demand. Given the depletion in inventory seen in 2020 as well as the anticipated continuation of global supply chain disruption, the Company has worked aggressively to secure inventory to meet upcoming demand. Mark's and Helly Hansen also contributed to an increase in inventory, to a lesser extent than Canadian Tire, since their inventory levels were lower than usual as at 2020 year end.
Right-of-use assets	▲ \$175.9 million	The increase was driven by the renewal of leases based on an annual review of expiring leases performed in Q3.

Liabilities

Deposits (current and long-term)	▲ \$581.8 million	The increase was mainly driven by the growth in demand deposits.
Short-term borrowings	▼ \$50.6 million	The decrease was mainly attributable to partial repayment of Glacier asset-backed commercial paper.
Lease liabilities (current and long-term)	▲ \$149.9 million	The increase was driven by renewal of leases that were soon to be expiring based on an annual review of expiring leases performed in Q3.

4.2 Summary Cash Flows

The Company's cash and cash equivalents position, net of bank indebtedness, was \$1,535.4 million as at October 2, 2021. Selected line items from the Company's Condensed Interim Consolidated Statements of Cash Flows for the quarters ended October 2, 2021 and September 26, 2020 are noted in the following table:

(C\$ in millions)	Q3 2021	Q3 2020	Change
Cash generated from operating activities	\$ 40.7	\$ 488.2	\$ (447.5)
Cash (used for) investing activities	(140.3)	(326.4)	186.1
Cash (used for) financing activities	(304.9)	(857.6)	552.7
Cash (used) in the period	\$ (404.5)	\$ (695.8)	\$ 291.3

(C\$ in millions)	YTD Q3 2021	YTD Q3 2020	Change
Cash generated from operating activities	\$ 673.3	\$ 1,680.2	\$ (1,006.9)
Cash (used for) investing activities	(378.9)	(515.5)	136.6
Cash (used for) financing activities	(86.2)	(63.8)	(22.4)
Cash (used) in the period	\$ 208.2	\$ 1,100.9	\$ (892.7)

	Q3 2021	Year-to-Date
Operating activities	▼ \$447.5 million change <ul style="list-style-type: none"> Excluding the impact of changes in loan receivables and taxes paid, operating activities used \$143.0 million more in cash mainly due to changes within the Retail segment's working capital driven by higher inventory. Further, during Q3 2021, loans receivables grew \$146.7 million, versus a decline in Q3 2020 of \$192.1 million resulting in a year-over-year use of cash of \$338.8 million. The cash used is partially offset by lower income tax payments due to tax refunds received during the quarter. 	▼ \$1,006.9 million change <ul style="list-style-type: none"> Excluding the impact of changes in loan receivables and taxes paid, operating activities generated \$398.9 million of cash mainly from higher net income. During Q3 2021, loans receivables grew \$259.9 million, versus a decline in Q3 2020 of \$934.8 million resulting in a year-over-year use of cash of \$1,194.7 million. In addition, income tax payments were \$211.1 million higher due to improved earnings and the deferral of certain tax payments last year.
Investing activities	▼ \$186.1 million change <ul style="list-style-type: none"> The decrease in cash used for investing activities was primarily due to higher net proceeds from the maturity and disposition of short-term investments, partially offset by higher spending on capital expenditures and acquisition of long-term investments during the quarter. 	▼ \$136.6 million change <ul style="list-style-type: none"> The decrease in cash used for investing activities was primarily due to higher net proceeds from the maturity and disposition of short-term investments and net proceeds on disposition of property and equipment and assets held for sale, partially offset by higher spending on capital expenditures and acquisition of short and long-term investments during the quarter.
Financing activities	▼ \$552.7 million change <ul style="list-style-type: none"> The decrease in cash used for financing activities was primarily due to the prior year's repayment of long-term debt of \$1,450.7 million, partially offset by further issuance of debt in 2020 to support the Company's liquidity position at the onset of the pandemic, compared with nil activity in both debt repayments and debt issuances in the third quarter of the current year. Cash generated from deposits also declined in comparison to the same period in the prior year. 	▲ \$22.4 million change <ul style="list-style-type: none"> The slight increase in cash used for financing activities was primarily due to declines in cash from deposits of \$223.1 million and short-term borrowings of \$164.5 million, offset by declines in the net repayment of debt for the year of \$251.8 million and the repurchase of share capital of \$96.9 million

4.3 Capital Management

The Company's objectives when managing capital are: ensuring sufficient liquidity to meet 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.

4.3.1 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, 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 2021, 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 agreements.

4.4 Investing

4.4.1 Capital Expenditures

The Company's capital expenditures for the periods ended October 2, 2021 and September 26, 2020 were as follows:

(C\$ in millions)	Q3 2021		Q3 2020	
	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Real estate	\$ 108.2	\$ 15.1	\$ 199.8	\$ 64.2
Information technology	36.6	20.8	89.3	51.3
Other operating	29.1	9.2	59.8	30.8
Operational Efficiency program	12.8	13.2	39.8	33.0
Distribution capacity	16.4	11.9	60.2	29.0
Operating capital expenditures	\$ 203.1	\$ 70.2	\$ 448.9	\$ 208.3
CT REIT acquisitions and developments excluding vend-ins from CTC	18.1	11.0	46.2	58.6
Total capital expenditures¹	\$ 221.2	\$ 81.2	\$ 495.1	\$ 266.9

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

	Q3 2021	Year-to-Date
Total capital expenditures	▲ \$140.0 million	▲ \$228.2 million
	<ul style="list-style-type: none"> • Operating capital expenditures were higher compared to the prior year attributable to an increase in Real Estate, Information Technology, distribution capacity, and other operating capital spend. Total capital expenditures were higher as the Company continued its investment into property intensification. 	
	<p>On a year-to-date basis, the Company's operating capital expenditures, including distribution capacity, totalled \$448.9 million, a significant increase from \$208.3 million in 2020 and \$308.1 million in 2019, driven primarily by a catch up in spend on 2020 projects deferred due to restrictions and the desire to ensure a strong cash position and financial flexibility during the pandemic.</p>	

Capital Commitments

The Company had commitments of approximately \$167.7 million as at October 2, 2021 (2020 – \$237.1 million) for the acquisition of tangible and intangible assets.

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

Operating Capital Expenditures

The Company expects its 2021 full-year operating capital expenditures to be within the range of \$650 million to \$700 million, including capital required to fund the Company's Operational Efficiency program and increases in distribution centre capacity.

4.5 Liquidity and Financing

The Company is in a strong liquidity position with the ability to access capital from multiple sources. Several alternative financing sources are available to its Retail, Financial Services, and CT REIT segments to help ensure an appropriate level of liquidity is available to meet the Company's financial obligations and execute its operating and strategic plans.

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

As at October 2, 2021

(C\$ in millions)	Consolidated	Retail	Financial Services	CT REIT
Committed Bank Lines of Credit	\$ 5,337.6	\$ 2,787.6	\$ 2,250.0	\$ 300.0
Less: Borrowings outstanding	64.7	64.7	—	—
Less: U.S. commercial paper outstanding	—	—	—	—
Less: Letters of credit outstanding	5.8	—	—	5.8
Available Committed Bank Lines of Credit	\$ 5,267.1	\$ 2,722.9	\$ 2,250.0	\$ 294.2
Cash and cash equivalents and short-term investments ¹	2,115.4	66.5	2,041.5	7.4
Liquidity	\$ 7,382.5	\$ 2,789.4	\$ 4,291.5	\$ 301.6

¹ Net of bank indebtedness.

The Company ended the quarter with \$2.1 billion cash and short-term investments and \$7.4 billion in liquidity with \$2.8 billion, \$4.3 billion and \$301.6 million at its Retail, Financial Services, and REIT segments, respectively.

Financing Source	
Committed Bank Lines of Credit	<ul style="list-style-type: none"> • Provided by a syndicate of seven Canadian and three international financial institutions, \$1.975 billion in a committed bank line of credit is available to CTC for general corporate purposes. Subsequent to the quarter, the expiry date for \$1.85 billion of CTC's committed bank line of credit was extended from August 2024 to July 2026. The remaining \$125.0 million currently expires in August 2024. There were no borrowings under this bank line as at October 2, 2021. • Provided by a syndicate of five Canadian financial institutions, \$710.0 million in a committed bank line of credit is available to CTC for general corporate purposes, expiring in June 2022. There were no borrowings under this bank line as at October 2, 2021. • Helly Hansen has a 350.0 million NOK secured committed bank line of credit and a 350.0 million NOK factoring facility (each \$51.3 million C\$ equivalent) provided by a Norwegian bank which expire in October 2022. A total of \$64.7 million of C\$ equivalent borrowings (441.4 million NOK) was outstanding on these bank lines as at October 2, 2021. • Scotiabank has provided CTB with a \$250.0 million unsecured committed bank line of credit that is available to CTB for general corporate purposes. Subsequent to the quarter, the commitment was increased to \$500.0 million, and the expiry date was extended from October 2022 to October 2024. There were no borrowings under this bank line as at October 2, 2021. • 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 September 2026. There were no borrowings under this bank line as at October 2, 2021.
GCCT Note Purchase Facilities	<ul style="list-style-type: none"> • Scotiabank has provided CTB with committed note purchase facilities for the purchase of senior and subordinated notes issued by GCCT. Subsequent to the quarter, the commitment was decreased to \$1.75 billion (concurrent with the increase in CTB's bank line referenced above), and the expiry date was extended from October 2022 to October 2024. GCCT had a nominal amount outstanding under these facilities as at October 2, 2021.
Commercial Paper Programs	<ul style="list-style-type: none"> • As at October 2, 2021, CTC had no U.S. commercial paper outstanding. As at October 2, 2021, GCCT had \$50.1 million of asset-backed commercial paper outstanding.
Medium-Term Notes and Debentures	<ul style="list-style-type: none"> • As at October 2, 2021, CTC had an aggregate principal amount of \$950.0 million of medium-term notes outstanding. • As at October 2, 2021, CT REIT had an aggregate principal amount of \$1.1 billion of senior unsecured debentures outstanding. • Additional details on the Company's sources of funding are provided in section 6.5 of the Company's Annual 2020 MD&A.
GCCT Senior and Subordinated Term Notes	<ul style="list-style-type: none"> • As at October 2, 2021, GCCT had an aggregate principal amount of \$2.2 billion of senior and subordinated term notes outstanding. • Additional details on the Company's sources of funding are provided in section 6.5 of the Company's 2020 Annual MD&A.
Broker GIC Deposits	<ul style="list-style-type: none"> • Funds continue to be readily available to CTB through broker networks. As at October 2, 2021, CTB held \$2,529.2 million in broker GIC deposits.
Retail Deposits	<ul style="list-style-type: none"> • Retail deposits consist of demand deposits and retail GIC deposits held by CTB, available both within and outside a Tax-Free Savings Account. As at October 2, 2021, CTB held \$1,572.9 million in retail deposits.

Credit Ratings

There are no changes to the Company's credit ratings as provided in section 6.5 in the Company's 2020 Annual MD&A and in section 4.5 in the Company's Q1 2021 and Q2 2021 MD&A.

4.5.1 Contractual Obligations, Guarantees, and Commitments

For a description of contractual obligations as at January 2, 2021, refer to section 6.5.1 of the Company's 2020 Annual 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 October 2, 2021.

For a discussion of the Company's significant guarantees and commitments, refer to Note 34 to the Company's 2020 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 2020 Consolidated Financial Statements. There were no significant changes in guarantees and commitments identified at year end, other than those discussed in this document.

5.0 Equity

5.1 Shares Outstanding

(C\$ in millions)	October 2, 2021	September 26, 2020	January 2, 2021
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (2020 – 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
57,383,757 Class A Non-Voting Shares (September 26, 2020 – 57,383,757; January 2, 2021 – 57,383,758)	607.1	593.3	596.8
	\$ 607.3	\$ 593.5	\$ 597.0

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 through the facilities of the TSX and/or alternative Canadian trading systems, if eligible, at the market price of the shares at the time of purchase or as otherwise permitted under the rules of the TSX and applicable securities laws. Class A Non-Voting Shares purchased by the Company pursuant to the NCIB are restored to the status of authorized but unissued shares. Securityholders may obtain a copy of the notice, without charge, by contacting the Corporate Secretary of the Company.

On February 19, 2021, the TSX accepted the Company's notice of intention to make an NCIB to purchase up to 5.4 million Class A Non-Voting Shares during the period March 2, 2021 to March 1, 2022. Since the start of this NCIB, Class A Non-Voting Shares have only been purchased for anti-dilutive purposes.

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

Subsequent to the quarter, the Company announced that it intends to purchase up to \$400 million of Class A Non-Voting Shares by the end of 2022, in excess of the amount required for anti-dilutive purposes, and subject to regulatory approval of the renewal of the Company's NCIB in Q1 2022.

5.2 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 the impact of COVID-19 on the Company.

Subsequent to the quarter, on November 10, 2021, the Company approved a 10.6 percent increase in its annual dividend from \$4.70 to \$5.20 per share and declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of \$1.300 per share payable on March 1, 2022, to shareholders of record as of January 31, 2022. This reflects 12 years of consecutive increases. The dividend is considered an "eligible dividend" for tax purposes.

5.3 Equity Derivative Contracts

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

During Q3 2021, 300,000 units of equity forward contracts that hedged stock-options, performance share units, restricted share units and deferred share units settled and resulted in a cash receipt of approximately \$29.1 million. Three hundred thousand units of new equity forward contracts were entered into in Q3 2021 with a hedge rate of \$192.75.

6.0 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 2020 Annual 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 2021.

Income taxes for the 13 weeks ended October 2, 2021 were \$90.4 million (2020 – \$116.0 million). The effective tax rate for the 13 weeks ended October 2, 2021 decreased to 24.5 percent (2020 – 26.2 percent), primarily due to the lower non-deductible stock option expense in the period.

Income taxes for the 39 weeks ended October 2, 2021 were \$256.9 million (2020 – \$112.7 million). The effective tax rate for the 39 weeks ended October 2, 2021 increased to 26.2 percent (2020 – 24.9 percent), primarily due to the lower favourable adjustments to tax estimates and higher non-deductible stock option expense in the period.

7.0 Accounting Policies, Estimates, and Non-GAAP Measures

7.1 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. 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 2020 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's 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 the COVID-19 pandemic affect the judgments and estimates, are described in Note 2 to the Company's 2020 Consolidated Financial Statements and Notes.

7.2 Changes in Accounting Policies

Standards, Amendments and Interpretations Issued and Adopted

Effective in the first quarter 2021, the Company adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), issued in August 2020. These amendments address issues that arise from the implementation of interest rate benchmarks (e.g., interbank offered rates ("IBORs")) reform, where IBORs will be replaced with alternative benchmark rates.

For financial instruments carried at amortized cost, the amendments introduce a practical expedient such that, if a change in the contractual cash flows occurs as a direct consequence of IBOR reform and on an economically equivalent basis, the change will be accounted for by updating the effective interest rate prospectively with no immediate gain or loss recognized. As at October 2, 2021, except for short and long-term investments of \$241.4 million that specify a three-month tenor of the Canadian Dollar Offered Rate (“CDOR”), the Company’s exposure to non-derivative financial assets and financial liabilities to IBORs subject to reform is not significant.

The amendments also provide temporary relief that allow for hedging relationships to continue upon the replacement of an existing interest rate benchmark with an alternative benchmark rate under certain qualifying conditions, including the amendment of the hedge designation and documentation to reflect the new rate, and permit new hedging relationships that are in the scope of the Phase 2 amendments.

The Company enters into interest rate swap contracts to hedge the exposure against interest rate risk on the future interest payments of certain debt issuances and deposits. The Company also enters into “swaption” derivative financial instruments that provide 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 certain debt issuances and deposits. Where hedge accounting can be applied, the Company accounts for these derivatives as cash flow hedges.

Under IBOR reform, CDOR may be subject to discontinuance, changes in methodology, or become unavailable. The Company’s hedging relationships have significant exposure to the CDOR benchmark.

Since the first quarter, the Company adhered to the International Swaps and Derivatives Association Fallbacks Protocol (“ISDA Protocol”). The ISDA Protocol provides specific fallbacks depending on whether the relevant IBOR has been permanently discontinued or is temporarily unavailable. It provides an efficient amendment mechanism for mutually adhering counterparties to incorporate these fallback provisions into legacy derivative contracts.

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 to the Company’s 2020 Consolidated Financial Statements and Notes 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 1, 2022 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 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.

Improving accounting policy disclosures and clarifying distinction between accounting policies and accounting estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 – Presentation of Financial Statements (“IAS 1”), IFRS Practice Statement 2 – Making Materiality Judgments (“IFRS Practice Statement 2”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”).

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is assessing the potential impact of the amendment.

7.3 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.

7.3.1 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 3.2.2 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. For the current year, Comparable sales growth and comparable store gasoline volume growth has been calculated by aligning the 2020 fiscal calendar to match the 2021 fiscal calendar (i.e., sales from the first week in 2021 are compared with the sales from the second week of 2020) and includes the sales of stores which were temporarily closed. Comparable sales in the prior year excluded the sales during the period in which the stores were temporarily closed. The Company also reviews consolidated Comparable sales which include Comparable sales at Canadian Tire (including PartSource, PHL, and Party City), 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 3.2.2 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 3.2.2 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 Retail earnings divided by the Retail invested retail capital. Retail earnings are defined as trailing annual Retail segment after tax earnings excluding interest expense, lease related depreciation expense, inter-segment earnings, and any normalizing items. Retail invested capital is defined as Retail segment total assets, less Retail segment trade payables and accrued liabilities and inter-segment balances based on an average of the trailing four quarters.

In 2021, the Company updated its calculation to include right-of-use assets in the invested capital base in place of operating leases capitalized at a factor of eight under the previous definition. Management restated the previously disclosed metric for comparability of Retail ROIC to conform to the current year calculation. Numerous methods exist to calculate Retail ROIC and the methodology adopted by CTC to calculate Retail ROIC may differ from the methodologies used by other companies. As such, the Company has presented the details of the calculation in the following section for comparison purposes.

(C\$ in millions)	Q3 2021	Q3 2020
Normalized retail income before income taxes	\$ 1,185.2	\$ 541.8
Less:		
Intercompany adjustments ¹	194.7	193.3
Add:		
Interest expense ²	259.2	290.3
Depreciation of right-of-use assets	535.1	516.7
Normalized retail effective tax rate	28.2 %	27.3 %
Taxes	(503.4)	(315.0)
Retail earnings	\$ 1,281.4	\$ 840.5
Retail assets ²	15,542.4	15,082.0
Less:		
Intercompany adjustments ¹	3,415.3	3,413.8
Trade payables and accrued liabilities ³	2,439.2	2,327.8
Retail invested capital	\$ 9,687.9	\$ 9,340.4
Retail ROIC	13.2 %	9.0 %

¹ Intercompany adjustments include intercompany income received from CT REIT which is included in the Retail segment, and intercompany investments made by the Retail segment in CT REIT and CTFs.

² Excludes Franchise Trust.

³ Trade payables and accrued liabilities include trade and other payables, short-term derivative liabilities, short-term provisions and income tax payables.

Return on Receivables

Return on Receivables ("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.

7.3.2 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 October 2, 2021 and September 26, 2020. 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 2021		Q3 2020	
	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Normalized EBITDA adjusted for rent expense	\$ 526.0	\$ 588.1	\$ 1,426.1	\$ 911.6
Add:				
Depreciation of right-of-use assets	74.3	70.5	217.6	210.7
Net finance costs, related to leases	20.7	22.7	64.2	70.2
Normalized EBITDA	\$ 621.0	\$ 681.3	\$ 1,707.9	\$ 1,192.5
Less normalizing items:				
Operational Efficiency program	18.9	7.6	34.4	21.4
EBITDA	\$ 602.1	\$ 673.7	\$ 1,673.5	\$ 1,171.1
Less:				
Depreciation and amortization, other than right-of-use assets ¹	103.0	100.8	305.6	309.2
Depreciation of right-of-use assets	74.3	70.5	217.6	210.7
Net finance costs, other than those related to leases	34.2	37.4	104.2	127.5
Net finance costs, related to leases	20.7	22.7	64.2	70.2
Income before income taxes	\$ 369.9	\$ 442.3	\$ 981.9	\$ 453.5
Income taxes	90.4	116.0	256.9	112.7
Net income	\$ 279.5	\$ 326.3	\$ 725.0	\$ 340.8
Net income attributable to non-controlling interests	35.8	30.0	105.9	77.8
Net income attributable to shareholders of Canadian Tire Corporation	\$ 243.7	\$ 296.3	\$ 619.1	\$ 263.0

¹ Depreciation and amortization reported in cost of producing revenue for the 13 and 39 weeks ended October 2, 2021 was \$4.6 million (2020 – \$3.4 million) and \$12.6 million (2020 – \$9.7 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 October 2, 2021 and September 26, 2020. 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 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Normalized EBITDA adjusted for rent expense	\$ 325.4	\$ 412.6	\$ 806.9	\$ 438.5
Add:				
Depreciation of right-of-use assets	137.0	130.2	403.1	387.9
Net finance costs, related to leases	51.3	54.6	156.8	167.0
Normalized EBITDA	\$ 513.7	\$ 597.4	\$ 1,366.8	\$ 993.4
Less normalizing items:				
Operational Efficiency program	18.9	7.6	34.4	21.4
EBITDA	\$ 494.8	\$ 589.8	\$ 1,332.4	\$ 972.0
Less:				
Depreciation and amortization, other than right-of-use assets ¹	84.0	82.3	247.9	254.1
Depreciation of right-of-use assets	137.0	130.2	403.1	387.9
Net finance (income) costs, other than related to leases	(4.0)	(3.5)	(13.0)	2.6
Net finance costs, related to leases	51.3	54.6	156.8	167.0
Income before income taxes	\$ 226.5	\$ 326.2	\$ 537.6	\$ 160.4

¹ Depreciation and amortization reported in cost of producing revenue for the 13 and 39 weeks ended October 2, 2021 was \$4.6 million (2020 – \$3.4 million) and \$12.6 million (2020 – \$9.7 million).

Normalized Gross Margin

The following table reconciles normalized gross margin to gross margin which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended October 2, 2021 and September 26, 2020.

(C\$ in millions)	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Normalized gross margin	\$ 1,357.1	\$ 1,346.8	\$ 3,890.2	\$ 3,226.7
Less normalizing items:				
Operational Efficiency program	—	—	1.7	—
Gross margin	\$ 1,357.1	\$ 1,346.8	\$ 3,888.5	\$ 3,226.7

Retail Normalized Gross Margin

The following table reconciles Retail normalized gross margin to Retail gross margin which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended October 2, 2021 and September 26, 2020.

(C\$ in millions)	Q3 2021		YTD	
	Q3 2021	Q3 2020	Q3 2021	YTD Q3 2020
Retail normalized gross margin	\$ 1,143.1	\$ 1,161.4	\$ 3,221.8	\$ 2,728.4
Less normalizing items:				
Operational Efficiency program	—	—	1.7	—
Retail gross margin	\$ 1,143.1	\$ 1,161.4	\$ 3,220.1	\$ 2,728.4

Normalized Other (Income) Expense

The following table reconciles normalized other expense (income) to other expense (income) which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended October 2, 2021 and September 26, 2020.

(C\$ in millions)	Q3 2021		YTD	
	Q3 2021	Q3 2020	Q3 2021	YTD Q3 2020
Normalized other (income) expense	\$ (3.6)	\$ 5.6	\$ (29.6)	\$ 29.8
Less normalizing items:				
Operational Efficiency program	(0.9)	—	(0.9)	—
Other (income) expense	\$ (2.7)	\$ 5.6	\$ (28.7)	\$ 29.8

Retail Normalized Other (Income)

The following table reconciles Retail normalized other expense (income) to Retail other expense (income) which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended October 2, 2021 and September 26, 2020.

(C\$ in millions)	Q3 2021		YTD	
	Q3 2021	Q3 2020	Q3 2021	YTD Q3 2020
Retail normalized other (income)	\$ (37.2)	\$ (26.2)	\$ (133.4)	\$ (60.7)
Less normalizing items:				
Operational Efficiency program	(0.9)	—	(0.9)	—
Retail other (income)	\$ (36.3)	\$ (26.2)	\$ (132.5)	\$ (60.7)

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 October 2, 2021 and September 26, 2020. 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 the Company's 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 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Normalized selling, general and administrative expenses adjusted for rent expense	\$ 839.3	\$ 756.5	\$ 2,506.3	\$ 2,295.0
Add:				
Depreciation and amortization, other than right-of-use assets	98.4	97.4	293.0	299.5
Less:				
Net finance costs, related to leases	20.7	22.7	64.2	70.2
Normalized selling, general and administrative expenses	\$ 917.0	\$ 831.2	\$ 2,735.1	\$ 2,524.3
Add normalizing items:				
Operational Efficiency program	18.0	7.6	31.8	21.4
Selling, general and administrative expenses	\$ 935.0	\$ 838.8	\$ 2,766.9	\$ 2,545.7

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 October 2, 2021 and September 26, 2020. 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 the Company's 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 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Normalized selling, general and administrative expenses adjusted for rent expense	\$ 859.5	\$ 778.4	\$ 2,560.9	\$ 2,360.3
Add:				
Depreciation and amortization, other than right-of-use assets	79.4	78.9	235.3	244.4
Less:				
Net finance costs, related to leases	51.3	54.6	156.8	167.0
Normalized selling, general and administrative expenses	\$ 887.6	\$ 802.7	\$ 2,639.4	\$ 2,437.7
Add normalizing items:				
Operational Efficiency program	18.0	7.6	31.8	21.4
Selling, general and administrative expenses	\$ 905.6	\$ 810.3	\$ 2,671.2	\$ 2,459.1

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 October 2, 2021 and September 26, 2020. 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 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Normalized net income	\$ 293.4	\$ 331.9	\$ 750.3	\$ 356.5
Less normalizing items:				
Operational Efficiency program	13.9	5.6	25.3	15.7
Net income	\$ 279.5	\$ 326.3	\$ 725.0	\$ 340.8

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 2021	EPS	Q3 2020	EPS	YTD Q3 2021	EPS	YTD Q3 2020	EPS
Net income/basic EPS	\$ 243.7	\$ 4.01	\$ 296.3	\$ 4.87	\$ 619.1	\$ 10.18	\$ 263.0	\$ 4.32
Add the after-tax impact of the following, attributable to shareholders of the Company:								
Operational Efficiency program	13.9	0.23	5.6	0.09	25.3	0.41	15.7	0.26
Normalized net income/normalized basic EPS	\$ 257.6	\$ 4.24	\$ 301.9	\$ 4.96	\$ 644.4	\$ 10.59	\$ 278.7	\$ 4.58
Normalized net income/normalized diluted EPS	\$ 257.6	\$ 4.20	\$ 301.9	\$ 4.93	\$ 644.4	\$ 10.49	\$ 278.7	\$ 4.56

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 October 2, 2021

(C\$ in millions)	Consolidated	Retail	Financial Services	REIT
Consolidated net debt				
Bank indebtedness	\$ 12.9	\$ 12.9	\$ —	\$ —
Short-term deposits	2,026.0	—	2,026.0	—
Long-term deposits	2,065.5	—	2,065.5	—
Short-term borrowings	114.8	64.7	50.1	—
Current portion of long-term debt	719.7	—	559.9	159.8
Long-term debt	3,547.5	951.4	1,619.1	977.0
Debt	8,486.4	1,029.0	6,320.6	1,136.8
Cash and cash equivalents and short-term investments ¹	(2,128.3)	(79.3)	(2,041.5)	(7.5)
Long-term investments ¹	(176.7)	—	(176.7)	—
Net debt	6,181.4	949.7	4,102.4	1,129.3
Intercompany debt	—	(1,575.0)	82.2	1,492.8
Adjusted net debt	\$ 6,181.4	\$ (625.3)	\$ 4,184.6	\$ 2,622.1

¹ Includes regulatory reserves.

As at September 26, 2020

(C\$ in millions)	Consolidated	Retail	Financial Services	REIT
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	2,177.1	987.2
Debt	8,085.0	1,224.5	5,722.9	1,137.6
Cash and cash equivalents and short-term investments ^{1,2}	(1,705.0)	(77.7)	(1,590.8)	(36.5)
Long-term investments ^{1,2}	(176.3)	—	(176.3)	—
Net debt	6,203.7	1,146.8	3,955.8	1,101.1
Intercompany debt	—	(1,526.3)	74.7	1,451.6
Adjusted net debt	\$ 6,203.7	\$ (379.5)	\$ 4,030.5	\$ 2,552.7

¹ Includes regulatory reserves.² The prior period figures have been restated to align with current year presentation.

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 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Property revenue	\$ 125.5	\$ 123.2	\$ 385.0	\$ 375.5
Less:				
Property expense	23.3	25.6	80.2	83.0
Property straight-line rent revenue	1.4	2.4	4.6	7.8
Net operating income	\$ 100.8	\$ 95.2	\$ 300.2	\$ 284.7

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 October 2, 2021 and September 26, 2020, to FFO and AFFO:

(C\$ in millions)	Q3 2021		Q3 2020	
	Q3 2021	Q3 2020	YTD Q3 2021	YTD Q3 2020
Income before income taxes	\$ 78.3	\$ 64.1	\$ 331.5	\$ 169.3
Fair value (gain) loss adjustment	(5.9)	4.4	(116.7)	33.5
Deferred taxes	(0.2)	(0.1)	0.4	0.5
Lease principal payments on right-of-use assets	(0.2)	(0.2)	(0.8)	(0.6)
Fair value of equity awards	0.3	0.2	0.7	(0.7)
Internal leasing expense	0.1	0.2	0.5	0.5
Funds from operations	\$ 72.4	\$ 68.6	\$ 215.6	\$ 202.5
Properties straight-line rent adjustment	(1.4)	(2.4)	(4.6)	(7.8)
Capital expenditure reserve	(6.2)	(6.1)	(18.6)	(18.1)
Adjusted funds from operations	\$ 64.8	\$ 60.1	\$ 192.4	\$ 176.6

8.0 Key Risks and Risk Management

CTC is regularly faced with 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 ("ERM") Framework for identifying, assessing, monitoring, mitigating and reporting key risks. The ERM Framework is designed to:

- safeguard the Company and its reputation;
- support the achievement of the Company's strategic objectives;
- preserve and enhance shareholder value; 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.

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

Management regularly monitors the business to identify and assess key risks that, alone or in combination with other interrelated risks, could have a significant adverse impact on the Company's brand, financial position, and/or ability to achieve its strategic objectives. The Board is responsible for the oversight of risk, while the Audit Committee reports to the Board on management's assessment of key and emerging risks, including mitigation plans and risk ratings, and recommends, for the Board's approval, changes to the ERM Framework and policies that govern risk.

Refer to section 10.0 in the Company's 2020 Annual MD&A for further details of CTC's ERM Framework and discussion of key risks.

9.0 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 2020 Annual MD&A.

Changes in Internal Control Over Financial Reporting

During the quarter ended October 2, 2021, 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.

10.0 Environmental and Social Responsibility

10.1 Overview

The Company is making significant progress in executing sustainability initiatives that reduce both energy consumption and waste, as well as using more sustainable materials in its products. In line with global and Canadian efforts to combat climate change, the Company has also set targets to reduce its Greenhouse Gas (GHG) emissions. For additional details on the Company's sustainability strategy please refer to section 2.8 of the 2020 AIF. A copy of the Environmental Sustainability Report is available at <https://corp.canadiantire.ca/English/sustainability/sustainability-reports/default.aspx>.

CTC supports a variety of social causes, but the largest single beneficiary is Canadian Tire Jumpstart Charities. For details on the Company's commitment to various social causes aimed at improving social outcomes for Canadians, refer to section 2.8 of the 2020 AIF. Additional information regarding Jumpstart is available on their website at: <http://jumpstart.canadiantire.ca>.

The Company's approach to environmental, social and governance (ESG) matters is overseen by the ESG Executive Council and by the Board of Directors, principally through its Brand and Corporate Responsibility Committee but also through its Governance, Management Resources and Compensation, and Audit Committees.

11.0 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 Company's Operational Efficiency program, including the target annualized savings in section 3.1.1;
- the Company's 2021 full-year operating capital expenditures in section 4.4.1; and
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in section 5.1.

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 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 executives and 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 Owned 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, competition, seasonality, weather patterns, climate change, commodity prices and business continuity; (h) the Company's relationships with its Dealers, franchisees, suppliers, manufacturers, partners and other third parties; (i) changes in laws, rules, regulations and policies applicable to the Company's business; (j) the risk of damage to the Company's reputation and brand; (k) the cost of store network expansion and retrofits; (l) the Company's capital structure, funding strategy, cost management program, and share price; (m) the Company's ability to obtain all necessary regulatory approvals; (n) the Company's ability to complete any proposed acquisition; and (o) 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. Management cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, refer to section 10.0 (Key Risks and Risk Management) of the 2020 Annual MD&A and all subsections thereunder, 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 financial statements and MD&A are also available at www.sedar.com.

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

November 10, 2021

CANADIAN TIRE CORPORATION, LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Q3 2021

Index to the Financial Statements and Notes

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

Condensed Interim Consolidated Balance Sheets (Unaudited).....	46
Condensed Interim Consolidated Statements of Income (Unaudited).....	47
Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited).....	48
Condensed Interim Consolidated Statements of Cash Flows (Unaudited).....	49
Condensed Interim Consolidated Statements of Changes in Equity (Unaudited).....	50

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. The Company and its Operations	51
Note 2. Basis of Preparation	51
Note 3. Capital Management	54
Note 4. Liquidity and Financing	55
Note 5. Operating Segments	55
Note 6. Loans Receivable	58
Note 7. Long-Term Debt	60
Note 8. Share Capital	60
Note 9. Share-Based Payments	61
Note 10. Revenue	62
Note 11. Cost of Producing Revenue	63
Note 12. Selling, General and Administrative Expenses	63
Note 13. Net Finance Costs	63
Note 14. Income Taxes	64
Note 15. Notes to the Condensed Interim Consolidated Statements of Cash Flows	64
Note 16. Financial Instruments	65
Note 17. Contingencies	66

Condensed Interim Consolidated Balance Sheets

As at (C\$ in millions)(unaudited)	October 2, 2021	September 26, 2020	January 2, 2021
ASSETS			
Cash and cash equivalents (Note 15)	\$ 1,548.3	\$ 1,302.8	\$ 1,327.2
Short-term investments	580.0	402.2	643.0
Trade and other receivables	834.9	917.7	973.6
Loans receivable (Note 6)	5,329.1	4,975.0	5,031.8
Merchandise inventories	2,875.2	2,505.1	2,312.9
Income taxes recoverable	24.9	36.0	21.9
Prepaid expenses and deposits	220.9	179.7	193.8
Assets classified as held for sale	4.3	15.6	42.6
Total current assets	11,417.6	10,334.1	10,546.8
Long-term receivables and other assets	660.7	683.1	631.9
Long-term investments	176.7	176.3	146.2
Goodwill and intangible assets	2,374.1	2,331.3	2,372.8
Investment property	389.2	391.1	385.8
Property and equipment	4,439.7	4,247.1	4,298.2
Right-of-use assets	1,872.6	1,512.4	1,696.7
Deferred income taxes	230.9	297.5	298.7
Total assets	\$ 21,561.5	\$ 19,972.9	\$ 20,377.1
LIABILITIES			
Bank indebtedness (Note 15)	\$ 12.9	\$ 6.8	\$ —
Deposits	2,026.0	966.6	1,228.0
Trade and other payables	2,572.8	2,555.6	2,508.3
Provisions	176.6	169.3	196.7
Short-term borrowings	114.8	563.9	165.4
Loans	492.6	552.4	506.6
Current portion of lease liabilities	361.0	355.7	329.9
Income taxes payable	66.8	100.2	120.4
Current portion of long-term debt	719.7	150.5	150.5
Total current liabilities	6,543.2	5,421.0	5,205.8
Long-term provisions	63.5	68.3	70.3
Long-term debt	3,547.5	4,114.8	4,115.7
Long-term deposits	2,065.5	2,282.4	2,281.7
Long-term lease liabilities	2,015.4	1,719.1	1,896.6
Deferred income taxes	123.1	121.3	122.0
Other long-term liabilities	844.1	789.6	850.3
Total liabilities	15,202.3	14,516.5	14,542.4
EQUITY			
Share capital (Note 8)	607.3	593.5	597.0
Contributed surplus	2.9	2.9	2.9
Accumulated other comprehensive loss	(154.6)	(203.4)	(237.7)
Retained earnings	4,532.6	3,732.3	4,136.9
Equity attributable to shareholders of Canadian Tire Corporation	4,988.2	4,125.3	4,499.1
Non-controlling interests	1,371.0	1,331.1	1,335.6
Total equity	6,359.2	5,456.4	5,834.7
Total liabilities and equity	\$ 21,561.5	\$ 19,972.9	\$ 20,377.1

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

Condensed Interim Consolidated Statements of Income

For the (C\$ in millions, except share and per share amounts)(unaudited)	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Revenue (Note 10)	\$ 3,913.1	\$ 3,986.4	\$ 11,154.5	\$ 9,996.5
Cost of producing revenue (Note 11)	2,556.0	2,639.6	7,266.0	6,769.8
Gross margin	1,357.1	1,346.8	3,888.5	3,226.7
Other (income) expense	(2.7)	5.6	(28.7)	29.8
Selling, general and administrative expenses (Note 12)	935.0	838.8	2,766.9	2,545.7
Net finance costs (Note 13)	54.9	60.1	168.4	197.7
Income before income taxes	369.9	442.3	981.9	453.5
Income taxes	90.4	116.0	256.9	112.7
Net income	\$ 279.5	\$ 326.3	\$ 725.0	\$ 340.8
Net income attributable to:				
Shareholders of Canadian Tire Corporation	\$ 243.7	\$ 296.3	\$ 619.1	\$ 263.0
Non-controlling interests	35.8	30.0	105.9	77.8
	\$ 279.5	\$ 326.3	\$ 725.0	\$ 340.8
Basic earnings per share	\$ 4.01	\$ 4.87	\$ 10.18	\$ 4.32
Diluted earnings per share	\$ 3.97	\$ 4.84	\$ 10.08	\$ 4.30
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	60,807,123	60,808,021	60,807,859	60,928,842
Diluted	61,337,523	61,185,383	61,430,301	61,101,887

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

Condensed Interim Consolidated Statements of Comprehensive Income

For the (C\$ in millions)(unaudited)	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net income	\$ 279.5	\$ 326.3	\$ 725.0	\$ 340.8
Other comprehensive income (loss), net of taxes				
Items that may be reclassified subsequently to net income:				
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	4.3	(1.5)	9.5	(33.2)
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	(3.0)	3.9	—	(3.6)
Reclassification of losses to income	2.6	0.5	11.7	1.0
Currency translation adjustment	23.3	(10.1)	(12.7)	(61.8)
Items that will not be reclassified subsequently to net income:				
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	50.1	(25.8)	1.3	54.4
Other comprehensive income (loss)	\$ 77.3	\$ (33.0)	\$ 9.8	\$ (43.2)
Other comprehensive income (loss) attributable to:				
Shareholders of Canadian Tire Corporation	\$ 76.5	\$ (33.5)	\$ 5.5	\$ (36.0)
Non-controlling interests	0.8	0.5	4.3	(7.2)
	\$ 77.3	\$ (33.0)	\$ 9.8	\$ (43.2)
Comprehensive income	\$ 356.8	\$ 293.3	\$ 734.8	\$ 297.6
Comprehensive income attributable to:				
Shareholders of Canadian Tire Corporation	\$ 320.2	\$ 262.8	\$ 624.6	\$ 227.0
Non-controlling interests	36.6	30.5	110.2	70.6
	\$ 356.8	\$ 293.3	\$ 734.8	\$ 297.6

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

Condensed Interim Consolidated Statements of Cash Flows

For the (C\$ in millions)(unaudited)	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Cash (used for) generated from:				
Operating activities				
Net income	\$ 279.5	\$ 326.3	\$ 725.0	\$ 340.8
Adjustments for:				
Depreciation of property and equipment, investment property and right-of-use assets (Notes 11 and 12)	146.3	144.4	433.6	435.1
(Reversal of) impairment on property and equipment, right-of-use assets and intangible assets	(0.9)	—	(0.9)	27.9
Income taxes	90.4	116.0	256.9	112.7
Net finance costs (Note 13)	54.9	60.1	168.4	197.7
Amortization of intangible assets (Note 12)	31.0	26.9	89.6	84.8
(Gain) loss on disposal of property and equipment, investment property, assets held for sale and right-of-use assets	(5.0)	2.9	(18.7)	(5.9)
Total except as noted below	596.2	676.6	1,653.9	1,193.1
Interest paid	(67.8)	(72.7)	(189.4)	(217.3)
Interest received	3.3	4.0	9.6	12.4
Income taxes paid	(30.0)	(64.3)	(280.9)	(69.8)
Change in loans receivable	(146.7)	192.1	(259.9)	934.8
Change in operating working capital and other	(314.3)	(247.5)	(260.0)	(173.0)
Cash generated from operating activities	40.7	488.2	673.3	1,680.2
Investing activities				
Additions to property and equipment and investment property	(119.8)	(54.8)	(331.9)	(189.0)
Additions to intangible assets	(39.8)	(55.4)	(103.4)	(103.2)
Total additions	(159.6)	(110.2)	(435.3)	(292.2)
Acquisition of short-term investments	(267.6)	(307.4)	(757.7)	(467.4)
Proceeds from maturity and disposition of short-term investments	332.1	106.7	855.9	296.8
Proceeds on disposition of property and equipment, investment property and assets held for sale	5.2	1.9	62.1	3.5
Lease payments for finance subleases (principal portion)	2.7	4.2	10.6	12.6
Acquisition of long-term investments and other	(53.1)	(21.6)	(114.5)	(68.8)
Cash used for investing activities	(140.3)	(326.4)	(378.9)	(515.5)
Financing activities				
Dividends paid	(68.0)	(65.4)	(203.4)	(197.4)
Distributions paid to non-controlling interests	(16.1)	(24.2)	(87.1)	(65.5)
Total dividends and distributions paid	(84.1)	(89.6)	(290.5)	(262.9)
Net issuance (repayment) of short-term borrowings	27.7	175.0	(50.6)	113.9
Issuance of loans	42.5	13.6	267.8	164.7
Repayment of loans	(116.2)	(73.5)	(281.8)	(233.7)
Issuance of long-term debt	—	480.0	150.0	1,198.6
Repayment of long-term debt	(0.1)	(1,450.1)	(150.3)	(1,450.7)
Payment of lease liabilities (principal portion)	(93.4)	(84.5)	(267.9)	(254.6)
Payment of transaction costs related to long-term debt	—	(1.9)	(1.0)	(2.2)
Purchase of Class A Non-Voting Shares	(3.5)	(3.7)	(11.0)	(107.9)
Payments on financial instruments	(7.0)	(15.6)	(29.2)	(30.4)
Change in deposits	(70.8)	192.7	578.3	801.4
Cash (used for) financing activities	(304.9)	(857.6)	(86.2)	(63.8)
Cash (used) generated in the period	(404.5)	(695.8)	208.2	1,100.9
Cash and cash equivalents, beginning of period	1,939.9	1,991.8	1,327.2	195.1
Cash and cash equivalents, end of period	\$ 1,535.4	\$ 1,296.0	\$ 1,535.4	\$ 1,296.0

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

Condensed Interim Consolidated Statements of Changes in Equity

(C\$ in millions)(unaudited)	Total accumulated other comprehensive income (loss)					Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
	Share capital	Contributed surplus	Cash flow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)				
Balance at January 2, 2021	\$597.0	\$2.9	\$(123.1)	\$(114.6)	\$(237.7)	\$4,136.9	\$4,499.1	\$1,335.6	\$5,834.7
Net income	—	—	—	—	—	619.1	619.1	105.9	725.0
Other comprehensive income (loss)	—	—	18.2	(12.7)	5.5	—	5.5	4.3	9.8
Total comprehensive income (loss)	—	—	18.2	(12.7)	5.5	619.1	624.6	110.2	734.8
Transfers of cash flow hedge losses to non-financial assets	—	—	77.6	—	77.6	—	77.6	—	77.6
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 8)	10.9	—	—	—	—	—	10.9	—	10.9
Purchase of Class A Non-Voting Shares (Note 8)	(11.0)	—	—	—	—	—	(11.0)	—	(11.0)
Excess of purchase price over average cost (Note 8)	10.4	—	—	—	—	(10.4)	—	—	—
Dividends	—	—	—	—	—	(213.0)	(213.0)	—	(213.0)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	12.3	12.3
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(87.1)	(87.1)
Total contributions and distributions	10.3	—	77.6	—	77.6	(223.4)	(135.5)	(74.8)	(210.3)
Balance at October 2, 2021	\$ 607.3	\$ 2.9	\$(27.3)	\$(127.3)	\$(154.6)	\$ 4,532.6	\$ 4,988.2	\$ 1,371.0	\$ 6,359.2

(C\$ in millions)(unaudited)	Total accumulated other comprehensive income (loss)					Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
	Share capital	Contributed surplus	Cash flow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)				
Balance at December 28, 2019	\$ 588.0	\$ 2.9	\$(28.3)	\$(101.6)	\$(129.9)	\$ 3,729.6	\$ 4,190.6	\$ 1,314.1	\$ 5,504.7
Net 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
Purchase 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

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 the entities it controls are together referred to in these condensed interim consolidated financial statements as the “Company”, “CTC” or “Canadian Tire Corporation”.

The Company comprises 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 October 2, 2021 (and comparative results for the 13 and 39 weeks ended September 26, 2020) 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 2020 Consolidated Financial Statements and Notes and have been prepared using the same accounting policies described in Note 3 to the 2020 Consolidated Financial Statements and Notes.

These interim financial statements were authorized for issuance by the Company’s Board of Directors on November 10, 2021.

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 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 interim 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.

As disclosed in Note 2 to the Company's 2020 Consolidated Financial Statements and Notes, the Coronavirus ("COVID-19") pandemic continues to give rise to heightened uncertainty as it relates to accounting estimates and assumptions and increases the need to apply judgments when evaluating the economic environment and its impact on significant estimates.

There is significant uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic will have on the Company's operations. The extent to which the impacts of the COVID-19 pandemic affects the judgments and estimates described in Note 2 to the Company's 2020 Consolidated Financial Statements and Notes depend on future developments, which are highly uncertain and cannot be predicted. COVID-19 continues to impact assumptions relating to the impairment analysis of the Company's investment property, right-of-use assets, property and equipment and goodwill and intangible assets, the inputs used to fair value the redeemable financial instrument and the information used in determining the estimate of allowances on credit card loans receivables. The changes in assumptions and inputs during the quarter did not impact these interim financial statements, except as it related to the allowances on credit card loans receivable as described in Note 6.

Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these interim financial statements, including but not limited to, Impairment of Financial and Non-Financial Assets, Fair Value of Redeemable Financial Instruments and Loans Receivable.

Details of the accounting policies subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 2 to the Company's 2020 Consolidated Financial Statements and Notes.

Standards, Amendments and Interpretations Issued and Adopted

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

Effective in the first quarter 2021, the Company adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), issued in August 2020. These amendments address issues that arise from the implementation of interest rate benchmarks (e.g., interbank offered rates ("IBORs")) reform, where IBORs will be replaced with alternative benchmark rates.

For financial instruments carried at amortized cost, the amendments introduce a practical expedient such that, if a change in the contractual cash flows occurs as a direct consequence of IBOR reform and on an economically equivalent basis, the change will be accounted for by updating the effective interest rate prospectively with no immediate gain or loss recognized. As at October 2, 2021, except for short and long-term investments of \$241.4 million that specify a three-month tenor of the Canadian Dollar Offered Rate ("CDOR"), the Company's exposure to non-derivative financial assets and financial liabilities to IBORs subject to reform is not significant.

The amendments also provide temporary relief that allow for hedging relationships to continue upon the replacement of an existing interest rate benchmark with an alternative benchmark rate under certain qualifying conditions, including the amendment of the hedge designation and documentation to reflect the new rate, and permit new hedging relationships that are in the scope of the Phase 2 amendments.

The Company enters into interest rate swap contracts to hedge the exposure against interest rate risk on the future interest payments of certain debt issuances and deposits. The Company also enters into “swaption” derivative financial instruments that provide 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 certain debt issuances and deposits. Where hedge accounting can be applied, the Company accounts for these derivatives as cash flow hedges.

Under IBOR reform, CDOR may be subject to discontinuance, changes in methodology, or become unavailable. The Company’s hedging relationships have significant exposure to the CDOR benchmark.

Since the first quarter, the Company adhered to the International Swaps and Derivatives Association Fallbacks Protocol (“ISDA Protocol”). The ISDA Protocol provides specific fallbacks depending on whether the relevant IBOR has been permanently discontinued or is temporarily unavailable. It provides an efficient amendment mechanism for mutually adhering counterparties to incorporate these fallback provisions into legacy derivative contracts.

Management is closely monitoring the impacted hedging relationship for possible changes to CDOR and its possible replacement with a new interest rate benchmark. Effective May 17, 2021, Refinitiv Benchmark Services (UK) Limited, the administrator of CDOR, ceased publication of the six and 12 month tenors of CDOR. The one, two and three-month tenors of CDOR will continue to be published. As of the date of these interim financial statements, the Company’s hedging instruments do not specify six and 12 month tenors of CDOR. The practical expedients available under these amendments will be applied for the 2021 annual fiscal period and beyond once the IBOR reform begins to impact the hedge accounting requirements.

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 1, 2022 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 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.

Improving accounting policy disclosures and clarifying distinction between accounting policies and accounting estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 – Presentation of Financial Statements (“IAS 1”), IFRS Practice Statement 2 – Making Materiality Judgments (“IFRS Practice Statement 2”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”).

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied

prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is assessing the potential impact of the amendment.

3. Capital Management

The Company's objectives when managing capital are:

- ensuring sufficient liquidity to meet 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 its credit ratings.

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

The Company was in compliance with all financial covenants under its bank credit agreements as at October 2, 2021. Under these covenants, the Company has sufficient flexibility to support business growth.

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 October 2, 2021.

CT Real Estate Investment Trust ("CT REIT") is required to comply with covenants established under its Declaration of Trust, Trust Indenture and bank credit agreement and was in compliance with all financial covenants thereunder as at October 2, 2021.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB" or the "Bank"), a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain covenants established under its bank credit agreements. As at October 2, 2021, 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 agreements.

4. Liquidity and Financing

As at October 2, 2021, the Company (excluding Helly Hansen) had no borrowings on its committed bank lines of credit and no U.S. Commercial Paper outstanding. Helly Hansen had \$64.7 million of C\$ equivalent borrowings outstanding on its committed bank line of credit (180.0 million Norwegian Krone ["NOK"]) and its factoring facility (261.4 million NOK). CT REIT had no borrowings under its committed bank line of credit.

As at October 2, 2021, Glacier Credit Card Trust ("GCCT") had \$50.1 million of asset-backed commercial paper outstanding and a nominal amount outstanding on CTB's 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, Financial Services, and CT REIT. 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 City¹ and various SportChek banners. Retail also includes the Dealer Loan Program (the portion [silo] of Franchise Trust that issues loans to certain Dealers). Non-CT REIT real estate is included in Retail.
- 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 products, and provides settlement services to the Company's affiliates. Financial Services includes CTB, a federally regulated Schedule I bank that manages and finances the Company's consumer Mastercard portfolio, as well as an existing block of Canadian Tire branded line of credit loans. CTB also offers high-interest savings ("HIS") account deposits, 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 receivable. GCCT issues debt to third-party investors to fund its purchases.
- 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 industrial properties.

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:

¹"Party City" refers to the party supply business that operates under the Party City name and trademarks in Canada.

For the	13 weeks ended									
	October 2, 2021					September 26, 2020				
(C\$ in millions)	Financial Retail	Financial Services	CT REIT	Eliminations and adjustments	Total	Retail	Financial Services	CT REIT	Eliminations and adjustments	Total
External revenue	\$ 3,606.4	\$ 295.6	\$ 12.8	\$ (1.7)	\$ 3,913.1	\$ 3,684.2	\$ 291.4	\$ 12.6	\$ (1.8)	\$ 3,986.4
Intercompany revenue	0.7	12.0	112.7	(125.4)	—	0.6	9.9	110.6	(121.1)	—
Total revenue	3,607.1	307.6	125.5	(127.1)	3,913.1	3,684.8	301.3	123.2	(122.9)	3,986.4
Cost of producing revenue	2,464.0	108.1	—	(16.1)	2,556.0	2,523.4	133.7	—	(17.5)	2,639.6
Gross margin	1,143.1	199.5	125.5	(111.0)	1,357.1	1,161.4	167.6	123.2	(105.4)	1,346.8
Other (income) expense	(36.3)	(0.5)	—	34.1	(2.7)	(26.2)	0.2	—	31.6	5.6
Selling, general and administrative expenses	905.6	84.1	26.8	(81.5)	935.0	810.3	77.5	28.4	(77.4)	838.8
Net finance costs (income)	47.3	(1.8)	26.3	(16.9)	54.9	51.1	(0.6)	26.3	(16.7)	60.1
Fair value (gain) loss on investment properties	—	—	(5.9)	5.9	—	—	—	4.4	(4.4)	—
Income before income taxes	\$ 226.5	\$ 117.7	\$ 78.3	\$ (52.6)	\$ 369.9	\$ 326.2	\$ 90.5	\$ 64.1	\$ (38.5)	\$ 442.3
Items included in the above:										
Depreciation and amortization	\$ 221.0	\$ 3.1	\$ —	\$ (46.8)	\$ 177.3	\$ 212.5	\$ 3.3	\$ —	\$ (44.5)	\$ 171.3
Interest income	19.3	258.0	—	(16.0)	261.3	20.6	255.4	—	(16.1)	259.9
Interest expense	64.8	39.1	26.3	(48.2)	82.0	69.1	38.1	26.3	(49.3)	84.2

For the	39 weeks ended									
	October 2, 2021					September 26, 2020				
(C\$ in millions)	Financial Retail	Financial Services	CT REIT	Eliminations and adjustments	Total	Retail	Financial Services	CT REIT	Eliminations and adjustments	Total
External revenue	\$10,250.8	\$ 869.5	\$ 39.5	\$ (5.3)	\$11,154.5	\$ 9,036.0	\$ 927.4	\$ 39.8	\$ (6.7)	\$ 9,996.5
Intercompany revenue	2.3	31.4	345.5	(379.2)	—	1.8	25.7	335.7	(363.2)	—
Total revenue	10,253.1	900.9	385.0	(384.5)	11,154.5	9,037.8	953.1	375.5	(369.9)	9,996.5
Cost of producing revenue	7,033.0	280.7	—	(47.7)	7,266.0	6,309.4	514.0	—	(53.6)	6,769.8
Gross margin	3,220.1	620.2	385.0	(336.8)	3,888.5	2,728.4	439.1	375.5	(316.3)	3,226.7
Other (income) expense	(132.5)	3.5	—	100.3	(28.7)	(60.7)	0.8	—	89.7	29.8
Selling, general and administrative expenses	2,671.2	250.1	90.9	(245.3)	2,766.9	2,459.1	227.7	92.0	(233.1)	2,545.7
Net finance costs (income)	143.8	(2.8)	79.3	(51.9)	168.4	169.6	(1.1)	80.7	(51.5)	197.7
Fair value (gain) loss on investment properties	—	—	(116.7)	116.7	—	—	—	33.5	(33.5)	—
Income before income taxes	\$ 537.6	\$ 369.4	\$ 331.5	\$ (256.6)	\$ 981.9	\$ 160.4	\$ 211.7	\$ 169.3	\$ (87.9)	\$ 453.5
Items included in the above:										
Depreciation and amortization	\$ 651.0	\$ 9.8	\$ —	\$ (137.6)	\$ 523.2	\$ 642.0	\$ 10.0	\$ —	\$ (132.1)	\$ 519.9
Interest income	58.6	748.0	—	(48.2)	758.4	67.7	806.3	0.1	(50.9)	823.2
Interest expense	196.9	116.1	79.3	(145.2)	247.1	226.4	109.3	80.8	(151.7)	264.8

The eliminations and adjustments include the following items:

- reclassifications of certain revenues and costs in the Financial Services segment to net finance costs (income);
- 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 primarily through Helly Hansen. Foreign revenue earned by Helly Hansen for the 13 and 39 weeks ended October 2, 2021 amounted to \$145.0 million (September 26, 2020 – \$142.6 million) and \$367.4 million (September 26, 2020 – \$321.8 million),

respectively. Property and equipment, intangible assets (brand and goodwill) and right-of-use assets located outside of Canada was \$947.8 million as at October 2, 2021 (September 26, 2020 – \$906.5 million).

Capital expenditures by reportable operating segment are as follows:

For the	13 weeks ended				September 26, 2020			
	October 2, 2021							
(C\$ in millions)	Retail	Financial Services	CT REIT	Total	Retail	Financial Services	CT REIT	Total
Capital expenditures ¹	\$ 186.1	\$ 2.7	\$ 18.1	\$ 206.9	\$ 69.3	\$ 0.9	\$ 11.0	\$ 81.2

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 and intellectual property additions.

For the	39 weeks ended				September 26, 2020			
	October 2, 2021							
(C\$ in millions)	Retail	Financial Services	CT REIT	Total	Retail	Financial Services	CT REIT	Total
Capital expenditures ¹	\$ 427.9	\$ 6.7	\$ 46.2	\$ 480.8	\$ 205.8	\$ 2.5	\$ 58.6	\$ 266.9

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

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

For the	13 weeks ended				September 26, 2020			
	October 2, 2021							
(C\$ in millions)	Retail	Financial Services	CT REIT	Total	Retail	Financial Services	CT REIT	Total
Right-of-use asset additions	\$ 171.5	\$ —	\$ —	\$ 171.5	\$ 58.8	\$ —	\$ —	\$ 58.8

For the	39 weeks ended				September 26, 2020			
	October 2, 2021							
(C\$ in millions)	Retail	Financial Services	CT REIT	Total	Retail	Financial Services	CT REIT	Total
Right-of-use asset additions	\$ 403.5	\$ —	\$ 3.4	\$ 406.9	\$ 135.9	\$ 1.8	\$ 3.0	\$ 140.7

Total assets by reportable operating segment are as follows:

(C\$ in millions)	As at	October 2, 2021	September 26, 2020	January 2, 2021
Retail		\$ 16,419.2	\$ 15,589.5	\$ 15,937.2
Financial Services		7,832.4	7,034.7	7,134.2
CT REIT		6,365.8	6,139.6	6,176.1
Eliminations and adjustments		(9,055.9)	(8,790.9)	(8,870.4)
Total assets ¹		\$ 21,561.5	\$ 19,972.9	\$ 20,377.1

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

Total liabilities by reportable operating segment are as follows:

(C\$ in millions)

As at	October 2, 2021	September 26, 2020	January 2, 2021
Retail	\$ 9,628.1	\$ 9,569.6	\$ 9,534.6
Financial Services	6,722.3	6,016.4	6,120.5
CT REIT	2,771.0	2,755.3	2,800.3
Eliminations and adjustments	(3,919.1)	(3,824.8)	(3,913.0)
Total liabilities¹	\$ 15,202.3	\$ 14,516.5	\$ 14,542.4

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

The eliminations and adjustments include the following items:

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

6. Loans Receivable

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

(C\$ in millions)

As at	Total principal amount of receivables ¹		
	October 2, 2021	September 26, 2020	January 2, 2021
Credit card loans ²	\$ 5,257.8	\$ 4,928.3	\$ 4,983.8
Dealer and other loans ³	493.6	553.5	507.7
Total loans receivable	5,751.4	5,481.8	5,491.5
Less: long-term portion ⁴	422.3	506.8	459.7
Current portion of loans receivable	\$ 5,329.1	\$ 4,975.0	\$ 5,031.8

¹ Amounts shown are net of allowances for loans receivable.

² Includes line of credit loans.

³ Dealer loans of \$492.6 million relate 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 \$421.3 million (September 26, 2020 – \$505.7 million and January 2, 2021 – \$458.7 million).

The Company's allowances for loans receivable decreased by \$52.3 million from January 2, 2021. The reduction is primarily due to the ongoing strength in portfolio metrics, as evidenced by the continuation of strong payment and favourable delinquency rates. Despite improvements in overall risk, Management continues to assess allowances with consideration for the ongoing level of uncertainty over future cardholder behaviour, which may be impacted by the easing of Government restrictions and the expected completion of Government relief measures, among other indicators of economic health. A continuity of the Company's allowances for loans receivable is as follows:

	2021			
(C\$ in millions)	12-month ECL (Stage 1)	Lifetime ECL – not credit- impaired (Stage 2)	Lifetime ECL – credit- impaired (Stage 3)	Total
Balance at January 2, 2021	\$ 409.1	\$ 161.3	\$ 293.6	\$ 864.0
Increase (decrease) during the period				
Write-offs	(5.1)	(13.3)	(235.2)	(253.6)
Recoveries	—	—	68.7	68.7
New loans originated	13.8	—	—	13.8
Transfers				
to Stage 1	104.2	(37.4)	(66.8)	—
to Stage 2	(13.1)	20.6	(7.5)	—
to Stage 3	(16.1)	(20.9)	37.0	—
Net remeasurements	(76.4)	55.6	139.6	118.8
Balance at October 2, 2021	\$ 416.4	\$ 165.9	\$ 229.4	\$ 811.7

	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

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 credit card loans. 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:

	October 2, 2021			
(C\$ in millions)	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 2,676.7	\$ 57.5	\$ —	\$ 2,734.2
Moderate risk	1,842.5	102.9	—	1,945.4
High risk	737.2	155.0	497.7	1,389.9
Total gross carrying amount	5,256.4	315.4	497.7	6,069.5
ECL allowance	416.4	165.9	229.4	811.7
Net carrying amount	\$ 4,840.0	\$ 149.5	\$ 268.3	\$ 5,257.8

	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	

	January 2, 2021				
(C\$ in millions)	Stage 1	Stage 2	Stage 3	Total	
Low risk	\$ 2,364.6	\$ 58.9	\$ —	\$ 2,423.5	
Moderate risk	1,799.3	108.4	—	1,907.7	
High risk	698.1	168.8	649.7	1,516.6	
Total gross carrying amount	4,862.0	336.1	649.7	5,847.8	
ECL allowance	409.1	161.3	293.6	864.0	
Net carrying amount	\$ 4,452.9	\$ 174.8	\$ 356.1	\$ 4,983.8	

During the 13 and 39 weeks ended October 2, 2021, the amount of cash received from interest earned on credit cards loans was \$235.7 million (September 26, 2020 – \$244.0 million) and \$701.5 million (September 26, 2020 – \$773.9 million), respectively.

7. Long-Term Debt

On January 6, 2021, CT REIT issued \$150.0 million of Series G senior unsecured debentures. The debentures have a coupon rate of 2.371 percent and a maturity date of January 6, 2031.

On January 10, 2021, CT REIT redeemed the entire outstanding principal amount of \$150.0 million Series C senior unsecured debentures.

8. Share Capital

Share capital consists of the following:

(C\$ in millions)	October 2, 2021	September 26, 2020	January 2, 2021
As at			
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (2020 – 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
57,383,757 Class A Non-Voting Shares (September 26, 2020 – 57,383,757; January 2, 2021 – 57,383,758)	607.1	593.3	596.8
	\$ 607.3	\$ 593.5	\$ 597.0

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 the first three quarters of 2021 and fiscal 2020, the Company issued and purchased Class A Non-Voting Shares. The Company's Class A Non-Voting Shares were purchased under its normal course issuer bid ("NCIB") and pursuant to its anti-dilutive policy. During the first quarter of 2020, Class A Non-Voting Shares were also purchased in fulfillment of the Company's 2020 Share Purchase Intention. Purchases are charged to share

capital at the average cost per share outstanding and the excess between the purchase price and the average cost is first allocated to contributed surplus, with any remainder allocated to retained earnings.

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

For the (C\$ in millions)	13 Weeks Ended				39 Weeks Ended			
	October 2, 2021		September 26, 2020		October 2, 2021		September 26, 2020	
	Number	\$	Number	\$	Number	\$	Number	\$
Shares outstanding at beginning of the period	57,383,758	\$ 603.9	57,383,758	\$ 589.9	57,383,758	\$ 596.8	58,096,958	\$ 587.8
Issued under the dividend reinvestment plan and stock option plan	17,813	3.4	27,214	3.7	59,658	10.9	82,917	10.6
Purchased ¹	(17,814)	(3.4)	(27,215)	(3.7)	(59,659)	(11.0)	(796,118)	(107.1)
Reversal of accrued liability for ASPP ² commitment	—	—	—	—	—	—	—	3.0
Excess of purchase price over average cost	—	3.2	—	3.4	—	10.4	—	99.0
Shares outstanding at end of the period	57,383,757	\$ 607.1	57,383,757	\$ 593.3	57,383,757	\$ 607.1	57,383,757	\$ 593.3

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

² Automatic Share Purchase Plan.

As of October 2, 2021, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of \$71.4 million (September 26, 2020 – \$69.2 million) at a rate of \$1.1750 per share (September 26, 2020 – \$1.1375 per share).

On November 10, 2021, the Company's Board of Directors declared dividends at a rate of \$1.30 per share payable on March 1, 2022 to shareholders of record as of January 31, 2022.

For the 13 and 39 weeks ended September 26, 2020, 377,361 and 173,046 stock options, respectively, were not included in the calculation of diluted earnings per share as they were anti-dilutive.

9. Share-Based Payments

During the 39 weeks ended October 2, 2021, the Company granted the following share-based payment awards:

Stock options

The Company granted 225,011 (September 26, 2020 – 1,021,688) 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 exercise prices of \$173.14 and \$207.09 (September 26, 2020 – \$80.49).

10. Revenue

Revenue by reportable operating segment is as follows:

For the	13 weeks ended									
	October 2, 2021					September 26, 2020				
(C\$ in millions)	Retail	Financial Services	CT REIT	Adjustments	Total	Retail	Financial Services	CT REIT	Adjustments	Total
Sale of goods	\$ 3,460.5	\$ —	\$ —	\$ —	\$ 3,460.5	\$ 3,532.0	\$ —	\$ —	\$ —	\$ 3,532.0
Interest income on loans receivable	1.8	256.0	—	(0.9)	256.9	2.6	254.6	—	(1.0)	256.2
Royalties and licence fees	16.1	—	—	—	16.1	15.7	—	—	—	15.7
Services rendered	4.7	39.6	—	(0.8)	43.5	5.8	36.8	—	(0.8)	41.8
Rental income	123.3	—	12.8	—	136.1	128.1	—	12.6	—	140.7
	\$ 3,606.4	\$ 295.6	\$ 12.8	\$ (1.7)	\$ 3,913.1	\$ 3,684.2	\$ 291.4	\$ 12.6	\$ (1.8)	\$ 3,986.4

For the	39 weeks ended									
	October 2, 2021					September 26, 2020				
(C\$ in millions)	Retail	Financial Services	CT REIT	Adjustments	Total	Retail	Financial Services	CT REIT	Adjustments	Total
Sale of goods	\$ 9,824.0	\$ —	\$ —	\$ —	\$ 9,824.0	\$ 8,645.8	\$ —	\$ —	\$ —	\$ 8,645.8
Interest income on loans receivable	5.5	744.6	—	(2.5)	747.6	10.9	804.5	—	(4.1)	811.3
Royalties and licence fees	41.5	—	—	—	41.5	34.6	—	—	—	34.6
Services rendered	13.6	124.9	—	(2.8)	135.7	14.7	122.9	—	(2.6)	135.0
Rental income	366.2	—	39.5	—	405.7	330.0	—	39.8	—	369.8
	\$ 10,250.8	\$ 869.5	\$ 39.5	\$ (5.3)	\$ 11,154.5	\$ 9,036.0	\$ 927.4	\$ 39.8	\$ (6.7)	\$ 9,996.5

Retail revenue breakdown is as follows:

For the	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
(C\$ in millions)				
Canadian Tire	\$ 2,067.4	\$ 2,322.7	\$ 6,329.7	\$ 5,775.5
SportChek	560.6	533.2	1,410.7	1,210.0
Mark's	307.3	286.3	842.3	679.8
Helly Hansen ¹	157.6	155.4	394.5	345.8
Petroleum	503.5	374.6	1,247.5	1,003.8
Other and intersegment eliminations ¹	10.0	12.0	26.1	21.1
	\$ 3,606.4	\$ 3,684.2	\$ 10,250.8	\$ 9,036.0

¹ Helly Hansen revenue represents external revenue only.

Major customers

The Company does not rely on any one customer.

11. Cost of Producing Revenue

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Inventory cost of sales ¹	\$ 2,460.4	\$ 2,518.8	\$ 7,032.7	\$ 6,300.5
Net impairment loss on loans receivable	54.9	83.3	122.5	367.8
Finance costs	22.7	20.4	67.8	55.2
Other	18.0	17.1	43.0	46.3
	\$ 2,556.0	\$ 2,639.6	\$ 7,266.0	\$ 6,769.8

¹ Inventory cost of sales includes depreciation for the 13 and 39 weeks ended October 2, 2021 of \$4.6 million (2020 – \$3.4 million) and \$12.6 million (2020 – \$9.7 million), respectively.

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 and 39 weeks ended October 2, 2021 were \$25.7 million (2020 – \$13.6 million) and \$87.1 million (2020 – \$53.4 million), respectively.

Inventory writedowns recognized in prior periods and reversed in the 13 and 39 weeks ended October 2, 2021 were \$2.9 million (2020 – \$2.3 million) and \$8.0 million (2020 – \$5.2 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 (C\$ in millions)	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Personnel expenses	\$ 377.7	\$ 334.1	\$ 1,113.8	\$ 1,006.0
Occupancy	109.6	104.0	340.9	320.9
Marketing and advertising	77.8	62.8	217.0	184.5
Depreciation of property and equipment and investment property ¹	67.4	70.5	203.4	214.7
Depreciation of right-of-use assets	74.3	70.5	217.6	210.7
Amortization of intangible assets	31.0	26.9	89.6	84.8
Information systems	66.6	55.0	182.9	156.7
Other	130.6	115.0	401.7	367.4
	\$ 935.0	\$ 838.8	\$ 2,766.9	\$ 2,545.7

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		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Finance income	\$ (3.2)	\$ (2.2)	\$ (7.1)	\$ (7.5)
Finance income on lease receivables ¹	(1.2)	(1.5)	(3.8)	(4.4)
Finance costs	37.4	39.6	111.3	135.0
Finance costs on lease liabilities	21.9	24.2	68.0	74.6
	\$ 54.9	\$ 60.1	\$ 168.4	\$ 197.7

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

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	\$ 1.5	\$ (0.6)	\$ 3.4	\$ (12.0)
Deferred cost of hedging not subject to basis adjustment – Changes in fair value of the time value of an option in relation to time-period related hedged items	(1.1)	1.4	—	(1.3)
Reclassification of losses to income	0.9	0.1	4.2	0.3
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	17.8	(9.3)	3.1	19.6
	\$ 19.1	\$ (8.4)	\$ 10.7	\$ 6.6

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 2020 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)	October 2, 2021	September 26, 2020	January 2, 2021
As at			
Cash	\$ 719.8	\$ 511.7	\$ 750.7
Cash equivalents	814.2	779.7	540.3
Restricted cash and cash equivalents ¹	14.3	11.4	36.2
Total cash and cash equivalents ²	1,548.3	1,302.8	1,327.2
Bank indebtedness	(12.9)	(6.8)	—
Cash and cash equivalents, net of bank indebtedness	\$ 1,535.4	\$ 1,296.0	\$ 1,327.2

¹ Restricted cash and cash equivalents relates to GCCT and is restricted for the purpose of paying principal and interest to note holders and additional funding costs of \$5.4 million (September 26, 2020 – \$5.8 million and January 2, 2021 – \$29.7 million) and Helly Hansen's other operational items \$8.9 million (September 26, 2020 – \$5.6 million and January 2, 2021 – \$6.6 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 October 2, 2021 was \$120.1 million (September 26, 2020 – \$108.3 million) and \$344.1 million (2020 – \$327.9 million), respectively.

Capital Commitments

As at October 2, 2021, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately \$167.7 million (September 26, 2020 – \$237.1 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, 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 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 2020 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		October 2, 2021	September 26, 2020	January 2, 2021
	Category	Level	Level	Level
Trade and other receivables	FVTPL ¹	2 \$ 61.7	2 \$ 30.1	2 \$ 69.8
Trade and other receivables	Effective hedging instruments	2 31.4	2 21.4	2 0.2
Long-term receivables and other assets	FVTPL ¹	2 2.1	2 16.0	2 28.2
Long-term receivables and other assets	Effective hedging instruments	2 53.3	2 28.9	2 14.4
Trade and other payables	FVTPL ¹	2 18.8	2 8.2	2 25.6
Trade and other payables	Effective hedging instruments	2 19.0	2 18.3	2 93.7
Redeemable financial instrument	FVTPL	3 567.0	3 567.0	3 567.0
Other long-term liabilities	FVTPL ¹	2 8.0	2 0.7	2 2.2
Other long-term liabilities	Effective hedging instruments	2 1.3	2 2.3	2 8.2

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 October 2, 2021 or the 13 and 39 weeks ended September 26, 2020.

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 2020 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	October 2, 2021		September 26, 2020		January 2, 2021	
(C\$ in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments	\$ 580.0	\$ 579.7	\$ 402.2	\$ 401.6	\$ 643.0	\$ 642.3
Long-term investments	176.7	176.2	176.3	176.3	146.2	146.1
Debt	4,267.2	4,500.5	4,265.3	4,539.1	4,266.2	4,593.3
Deposits	4,091.5	4,122.3	3,249.0	3,337.1	3,509.7	3,613.3

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, and has determined that each such proceeding constitutes a routine matter incidental to the business it conducts, 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 appealed commodity tax assessments for the years 2011 through 2017 to the Tax Court of Canada. On June 29, 2021, the Tax Court issued a judgment allowing the Bank's appeal on the basis that the service fees paid by the Bank to the credit card networks are consideration for exempt supplies of financial services, pursuant to a consent judgment. The Bank expects the Canada Revenue Agency to reassess in accordance with the Tax Court's judgment in the coming months, reversing the commodity tax assessments. No provision was made for the assessed amounts that would have been payable in the event of an adverse outcome.