

Management's Discussion and Analysis

Canadian Tire Corporation, Limited
Second Quarter 2023

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1.0 Preface

1.1 Definitions

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

“Canadian Tire Retail” and “CTR” refer 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.

“Franchise Trust” refers to a legal entity sponsored by a third-party bank that originates and services loans to certain Dealers for their purchases of inventory and fixed assets (“Dealer loans”).

“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 and L’Équipeur names and trademarks.

“Owned Brands” refers to brands owned by the Company and managed within 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 Information

This Management's Discussion and Analysis ("MD&A") contains information that may constitute forward-looking information within the meaning of applicable securities laws. Forward-looking information provides insights regarding Management's current expectations and plans, and allows 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. Although the Company believes that the forward-looking information in this MD&A is based on information, assumptions and beliefs that are current, reasonable, and complete, such information is necessarily subject to a number of business, economic, competitive and other risk factors that could cause actual results to differ materially from Management's expectations and plans as set forth in such forward-looking information. The Company cannot provide assurance that any financial or operational performance, plans, or aspirations forecast will actually be achieved or, if achieved, will result in an increase in the Company's share price. Refer to section 13.0 in this MD&A for a more detailed discussion of the Company's use of forward-looking information.

1.3 Review and Approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on August 9, 2023.

1.4 Quarterly and Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q2 2023 (26 weeks ended July 1, 2023) are compared against results for Q2 2022 (26 weeks ended July 2, 2022).

1.5 Accounting Framework

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 2 to the Company's interim consolidated financial statements for the second quarter of 2023.

1.6 Accounting Estimates and Assumptions

The preparation of the Company's condensed interim consolidated financial statements that conforms to IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 8.1 in this MD&A for further information.

1.7 Key Performance Measures

The Company uses certain key performance measures, which provide useful information to both Management and investors in measuring the financial performance and financial condition of the Company. These measures are classified as GAAP measures, non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures, as well as non-financial measures. Readers are cautioned that the non-GAAP financial measures have no standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.0 for additional information on these metrics. Many of the non-GAAP financial measures in this document are adjusted to normalize the results for certain activities Management does not believe reflect the ongoing business. Unless otherwise noted, analysis of changes in normalized results applies equally to changes in the reported results.

1.8 Rounding and Percentages

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

2.0 Company and Industry Overview

Canadian Tire Corporation, Limited (TSX: CTC.A) (TSX: CTC) and its subsidiaries, are a group of companies that include 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 Automotive, Fixing, Living, Playing and Seasonal & Gardening divisions. PartSource, Gas+, Party City and Pro Hockey Life are key parts of the Company's retail 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. CTC's 1,700 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 2022 Annual Information Form ("2022 AIF"), including section 2 "Description of the Business" and on the Company's Corporate (<https://corp.canadiantire.ca>) and Investor Relations (<https://corp.canadiantire.ca/investors>) websites.

3.0 Strategy and Four-Year (2022 to 2025) Financial Aspirations

Strategy

In the Company's press release issued in conjunction with its Investor Day held on March 10, 2022, CTC announced the *Better Connected* strategy to bolster its omnichannel capabilities and drive long-term growth. The plan sets out to build upon the Company's unparalleled brand trust and brand purpose: to Make Life in Canada Better. The focus on investing in the business is coupled with a balanced approach to dividends and share buybacks which positions CTC to continue to generate attractive returns to shareholders.

The strategic investments, announced in conjunction with the strategy, will create better customer experiences and deeper customer connections, enhancing the omnichannel customer experience by better connecting digital and physical channels and rolling out a new "Concept Connect" to Canadian Tire stores, strengthening supply chain fulfillment infrastructure and automation, and modernizing IT infrastructure and driving efficiency in how CTC operates.

The Company's *Better Connected* initiatives have already proven to drive incremental sales and enhance connections to customers through an offering that has greater relevance and value.

Since the beginning of 2023, the Company has:

- Invested \$238.0 million in operating capital expenditures. More than 10 percent of CTR stores, or 13 percent of the CTR footprint, have now been refreshed, expanded or replaced since March 2022, driving incremental sales, with 22 Concept Connect store projects completed in 2023 to date. Full year operating capital expenditures are now expected to be at the lower end of the Company's previously disclosed operating capital expenditures range of \$750 to \$800 million, with the timing of some projects shifted to 2024.
- Completed the multi-year rollout of the Company's digital platform across all banners, enhancing the online experience for customers; eCommerce sales were \$1.1 billion over the last twelve months.
- Continued to repurchase shares under the Company's previously announced intention to purchase between \$500 to \$700 million Class A Non-Voting Shares by the end of 2023, with \$420.8 million repurchased as at July 1, 2023.

Update on Financial Aspirations

In conjunction with the announcement of its strategic plan, CTC also established financial aspirations (average annual comparable sales growth, Retail Return on Invested Capital ["ROIC"] and Diluted EPS) for fiscal years 2022 to 2025. Details relating to the 2022-2025 financial aspirations are disclosed in section 4.0 of the Company's 2022 MD&A.

The current macroeconomic environment and consumer demand differ significantly from the Company's expectations when it set out its strategy and 2022-2025 financial aspirations at its Investor Day in March 2022. The cumulative effect of increasing inflationary pressure and higher interest rates on consumer spend since early 2022 has significantly impacted the Company's ability to drive comparable sales growth across its business units in line with previous expectations. This, along with the impact of higher inventory and higher financing costs as a result of interest rate increases, have impacted the Company's ability to grow EPS and Retail ROIC in line with our aspirations. Given this, and further to the noticeable slowdown in Retail sales during the second quarter of 2023, the Company is withdrawing its previously disclosed financial aspirations at this time.

Notwithstanding this, the Company remains committed to pursuing the strategic objectives that demonstrate its long-term vision and build on its strong market position. The Company also remains committed to investing in the strategic initiatives outlined in the *Better Connected* strategy to grow earnings and continues to make progress on key initiatives as highlighted above, to solidify CTC's brand and competitive positioning in Canada over the long term.

4.0 Financial Performance

4.1 Consolidated Financial Performance

4.1.1 Consolidated Financial Results

(C\$ in millions, except where noted)				YTD		YTD	
	Q2 2023	Q2 2022	Change	Q2 2023	Q2 2022	Change	
Retail sales ¹	\$ 5,214.9	\$ 5,363.8	(2.8) %	\$ 8,541.4	\$ 8,785.2	(2.8) %	
Revenue	\$ 4,255.8	\$ 4,404.0	(3.4) %	\$ 7,963.0	\$ 8,241.4	(3.4) %	
Gross margin dollars	\$ 1,448.4	\$ 1,382.8	4.7 %	\$ 2,730.3	\$ 2,694.2	1.3 %	
Gross margin rate ¹	34.0 %	31.4 %	263 bps	34.3 %	32.7 %	160 bps	
Other expense	\$ 79.0	\$ 48.9	NM ³	\$ 158.0	\$ 47.6	NM ³	
Selling, general and administrative expenses ²	929.3	862.1	7.8 %	1,800.5	1,657.0	8.7 %	
Depreciation and amortization ²	188.8	178.8	5.6 %	380.9	347.1	9.7 %	
Net finance costs	77.4	54.9	41.1 %	150.4	109.5	37.4 %	
Income before income taxes	\$ 173.9	\$ 238.1	(27.0) %	\$ 240.5	\$ 533.0	(54.9) %	
Income tax expense	47.0	60.5	(22.3) %	70.8	137.8	(48.6) %	
Effective tax rate ¹	27.0 %	25.4 %		29.4 %	25.9 %		
Net income	\$ 126.9	\$ 177.6	(28.5) %	\$ 169.7	\$ 395.2	(57.1) %	
Net income attributable to:							
Shareholders of Canadian Tire Corporation	\$ 99.4	\$ 145.2	(31.5) %	\$ 107.2	\$ 327.3	(67.2) %	
Non-controlling interests	27.5	32.4	(15.0) %	62.5	67.9	(8.0) %	
	\$ 126.9	\$ 177.6	(28.5) %	\$ 169.7	\$ 395.2	(57.1) %	
Basic EPS	\$ 1.77	\$ 2.45	(27.8) %	\$ 1.89	\$ 5.50	(65.6) %	
Diluted EPS	\$ 1.76	\$ 2.43	(27.6) %	\$ 1.88	\$ 5.46	(65.6) %	
Weighted average number of Common and Class A Non-Voting Shares outstanding:							
Basic	56,334,499	59,271,383	NM ³	56,761,634	59,512,081	NM ³	
Diluted	56,548,207	59,625,953	NM ³	57,011,764	59,916,600	NM ³	

¹ For further information about this measure see section 9.2 of this MD&A.

² Certain prior year figures have been restated to conform to the current year presentation.

³ 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 2022 Consolidated Financial Statements.

(C\$ in millions)			YTD		YTD	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022		
Financial Services						
Non-controlling interest 20.0% (2022 – 20.0%)	\$ 7.7	\$ 13.0	\$ 24.8	\$ 31.3		
CT REIT						
Non-controlling interest 31.5% (2022 – 31.1%)	18.4	17.2	35.8	33.5		
Retail segment subsidiary						
Non-controlling interest 50.0% (2022 – 50.0%)	1.4	2.2	1.9	3.1		
Net income attributable to non-controlling interests	\$ 27.5	\$ 32.4	\$ 62.5	\$ 67.9		

Impact of the March 15th A.J. Billes Distribution Centre Fire

During the first quarter of 2023, the Company was impacted by a fire at its A.J. Billes Distribution Centre (the “DC fire”) which services Canadian Tire Retail stores nationally and is one of the Company’s largest distribution centres. Operations at the facility were suspended on March 15, 2023, and partially resumed on March 27, 2023. The Company has recognized a year-to-date charge of \$142.3 million, of which \$74.6 million was in the second quarter, relating to cleanup and repairs costs, lost inventory, asset disposals, and building damage, up to the end of the reporting period. These costs are included in Other expense (income) in the Consolidated Statements of Income, and have been treated as a normalizing item in the Retail segment.

In addition, certain financial impacts attributable to the event are not reflected in the normalizing adjustments. The DC fire resulted in approximately \$32.0 million lower Income before income taxes on a year-to-date basis, \$12.0 million of which was in the second quarter. This additional impact was due to operating inefficiencies and a delay in first quarter shipments at Canadian Tire Retail resulting from the temporary suspension of operations at the facility, which were only partially recovered in the second quarter.

While further remediation efforts remain underway, the Distribution Centre returned to full operational shipment capacity faster than anticipated, during the second quarter of 2023. The Company expects additional costs relating to remediation activities and operating inefficiencies to continue during the balance of 2023. Insurance recoveries relating to the DC fire remain subject to approval and as a result, have not yet been recognized. Recoveries will only be recognized when the amount is virtually certain.

Impact of Bill C-47 GST/HST Legislative Amendments (the “GST/HST-related charge”)

The 2023 Federal Budget, released on March 28, 2023, included certain tax measures affecting CTB, specifically a proposal to amend the definition of “financial services” to exclude clearing services rendered by a payment card network operator. On June 22, 2023, Bill C-47 (“Bill C-47”), which included this proposal, received Royal Assent and as a result, these services are subject to GST/HST both prospectively and retroactively, with a one-year deadline from Royal Assent for the CRA to reassess prior periods that are statute-barred. As a result, a \$33.3 million provision was recorded in the quarter in Selling, general and administrative expenses (“SG&A”) and Provisions in the Consolidated Statements of Income and Consolidated Balance Sheet. This has been treated as a normalizing item in the Financial Services segment.

Normalizing Items

The results of operations in the second quarter of 2023 include costs associated with the DC fire and the GST/HST-related charge which were considered as normalizing items. In 2022, costs relating to the Helly Hansen Russia exit and the Company’s Operational Efficiency program were considered as normalizing items. These costs are included in Other expense (income) and Selling, general and administrative expenses in the Consolidated Statements of Income.

(C\$ in millions)			YTD	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022
DC fire	\$ 74.6	\$ —	\$ 142.3	\$ —
GST/HST-related charge	33.3	—	33.3	—
Operational Efficiency program	—	9.7	—	11.8
Helly Hansen Russia exit	—	36.5	—	36.5
Total	\$ 107.9	\$ 46.2	\$ 175.6	\$ 48.3

Selected Normalized Metrics – Consolidated

(C\$ in millions, except where noted)	Q2 2023	Normalizing Items ¹	Normalized Q2 2023 ²	Q2 2022	Normalizing Items ¹	Normalized Q2 2022 ²	Change ³
Revenue	\$ 4,255.8	\$ —	\$ 4,255.8	\$ 4,404.0	\$ —	\$ 4,404.0	(3.4) %
Cost of producing revenue	2,807.4	—	2,807.4	3,021.2	—	3,021.2	(7.1) %
Gross margin dollars	\$ 1,448.4	\$ —	\$ 1,448.4	\$ 1,382.8	\$ —	\$ 1,382.8	4.7 %
Gross margin rate ⁴	34.0 %	— bps	34.0 %	31.4 %	— bps	31.4 %	263 bps
Other expense	\$ 79.0	\$ (74.6)	\$ 4.4	\$ 48.9	\$ (36.5)	\$ 12.4	NM ⁵
Selling, general and administrative expenses ⁶	929.3	(33.3)	896.0	862.1	(9.7)	852.4	5.1 %
Depreciation and amortization ⁶	188.8	—	188.8	178.8	—	178.8	5.6 %
Net finance costs	77.4	—	77.4	54.9	—	54.9	41.1 %
Income before income taxes	\$ 173.9	\$ 107.9	\$ 281.8	\$ 238.1	\$ 46.2	\$ 284.3	(0.9) %
Income tax expense	47.0	28.3	75.3	60.5	5.6	66.1	13.9 %
Net income	\$ 126.9	\$ 79.6	\$ 206.5	\$ 177.6	\$ 40.6	\$ 218.2	(5.4) %
Net income attributable to shareholders of CTC	99.4	74.6	174.0	145.2	40.6	185.8	(6.4) %
Diluted EPS	\$ 1.76	\$ 1.32	\$ 3.08	\$ 2.43	\$ 0.68	\$ 3.11	(1.0) %

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

² These normalized measures (excluding Revenue, Cost of producing revenue, Gross margin dollars, Gross margin rate, Depreciation and amortization, and Net finance costs) are non-GAAP financial measures or non-GAAP ratios. For further information and a detailed reconciliation see section 9.1 of this MD&A.

³ Change is between normalized results.

⁴ For further information about this measure see section 9.2 of this MD&A.

⁵ Not meaningful.

⁶ Certain prior year figures have been restated to conform to the current year presentation.

(C\$ in millions, except where noted)	YTD Q2 2023	Normalizing Items ¹	Normalized YTD Q2 2023 ²	YTD Q2 2022	Normalizing Items ¹	Normalized YTD Q2 2022 ²	Change ³
Revenue	\$ 7,963.0	\$ —	\$ 7,963.0	\$ 8,241.4	\$ —	\$ 8,241.4	(3.4) %
Cost of producing revenue	5,232.7	—	5,232.7	5,547.2	—	5,547.2	(5.7) %
Gross margin dollars	\$ 2,730.3	\$ —	\$ 2,730.3	\$ 2,694.2	\$ —	\$ 2,694.2	1.3 %
Gross margin rate ⁴	34.3 %	— bps	34.3 %	32.7 %	— bps	32.7 %	160 bps
Other expense	\$ 158.0	\$ (142.3)	\$ 15.7	\$ 47.6	\$ (36.5)	\$ 11.1	NM ⁵
Selling, general and administrative expenses ⁶	1,800.5	(33.3)	1,767.2	1,657.0	(11.8)	1,645.2	7.4 %
Depreciation and amortization ⁶	380.9	—	380.9	347.1	—	347.1	9.7 %
Net finance costs	150.4	—	150.4	109.5	—	109.5	37.4 %
Income before income taxes	\$ 240.5	\$ 175.6	\$ 416.1	\$ 533.0	\$ 48.3	\$ 581.3	(28.4) %
Income tax expense	70.8	46.1	116.9	137.8	6.2	144.0	(18.8) %
Net income	\$ 169.7	\$ 129.5	\$ 299.2	\$ 395.2	\$ 42.1	\$ 437.3	(31.6) %
Net income attributable to shareholders of CTC	107.2	124.5	231.7	327.3	42.1	369.4	(37.3) %
Diluted EPS	\$ 1.88	\$ 2.19	\$ 4.07	\$ 5.46	\$ 0.70	\$ 6.16	(33.9) %

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

² These normalized measures (excluding Revenue, Cost of producing revenue, Gross margin dollars, Gross margin rate, Depreciation and amortization, and Net finance costs) are non-GAAP financial measures or non-GAAP ratios. For further information and a detailed reconciliation see section 9.1 of this MD&A.

³ Change is between normalized results.

⁴ For further information about this measure see section 9.2 of this MD&A.

⁵ Not meaningful.

⁶ Certain prior year figures have been restated to conform to the current year presentation.

Consolidated Results Commentary

Effective from the first quarter of 2023, the Company's results reflect a change in accounting estimate related to the Company's Margin-Sharing Arrangement ("MSA") with Dealers (the "change in accounting estimate"), as outlined below, with no change to the annual reported figures.

Change in Accounting Estimate

The Company's contract with its Dealers governs how margin and expenses are shared between the two groups. Beginning in the first quarter of 2023, the Company implemented a change to accounting estimates associated with one component of the contract, the MSA with the Dealers. The Company already records a portion of its margin relating to revenue and margin on shipments to its Dealers in the quarter incurred, but the majority of the MSA has historically been accrued in the fourth quarter of every year. Effective with the first quarter of 2023, the Company began to record the MSA throughout the year to better reflect the pattern over which the MSA is earned. This change simply reflects a change in the timing of this revenue and will result in less quarterly fluctuation in Retail segment Gross margin and Income before income taxes throughout the year. This change impacts quarterly results. There is no change to the annual reported figures. The change in accounting estimate had a year-to-date impact of \$138.3 million on Revenue and Income before income taxes, and 147 bps impact on Retail segment Gross margin rate excluding Petroleum¹, of which the second quarter impact was \$86.5 million and 171 bps, respectively. Excluding the change in accounting estimate relating to the Company's MSA with its Dealers, Consolidated second quarter Revenue was down \$234.7 million, Retail segment Gross margin rate excluding Petroleum was up 80 bps, and Consolidated Income before income taxes was down \$150.7 million. On a year-to-date basis, excluding the impact of the change in accounting estimate, Consolidated Revenue was down \$416.7 million, Retail segment Gross margin rate excluding Petroleum was up 35 bps, and Consolidated Income before income taxes was down \$430.8 million.

Consolidated Results Summary

Diluted EPS for the second quarter of 2023 was \$1.76 per share, \$0.67 lower than the prior year. Normalized Diluted EPS was \$3.08, \$0.03 lower than the prior year. Excluding the \$1.13 favourable impact of the change in accounting estimate, Normalized Diluted EPS was down \$1.16, mainly attributable to a decline in earnings in the Retail segment.

Consolidated Income before income taxes was \$173.9 million, a decrease of \$64.2 million compared to the prior year. Excluding the normalized \$74.6 million charge relating to the DC fire and \$33.3 million GST/HST-related charge, Normalized Income before income taxes was \$281.8 million, relatively flat to the prior year. Excluding the impact of the change in accounting estimate, Normalized Income before income taxes decreased by \$89.0 million, primarily due to lower revenue and higher operating costs in the Retail segment. The Company estimates that approximately \$12.0 million of the decrease was attributable to operating inefficiencies as a result of the DC fire.

On a year-to-date basis, Consolidated Income before income taxes decreased by \$292.5 million, and Normalized Income before income taxes decreased by \$165.2 million. Excluding the impact of the change in accounting estimate, Normalized Income before income taxes decreased by \$303.5 million, primarily due to lower revenue and higher operating costs in the Retail segment. The Company estimates that approximately \$32.0 million of the decrease was attributable to operating inefficiencies and a delay in first quarter shipments as a result of the DC fire.

¹ For further information about this measure see section 9.2 of this MD&A.

Consolidated Results Commentary *(continued)*

	Q2 2023	Year-to-Date
Consolidated Results Summary	<p>▼ Diluted EPS: \$0.67 per share</p> <ul style="list-style-type: none"> Consolidated Revenue was \$4,255.8 million, a decrease of \$148.2 million or 3.4 percent. Consolidated Revenue excluding Petroleum¹ was broadly in line with the prior year at \$3,706.8 million, a decrease of 0.5 percent. Excluding the impact of the change in accounting estimate, Consolidated Revenue excluding Petroleum was down 2.8 percent. The decline was driven by the Retail segment due to lower shipments at CTR and lower franchise sales at SportChek, partially offset by revenue growth in the Financial Services segment. Consolidated Gross margin dollars were \$1,448.4 million, an increase of \$65.6 million or 4.7 percent from the prior year. Excluding the impact of the change in accounting estimate, Consolidated Gross margin dollars were down \$20.9 million or 1.5 percent due to decreases in both the Retail and Financial Services segments. Other expense was \$79.0 million, unfavourable by \$30.1 million compared to the prior year. Excluding the current year \$74.6 million charge relating to the DC fire and the prior year \$36.5 million charge relating to the exit of Helly Hansen operations in Russia, Normalized Other expense was favourable by \$8.0 million driven by foreign exchange losses recognized at Helly Hansen in the prior year. Consolidated SG&A was \$929.3 million, an increase of \$67.2 million or 7.8 percent compared to the prior year. Excluding the GST/HST-related charge, Normalized SG&A was \$896.0 million, an increase of \$43.6 million. The increase was driven by the Retail segment due to strategic investments as part of the <i>Better Connected</i> strategy, including the transition to cloud-based IT infrastructure and investment in supply chain and store network. In addition, there were higher supply chain costs and operating inefficiencies relating to the DC fire. Depreciation and amortization was \$188.8 million, an increase of 5.6 percent from the prior year driven by lease renewals and extensions, store upgrades, and other capital investments. Net finance costs were \$77.4 million, an increase of 41.1 percent from the prior year mainly due to increased borrowings and interest rates, and higher lease-related costs. 	<p>▼ Diluted EPS: \$3.58 per share</p> <ul style="list-style-type: none"> Consolidated Revenue was \$7,963.0 million, a decrease of \$278.4 million or 3.4 percent. Consolidated Revenue excluding Petroleum was \$6,932.6 million, a decrease of 1.9 percent. Excluding the impact of the change in accounting estimate, Consolidated Revenue excluding Petroleum was down 3.8 percent. The decline was driven by the Retail segment due to lower shipments at CTR, partially offset by revenue growth in the Financial Services segment. Consolidated Gross margin dollars were \$2,730.3 million an increase of \$36.1 million, or 1.3 percent from the prior year. Excluding the impact of the change in accounting estimate, Consolidated Gross margin dollars were down \$102.2 million or 3.8 percent due to decreases in both the Retail and Financial Services segments. Other expense was \$158.0 million, unfavourable by \$110.4 million compared to the prior year. Excluding the current year \$142.3 million charge relating to the DC fire and the prior year \$36.5 million charge relating to the exit of Helly Hansen operations in Russia, Normalized Other expense was unfavourable by \$4.6 million driven by a \$13.5 million one-time cost to exit a supply chain contract and lower real estate related gains in 2023, partially offset by foreign exchange losses recognized at Helly Hansen in the prior year. Consolidated SG&A was \$1,800.5 million, an increase of \$143.5 million or 8.7 percent compared to the prior year. Excluding the GST/HST-related charge, Normalized SG&A was \$1,767.2 million, an increase of 122.0 million. The increase was driven by the Retail segment due to strategic investments as part of the <i>Better Connected</i> strategy, including the transition to cloud-based IT infrastructure and investment in supply chain and store network. In addition, there were higher supply chain costs and operating inefficiencies relating to the DC fire. Depreciation and amortization was \$380.9 million, an increase of 9.7 percent from the prior year driven by lease renewals and extensions, store upgrades, and other capital investments. Net finance costs were \$150.4 million, an increase of 37.4 percent from the prior year mainly due to increased borrowings and interest rates, and higher lease-related costs.

Consolidated Results Commentary (continued)

Q2 2023	Year-to-Date
<ul style="list-style-type: none"> Income taxes were \$47.0 million, compared to \$60.5 million in the prior year primarily due to lower Income before income taxes. The Effective tax rate increased for the quarter, primarily due to higher non-deductible stock option expense, partially offset by the tax impact of the charge relating to the exit of Helly Hansen operations in Russia in the prior year. Diluted EPS was \$1.76, a decrease of \$0.67 or 27.6 percent compared to the prior year. Normalized Diluted EPS was \$3.08, a decrease of \$0.03 compared to the prior year. Excluding the \$1.13 impact of the change in accounting estimate, Normalized Diluted EPS decreased by \$1.16 compared to the prior year, driven by the decline in earnings attributable to the reasons above. 	<ul style="list-style-type: none"> Income taxes for the period were \$70.8 million, compared to \$137.8 million in the prior year primarily due to lower Income before income taxes. The Effective tax rate increased for the year, primarily due to higher non-deductible stock option expense. Diluted EPS was \$1.88, a decrease of \$3.58 or 65.6 percent compared to the prior year. Normalized Diluted EPS was \$4.07, a decrease of \$2.09 or 33.9 percent. Excluding the \$1.78 impact of the change in accounting estimate, Normalized Diluted EPS decreased by \$3.87 compared to the prior year, driven by the decline in earnings attributable to the reasons above.

4.1.2 Consolidated Key Performance Measures

(C\$ in millions) increase/(decrease)	Q2 2023	Q2 2022	Change
Selling, general and administrative expenses ⁴	\$ 929.3	\$ 862.1	\$ 67.2
Normalized ¹ SG&A ² as a percentage of revenue ⁴	21.1 %	19.4 %	169 bps
Income before income taxes	\$ 173.9	\$ 238.1	\$ (64.2)
Normalized ¹ EBITDA ^{2,3} as a percentage of revenue ⁴	13.0 %	11.9 %	113 bps

¹ Refer to section 4.1.1 in this MD&A for a description of normalizing items.

² This is a non-GAAP ratio. For further information and a detailed reconciliation see section 9.1 of this MD&A.

³ Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA").

⁴ Certain prior year figures have been restated to conform to the current year presentation.

(C\$ in millions) increase/(decrease)	YTD Q2 2023	YTD Q2 2022	Change
Selling, general and administrative expenses ³	\$ 1,800.5	\$ 1,657.0	\$ 143.5
Normalized ¹ SG&A ² as a percentage of revenue ³	22.2 %	20.0 %	223 bps
Income before income taxes	\$ 240.5	\$ 533.0	\$ (292.5)
Normalized ¹ EBITDA ² as a percentage of revenue ³	12.1 %	12.7 %	(62) bps

¹ Refer to section 4.1.1 in this MD&A for a description of normalizing items.

² This is a non-GAAP ratio. For further information and a detailed reconciliation see section 9.1 of this MD&A.

³ Certain prior year figures have been restated to conform to the current year presentation.

Changes in the percentages disclosed are driven by the related Revenue, SG&A, and Income before income taxes variances discussed under the Consolidated Results commentary in the previous charts.

4.1.3 Seasonal Trend Analysis

The following table shows the consolidated financial performance of the Company by quarter for the last two years. As discussed in section 4.1.1 of this MD&A, the Company implemented a change in accounting estimate beginning in the first quarter of 2023, with no change to the historical amounts reported.

(C\$ in millions, except per share amounts)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	\$4,255.8	\$3,707.2	\$5,340.4	\$4,228.8	\$4,404.0	\$3,837.4	\$5,137.6	\$3,913.1	\$3,918.5
Net income	126.9	42.8	562.6	225.0	177.6	217.6	535.7	279.5	259.1
Diluted EPS	1.76	0.13	9.09	3.14	2.43	3.03	8.34	3.97	3.64

4.2 Retail Segment Performance

4.2.1 Retail Segment Financial Results

(C\$ in millions, except where noted)				YTD		YTD	
	Q2 2023	Q2 2022	Change	Q2 2023	Q2 2022	Change	
Retail sales ¹	\$ 5,214.9	\$ 5,363.8	(2.8) %	\$ 8,541.4	\$ 8,785.2	(2.8) %	
Revenue	\$ 3,896.1	\$ 4,067.2	(4.2) %	\$ 7,234.0	\$ 7,571.7	(4.5) %	
Gross margin dollars	\$ 1,250.9	\$ 1,182.1	5.8 %	\$ 2,300.9	\$ 2,259.0	1.9 %	
Gross margin rate ¹	32.1 %	29.1 %	304 bps	31.8 %	29.8 %	197 bps	
Other expense (income)	\$ 42.5	\$ 14.6	NM ³	\$ 85.4	\$ (22.8)	NM ³	
Selling, general and administrative expenses ²	818.0	777.0	5.3 %	1,603.5	1,487.0	7.8 %	
Depreciation and amortization ²	238.2	223.1	6.8 %	477.9	435.5	9.8 %	
Net finance costs	66.6	43.6	52.5 %	127.8	86.7	47.3 %	
Income before income taxes	\$ 85.6	\$ 123.8	(30.9) %	\$ 6.3	\$ 272.6	(97.7) %	

¹ For further information about this measure see section 9.2 of this MD&A.

² Certain prior year figures have been restated to conform to the current year presentation.

³ Not meaningful.

Selected Normalized Metrics – Retail

(C\$ in millions, except where noted)	Normalizing Items		Normalized		Normalizing Items		Normalized		Change ³
	Q2 2023	Q2 2022	Q2 2023 ²	Q2 2022	Q2 2023 ¹	Q2 2022 ²	Q2 2022 ²		
Revenue	\$ 3,896.1	\$ —	\$ 3,896.1	\$ 4,067.2	\$ —	\$ 4,067.2	(4.2) %		
Cost of producing revenue	2,645.2	—	2,645.2	2,885.1	—	2,885.1	(8.3) %		
Gross margin dollars	\$ 1,250.9	\$ —	\$ 1,250.9	\$ 1,182.1	\$ —	\$ 1,182.1	5.8 %		
Gross margin rate ⁴	32.1 %	— bps	32.1 %	29.1 %	— bps	29.1 %	304 bps		
Other expense (income)	\$ 42.5	\$ (74.6)	\$ (32.1)	\$ 14.6	\$ (36.5)	\$ (21.9)	46.6 %		
Selling, general and administrative expenses ⁵	818.0	—	818.0	777.0	(9.7)	767.3	6.6 %		
Depreciation and amortization ⁵	238.2	—	238.2	223.1	—	223.1	6.8 %		
Net finance costs	66.6	—	66.6	43.6	—	43.6	52.5 %		
Income before income taxes	\$ 85.6	\$ 74.6	\$ 160.2	\$ 123.8	\$ 46.2	\$ 170.0	(5.8) %		

¹ Refer to section 4.1.1 in this MD&A for a description of normalizing items.

² These normalized measures (Other expense (income), Selling, general and administrative expenses and Income before income taxes) are non-GAAP financial measures. For further information and a detailed reconciliation see section 9.1 of this MD&A.

³ Change is between normalized results.

⁴ For further information about this measure see section 9.2 of this MD&A.

⁵ Certain prior year figures have been restated to conform to the current year presentation.

(C\$ in millions, except where noted)	YTD Q2 2023	Normalizing Items	Normalized YTD Q2 2023 ²	YTD Q2 2022	Normalizing Items ¹	Normalized YTD Q2 2022 ²	Change ³
Revenue	\$ 7,234.0	\$ —	\$ 7,234.0	\$ 7,571.7	\$ —	\$ 7,571.7	(4.5) %
Cost of producing revenue	4,933.1	—	4,933.1	5,312.7	—	5,312.7	(7.1) %
Gross margin dollars	\$ 2,300.9	\$ —	\$ 2,300.9	\$ 2,259.0	\$ —	\$ 2,259.0	1.9 %
Gross margin rate ⁴	31.8 %	— bps	31.8 %	29.8 %	— bps	29.8 %	197 bps
Other expense (income)	\$ 85.4	\$ (142.3)	\$ (56.9)	\$ (22.8)	\$ (36.5)	\$ (59.3)	(4.0) %
Selling, general and administrative expenses ⁵	1,603.5	—	1,603.5	1,487.0	(11.8)	1,475.2	8.7 %
Depreciation and amortization ⁵	477.9	—	477.9	435.5	—	435.5	9.8 %
Net finance costs	127.8	—	127.8	86.7	—	86.7	47.3 %
Income before income taxes	\$ 6.3	\$ 142.3	\$ 148.6	\$ 272.6	\$ 48.3	\$ 320.9	(53.7) %

¹ Refer to section 4.1.1 in this MD&A for a description of normalizing items.







² These normalized measures (Other expense (income), Selling, general and administrative expenses and Income before income taxes) are non-GAAP financial measures. For further information and a detailed reconciliation see section 9.1 of this MD&A.

³ Change is between normalized results.

⁴ For further information about this measure see section 9.2 of this MD&A.

⁵ Certain prior year figures have been restated to conform to the current year presentation.

4.2.2 Retail Segment Key Performance Measures

(Year-over-year percentage change, C\$ in millions, except as noted)				YTD		YTD	
	Q2 2023	Q2 2022	Change	Q2 2023	Q2 2022	Change	
	Revenue ¹	\$3,896.1	\$4,067.2	(4.2) %	\$7,234.0	\$7,571.7	(4.5) %
	Revenue, excluding Petroleum	3,347.1	3,387.7	(1.2) %	6,203.6	6,393.8	(3.0) %
	Store count	1,695	1,713				
	Retail square footage (in millions)	34.8	34.3				
	Retail sales growth ²	(2.8) %	9.9 %		(2.8) %	9.8 %	
	Retail sales growth, excluding Petroleum ²	(0.1) %	4.6 %		(1.0) %	5.0 %	
	Consolidated Comparable sales growth ^{2, 3}	0.1 %	5.0 %		(0.9) %	5.6 %	
	Retail ROIC ^{4, 5}	11.2 %	13.5 %	(231) bps	n/a	n/a	
	Retail normalized ⁶ SG&A as a percentage of revenue excluding Petroleum ^{2, 5}	24.4 %	22.7 %	179 bps	25.8 %	23.1 %	277 bps
	Revenue ^{1, 7}	\$2,394.0	\$2,420.7	(1.1) %	\$4,325.7	\$4,567.9	(5.3) %
	Store count ⁸	664	665				
	Retail square footage (in millions)	23.9	23.4				
	Sales per square foot ^{2, 9}	\$ 526	\$ 535	(1.7) %	n/a	n/a	
	Retail sales growth ^{2, 10}	(0.1) %	3.8 %		(1.9) %	4.1 %	
	Comparable sales growth ²	0.1 %	3.9 %		(1.7) %	4.1 %	
	Revenue ¹	\$ 461.0	\$ 476.1	(3.2) %	\$ 881.8	\$ 884.9	(0.3) %
	Store count	370	376				
	Retail square footage (in millions)	7.2	7.2				
	Sales per square foot ^{2, 11}	\$ 331	\$ 336	(1.5) %	n/a	n/a	
	Retail sales growth ^{2, 12}	(0.2) %	0.6 %		1.6 %	2.3 %	
	Comparable sales growth ²	0.1 %	4.1 %		1.7 %	6.7 %	
	Revenue ^{1, 13}	\$ 353.9	\$ 350.9	0.8 %	\$ 647.9	\$ 628.1	3.1 %
	Store count	379	380				
	Retail square footage (in millions)	3.7	3.7				
	Sales per square foot ^{2, 11}	\$ 429	\$ 417	3.0 %	n/a	n/a	
	Retail sales growth ^{2, 14}	0.1 %	21.1 %		2.2 %	19.5 %	
	Comparable sales growth ²	0.4 %	20.9 %		2.3 %	19.2 %	
	Revenue ¹	\$ 135.6	\$ 139.6	(2.9) %	\$ 344.0	\$ 309.2	11.3 %
	Revenue ¹	\$ 549.0	\$ 679.5	(19.2) %	\$1,030.4	\$1,177.9	(12.5) %
	Gas bar locations	282	292				
	Gross margin dollars	\$ 56.7	\$ 58.5	(3.1) %	\$ 102.3	\$ 109.5	(6.5) %
	Retail sales growth ²	(18.6) %	56.8 %		(12.3) %	47.3 %	
	Gasoline volume growth in litres	(1.1) %	14.6 %		0.7 %	11.5 %	
	Comparable store gasoline volume growth in litres ²	2.3 %	14.9 %		3.9 %	11.8 %	

¹ Revenue reported for Canadian Tire Retail, SportChek, Mark's and Petroleum for the 13 and 26 weeks ended July 1, 2023 include inter-segment revenue of \$1.1 million (2022 – \$1.4 million) and \$2.1 million (2022 - \$2.5 million), respectively. 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 For further information about this measure see section 9.2 of this MD&A.

³ Comparable sales growth excludes Petroleum.

⁴ Retail ROIC is calculated on a rolling 12-month basis based on normalized earnings.

⁵ This is a non-GAAP financial measure. For further information and a detailed reconciliation see section 9.1 of this MD&A.

⁶ Refer to section 4.1.1 in this MD&A for a description of normalizing items.

⁷ Revenue includes revenue from Canadian Tire, PartSource, PHL, Party City and Franchise Trust.

⁸ Store count includes stores from Canadian Tire, and other banner stores of 161 (2022: 161 stores). Other banners include PartSource, PHL, and Party City.

⁹ Sales per square foot figures are calculated on a rolling 12-month basis. Retail space excludes seasonal outdoor garden centres, auto service bays, warehouse, and administrative space.

¹⁰ Retail sales growth includes sales from Canadian Tire, PartSource, PHL, Party City and the labour portion of Canadian Tire's auto service sales.

¹¹ Sales per square foot figures are calculated on a rolling 12-month basis, include both corporate and franchise stores and warehouse, and administrative space.

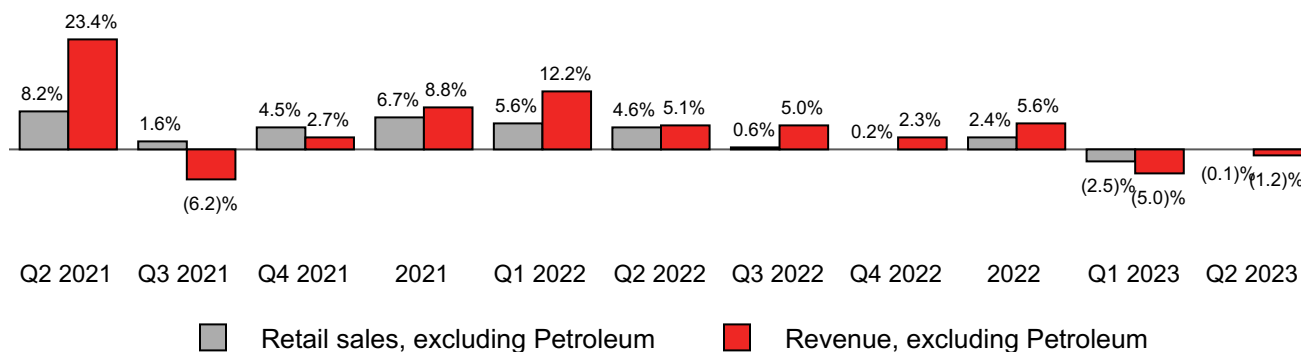
¹² Retail sales growth includes sales from both corporate and franchise stores.

¹³ 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.

¹⁴ Retail sales growth includes Retail sales from Mark's corporate and franchise stores but excludes revenue relating to alteration and embroidery services.

The following chart shows the Retail segment, excluding Petroleum, Retail sales and Revenue performance by quarter for the last two years. As discussed in section 4.1.1 of this MD&A, the Company implemented a change in accounting estimate beginning in the first quarter of 2023 which impacted Revenue, excluding Petroleum, with no change to the historical amounts reported; Retail sales, excluding Petroleum were not impacted by this change.

Year-over-year Retail Sales and Revenue Growth



Retail Segment Commentary

Retail sales decreased 2.8 percent and, excluding Petroleum, were broadly in line with 2022, despite the impact of softening of consumer demand in the latter part of the quarter, particularly in Ontario, and a mix shift to more essential and value offerings. eCommerce sales¹ were \$1.1 billion on a rolling 12-month basis. Consolidated Owned Brands penetration¹ was 37.8 percent, up 24 bps compared to the prior year due to increased Owned Brands penetration at CTR and SportChek.

As discussed in section 4.1.1 of this MD&A, the change in accounting estimate had a \$86.5 million favourable impact on Retail Revenue and Income before income taxes, and 171 bps favourable impact on Retail Gross margin rate excluding Petroleum in the second quarter of 2023.

Retail Income before income taxes decreased by \$38.2 million, and Normalized Income before income taxes decreased by \$9.8 million. Excluding the impact of the change in accounting estimate, Normalized Income before income taxes decreased by \$96.3 million. The decline was driven by lower Revenue as well as higher SG&A and Depreciation and amortization, partially due to ongoing strategic investments as part of the *Better Connected* strategy, and operating inefficiencies due to the DC fire. Net finance costs also increased in the quarter, up \$23.0 million.

On a year-to-date basis, Retail Income before income taxes decreased by \$266.3 million, and Normalized Income before income taxes decreased by \$172.3 million. Excluding the impact of the change in accounting estimate, Normalized Income before income taxes decreased by \$310.6 million. The decline was driven by lower CTR Revenue, operating inefficiencies due to the DC fire, as well as higher operating and net finance costs. The Company estimates that approximately \$32.0 million of the decrease in Normalized Income before income taxes was attributable to operating inefficiencies and delayed shipments due to the DC fire.

¹ For further information about this measure see section 9.2 of this MD&A.

Retail Segment Commentary *(continued)*

	Q2 2023	Year-to-Date
Retail Sales	<p>▼ \$148.9 million or 2.8%</p> <p>▲ 0.1% in Comparable sales growth</p> <ul style="list-style-type: none"> • Retail sales were \$5,214.9 million, a decrease of 2.8 percent. Excluding Petroleum, Retail sales declined 0.1 percent, or \$5.5 million compared to the prior year, with all banners impacted by a softening of consumer demand, particularly in Ontario, and a mix shift to more essential and value offerings. • ▼ CTR Retail sales were down 0.1 percent, impacted by a softening of consumer demand, particularly in Ontario, and a mix shift to more essential and value offerings. Declines in Seasonal & Gardening and Playing were partially offset by growth in Automotive and Living categories. • SPORTCHEK Retail sales were down 0.2 percent, impacted by heightened competition, led by declines in Athletic Clothing and Outerwear, offset by growth in Lifestyle Footwear and Team Sports. • Mark's Retail sales increased 0.1 percent, against strong growth of 21.1 percent in the prior year, driven by growth in Casual Footwear and Industrial businesses, offset by decline in Men's Casualwear. • ▼ GAS+ Retail sales declined 18.6 percent due to lower per litre gas prices and lower gas volumes. Comparable store volume was up 2.3 percent. 	<p>▼ \$243.8 million or 2.8%</p> <p>▼ 0.9% in Comparable sales growth</p> <ul style="list-style-type: none"> • Retail sales were \$8,541.4 million, a decrease of 2.8 percent. Excluding Petroleum, Retail sales declined 1.0 percent or \$78.0 million compared to the prior year, with all banners impacted by a softening of consumer demand, particularly in Ontario, and a mix shift to more essential and value offerings. • ▼ CTR Retail sales were down 1.9 percent driven by the impact of unfavourable weather on sales of winter and spring products in the first quarter, partially offset by growth in Automotive and Living categories. • SPORTCHEK Retail sales grew 1.6 percent, led by growth in Kids Footwear and Outdoor Footwear. • Mark's Retail sales increased 2.2 percent, against strong growth of 19.5 percent in the prior year. • ▼ GAS+ Retail sales declined 12.3 percent due to lower per litre gas prices, partially offset by higher gas volumes.
Revenue	<p>▼ \$171.1 million or 4.2%</p> <p>▼ 1.2% excluding Petroleum</p> <ul style="list-style-type: none"> • Retail Revenue was \$3,896.1 million, down \$171.1 million. Excluding the \$86.5 million impact of the change in accounting estimate, Retail Revenue was down \$257.6 million due to lower shipments at CTR, a decline in revenue at Petroleum, lower franchise shipments and sales at SportChek, and a decline in Helly Hansen revenue, against strong growth of 38.9 percent in the prior year, due to timing of wholesale shipments. 	<p>▼ \$337.7 million or 4.5%</p> <p>▼ 3.0% excluding Petroleum</p> <ul style="list-style-type: none"> • Retail Revenue was \$7,234.0 million, down \$337.7 million. Excluding the \$138.3 million impact of the change in accounting estimate, Retail Revenue was down \$476.0 million due to lower shipments at CTR due to higher Spring/Summer Dealer opening inventory, a decline in revenue at Petroleum, and a delay in CTR shipments due to the DC fire. This was partially offset by growth in wholesale and eCommerce channels at Helly Hansen, and Retail sales growth at Mark's.

Retail Segment Commentary (continued)

	Q2 2023	Year-to-Date
Gross Margin	<ul style="list-style-type: none"> ▲ \$68.8 million or 5.8% ▲ 304 bps in gross margin rate ▲ 6.3% excluding Petroleum¹ ▲ 251 bps in gross margin rate, excluding Petroleum <ul style="list-style-type: none"> • Retail Gross margin dollars were \$1,250.9 million, an increase of \$68.8 million. Excluding Petroleum, Gross margin dollars were \$1,194.2 million, an increase of \$70.6 million. Excluding the impact of the change in accounting estimate, Retail Gross margin dollars excluding Petroleum were down \$15.9 million driven by the decline in Revenue previously described, partially offset by a favourable Gross margin rate. • Gross margin rate, excluding Petroleum, was 35.7 percent, an increase of 251 bps. Excluding the 171 bps impact of the change in accounting estimate, Gross margin rate, excluding Petroleum, was up 80 bps driven by improvement at CTR due to lower freight costs along with actions to manage product cost headwinds, partially offset by increases in promotional intensity at SportChek and Mark's. 	<ul style="list-style-type: none"> ▲ \$41.9 million or 1.9% ▲ 197 bps in gross margin rate ▲ 2.3% excluding Petroleum ▲ 182 bps in gross margin rate, excluding Petroleum <ul style="list-style-type: none"> • Retail Gross margin dollars were \$2,300.9 million, an increase of \$41.9 million. Excluding Petroleum, Gross margin dollars were \$2,198.6 million, an increase of \$49.1 million. Excluding the impact of the change in accounting estimate, Retail Gross margin dollars excluding Petroleum were down \$89.2 million driven by the decline in Revenue previously described, partially offset by a favourable Gross margin rate. • Gross margin rate, excluding Petroleum, was 35.4 percent, an increase of 182 bps. Excluding the 147 bps impact of the change in accounting estimate, Gross margin rate, excluding Petroleum, was up 35 bps due to lower freight costs, a favourable sales mix among the banners, and actions to manage product cost headwinds, partially offset by increases in promotional intensity at SportChek and Mark's.
Other Expense (Income)	<ul style="list-style-type: none"> ▲ \$27.9 million or 190.5% <ul style="list-style-type: none"> • Other expense was \$42.5 million, unfavourable by \$27.9 million. Excluding the current year \$74.6 million charge relating to the DC fire and the prior year \$36.5 million charge relating to the exit of Helly Hansen operations in Russia, Normalized Other expense was favourable by \$10.2 million driven by foreign exchange losses recognized at Helly Hansen in the prior year. 	<ul style="list-style-type: none"> ▲ \$108.2 million or 474.5% <ul style="list-style-type: none"> • Other expense was \$85.4 million, unfavourable by \$108.2 million. Excluding the current year \$142.3 million charge relating to the DC fire and the prior year \$36.5 million charge relating to the exit of Helly Hansen operations in Russia, Normalized Other expense was unfavourable by \$2.4 million driven by a \$13.5 million one-time cost to exit a supply chain contract and lower real estate related gains in 2023, partially offset by foreign exchange losses recognized at Helly Hansen in the prior year.
SG&A	<ul style="list-style-type: none"> ▲ \$41.0 million or 5.3% <ul style="list-style-type: none"> • SG&A was \$818.0 million, an increase of \$41.0 million, or 5.3 percent. The increase was due to strategic investments as part of the <i>Better Connected</i> strategy, including the transition to cloud-based IT infrastructure and investment in supply chain and store network. In addition, there were higher supply chain costs and operating inefficiencies relating to the DC fire. 	<ul style="list-style-type: none"> ▲ \$116.5 million or 7.8% <ul style="list-style-type: none"> • SG&A was \$1,603.5 million, an increase of \$116.5 million, or 7.8 percent. This increase was due to strategic investments as part of the <i>Better Connected</i> strategy, including the transition to cloud-based IT infrastructure and investment in supply chain and store network. In addition, there were higher supply chain costs and operating inefficiencies relating to the DC fire.
Depreciation and amortization	<ul style="list-style-type: none"> ▲ \$15.1 million or 6.8% <ul style="list-style-type: none"> • Depreciation and amortization increased due to lease renewals and extensions, store upgrades, and other capital investments including the Greater Toronto Area Distribution Centre which became fully operational in the year. 	<ul style="list-style-type: none"> ▲ \$42.4 million or 9.8 % <ul style="list-style-type: none"> • Depreciation and amortization increased due to lease renewals and extensions, store upgrades, and other capital investments including the Greater Toronto Area Distribution Centre which became fully operational in the year.

¹ For further information about this measure see section 9.2 of this MD&A.

Retail Segment Commentary *(continued)*

	Q2 2023	Year-to-Date
Net Finance Costs	<p>▲ \$23.0 million or 52.5%</p> <ul style="list-style-type: none"> Net finance costs increased mainly due to increased borrowings and interest rates, and higher lease-related costs compared to the prior year. 	<p>▲ \$41.1 million or 47.3%</p> <ul style="list-style-type: none"> Net finance costs increased mainly due to increased borrowings and interest rates, and higher lease-related costs compared to the prior year.
Earnings Summary	<p>▼ \$38.2 million or 30.9%</p> <ul style="list-style-type: none"> Income before income taxes decreased by \$38.2 million. Normalized Income before income taxes decreased by \$9.8 million attributable to the reasons above. 	<p>▼ \$266.3 million or 97.7%</p> <ul style="list-style-type: none"> Income before income taxes decreased by \$266.3 million. Normalized Income before income taxes decreased by \$172.3 million. attributable to the reasons above.

4.2.3 Retail Segment Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. The fourth quarter typically generates the greatest contribution to 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. As discussed in section 4.1.1 of this MD&A, the Company implemented a change in accounting estimate in the first quarter of 2023 which impacted Revenue and Income (loss) before income taxes, with no change to the historical amounts reported. Retail sales were not affected by this change.

(C\$ in millions)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Retail sales	\$ 5,214.9	\$3,326.5	\$5,729.4	\$4,734.2	\$5,363.8	\$3,421.4	\$5,661.0	\$4,603.2	\$4,882.6
Revenue	3,896.1	3,337.9	4,990.9	3,873.7	4,067.2	3,504.5	4,830.0	3,607.1	3,623.2
Income (loss) before income taxes	85.6	(79.3)	642.4	133.0	123.8	148.8	638.1	226.5	208.6

4.3 Financial Services Segment Performance

4.3.1 Financial Services Segment Financial Results

(C\$ in millions)				YTD		YTD	
	Q2 2023	Q2 2022	Change	Q2 2023	Q2 2022	Change	
Revenue	\$ 364.5	\$ 340.4	7.1 %	\$ 734.3	\$ 672.1	9.2 %	
Gross margin dollars	\$ 179.5	\$ 187.9	(4.5) %	\$ 390.8	\$ 405.4	(3.6) %	
Gross margin rate ¹	49.2 %	55.2 %	(596) bps	53.2 %	60.3 %	(710) bps	
Other expense	\$ 1.1	\$ —	NM ³	\$ 2.3	\$ 0.2	NM ³	
Selling, general and administrative expenses ²	123.3	95.5	29.0 %	214.0	185.2	15.5 %	
Depreciation and amortization ²	2.4	3.5	(31.4) %	5.2	6.7	(22.4) %	
Net finance (income)	(2.7)	(1.1)	NM ³	(4.8)	(2.0)	NM ³	
Income before income taxes	\$ 55.4	\$ 90.0	(38.4) %	\$ 174.1	\$ 215.3	(19.1) %	

¹ For further information about this measure see section 9.2 of this MD&A.

² Certain prior year figures have been restated to conform to the current year presentation.

³ Not meaningful.

Selected Normalized Metrics – Financial Services

(C\$ in millions, except where noted)								Change ³
	Q2 2023	Normalizing Items ¹	Normalized Q2 2023 ²	Q2 2022	Normalizing Items ¹	Normalized Q2 2022		
Revenue	\$ 364.5	—	\$ 364.5	\$ 340.4	—	\$ 340.4	7.1 %	
Gross margin dollars	179.5	—	179.5	187.9	—	187.9	(4.5) %	
Gross margin rate ⁵	49.2 %	— bps	49.2 %	55.2 %	— bps	55.2 %	(596) bps	
Other expense	1.1	—	1.1	—	—	—	NM ⁶	
Selling, general and administrative expenses ⁴	123.3	(33.3)	90.0	95.5	—	95.5	(5.8) %	
Depreciation and amortization ⁴	2.4	—	2.4	3.5	—	3.5	(31.4) %	
Net finance (income)	(2.7)	—	(2.7)	(1.1)	—	(1.1)	NM ⁶	
Income before income taxes	\$ 55.4	33.3	\$ 88.7	\$ 90.0	—	\$ 90.0	(1.4) %	

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

² These normalized measures (Selling, general and administrative expenses and Income before income taxes) are non-GAAP financial measures. For further information and a detailed reconciliation see section 9.1 of this MD&A.

³ Change is between normalized results.

⁴ Certain prior year figures have been restated to conform to the current year presentation.

⁵ For further information about this measure see section 9.2 of this MD&A.

⁶ Not meaningful.

(C\$ in millions, except where noted)	YTD Q2 2023	Normalizing Items	Normalized YTD Q2 2023 ²	YTD Q2 2022 ²	Normalizing Items ¹	Normalized YTD Q2 2022 ²	Change ³
Revenue	\$ 734.3	—	\$ 734.3	\$ 672.1	—	\$ 672.1	9.2 %
Gross margin dollars	390.8	—	390.8	405.4	—	405.4	(3.6)%
Gross margin rate ⁵	53.2 %	— bps	53.2 %	60.3 %	— bps	60.3 %	(710) bps
Other expense	2.3	—	2.3	0.2	—	0.2	NM ⁶
Selling, general and administrative expenses ⁴	214.0	(33.3)	180.7	185.2	—	185.2	(2.4)%
Depreciation and amortization ⁴	5.2	—	5.2	6.7	—	6.7	(22.4)%
Net finance (income)	(4.8)	—	(4.8)	(2.0)	—	(2.0)	NM ⁶
Income before income taxes	\$ 174.1	33.3	\$ 207.4	\$ 215.3	—	\$ 215.3	(3.7)%

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

² These normalized measures (Selling, general and administrative expenses and Income before income taxes) are non-GAAP financial measures. For further information and a detailed reconciliation see section 9.1 of this MD&A.

³ Change is between normalized results.

⁴ Certain prior year figures have been restated to conform to the current year presentation.

⁵ For further information about this measure see section 9.2 of this MD&A.

⁶ Not meaningful.

Financial Services Segment Commentary

Financial Services segment Income before income taxes was \$55.4 million in the quarter, a decrease of \$34.6 million from the prior year, driven by the GST/HST-related charge. Normalized Financial Services segment Income before income taxes was \$88.7 million in the quarter, a decrease of \$1.3 million from the prior year. Revenue growth of \$24.1 million was mainly attributable to higher interest income due to strong receivable growth. The decline in Gross margin dollars was a result of higher net impairment losses and increased funding costs.

Gross average accounts receivable (“GAAR”)¹ was 8.2 percent higher relative to Q2 2022 as active accounts and average balance growth moderates from pandemic highs, up 3.7 percent and 4.3 percent, respectively. Past due credit card receivables rate (“PD2+ rate”)² was broadly in line with the first quarter of 2023, although higher than the prior year as portfolio performance returns to historic levels, as expected. The net write-off rate finished the quarter at 5.6 percent, with continued increases in line with expectations for a return to historic levels.

The expected credit loss (“ECL”) allowance for loans receivable was \$912.6 million, an increase of \$15.7 million from Q1 2023, largely driven by moderate growth in receivables which were up \$286.6 million from Q1 2023. The ECL allowance rate finished the quarter at 12.7 percent, within the previously disclosed range of 11.5 percent to 13.5 percent.

On a year-to-date basis, Financial Services segment Income before income taxes was \$174.1 million, a decrease of \$41.2 million from the prior year. Normalized Financial Services segment Income before income taxes was \$207.4 million, a decrease of \$7.9 million from the prior year. The decline was mainly attributable to higher net impairment losses and increased funding costs, partially offset by higher Revenue.

¹ For further information about this measure see section 9.2 of this MD&A.

² This is a non-GAAP financial measure. For further information and a detailed reconciliation see section 9.1 of this MD&A.

Financial Services Segment Commentary *(continued)*

	Q2 2023	Year-to-Date
Revenue	<p>▲ \$24.1 million or 7.1%</p> <ul style="list-style-type: none"> Revenue for the quarter was \$364.5 million, an increase of \$24.1 million, or 7.1 percent compared to the prior year. The increase in Revenue was mainly due to higher interest income driven by strong receivables growth. 	<p>▲ \$62.2 million or 9.2%</p> <ul style="list-style-type: none"> Revenue was \$734.3 million, an increase of \$62.2 million, or 9.2 percent compared to the prior year. The increase in Revenue was primarily attributable to higher interest and fee income driven by strong receivables growth and higher credit card sales, respectively.
Gross Margin Dollars	<p>▼ \$8.4 million or 4.5%</p> <ul style="list-style-type: none"> Gross margin dollars were \$179.5 million, a decrease of \$8.4 million, or 4.5 percent compared to the prior year. The decrease in Gross margin dollars was mainly due to higher net impairment losses and funding costs, partially offset by Revenue growth. 	<p>▼ \$14.6 million or 3.6%</p> <ul style="list-style-type: none"> Gross margin dollars were \$390.8 million, a decrease of \$14.6 million, or 3.6 percent compared to the prior year. The decrease in Gross margin dollars was mainly due to higher net impairment losses and funding costs, partially offset by Revenue growth.
SG&A	<p>▲ \$27.8 million or 29.0%</p> <ul style="list-style-type: none"> SG&A was \$123.3 million, an increase of \$27.8 million, or 29.0 percent. Excluding the \$33.3 million GST/HST-related charge, Normalized SG&A decreased \$5.5 million mainly due to lower marketing costs. 	<p>▲ \$28.8 million or 15.5%</p> <ul style="list-style-type: none"> SG&A was \$214.0 million, an increase of \$28.8 million or 15.5 percent. Excluding the \$33.3 million GST/HST-related charge, Normalized SG&A decreased \$4.5 million mainly due to lower marketing costs, partially offset by higher IT costs.
Earnings Summary	<p>▼ \$34.6 million or 38.4%</p> <ul style="list-style-type: none"> Income before income taxes was \$55.4 million, a decrease of \$34.6 million, or 38.4 percent. Normalized Income before income taxes was \$88.7 million, a decrease of \$1.3 million attributable to the reasons above. 	<p>▼ \$41.2 million or 19.1%</p> <ul style="list-style-type: none"> Income before income taxes was \$174.1 million, a decrease of \$41.2 million or 19.1 percent. Normalized Income before income taxes was \$207.4 million, a decrease of \$7.9 million attributable to the reasons above.

4.3.2 Financial Services Segment Key Performance Measures

(C\$ in millions, except where noted)	Q2 2023	Q2 2022	Change	YTD Q2 2023	YTD Q2 2022	Change
Credit card sales growth ¹	(1.8) %	25.4 %		1.7 %	25.6 %	
GAAR	\$ 7,089	\$ 6,553	8.2 %	\$ 7,030	\$ 6,433	9.3 %
Revenue (as a percentage of GAAR) ^{1,2}	20.9 %	20.7 %		n/a	n/a	
Average number of accounts with a balance (thousands)	2,319	2,236	3.7 %	2,299	2,209	4.1 %
Average account balance ¹ (whole \$)	\$ 3,057	\$ 2,931	4.3 %	\$ 3,058	\$ 2,912	5.0 %
Net credit card write-off rate ^{1,2}	5.6 %	4.1 %		n/a	n/a	
Past due credit card receivables ("PD2+") rate ³	3.0 %	2.4 %		n/a	n/a	
Allowance rate	12.7 %	12.9 %		n/a	n/a	
Operating expenses (as a percentage of GAAR) ^{1,2}	5.6 %	6.2 %		n/a	n/a	
Return on receivables ^{1,2}	5.8 %	6.3 %		n/a	n/a	

¹ For further information about this measure see section 9.2 of this MD&A.

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

³ This is a non-GAAP financial measure. For further information and a detailed reconciliation see section 9.1 of this MD&A.

Financial Services Segment Scorecard

To evaluate the overall financial performance of the Financial Services segment, the following scorecard demonstrates how Financial Services is progressing towards achieving its strategic objectives.

Q2 2023 vs. Q2 2022	
Growth	<ul style="list-style-type: none"> ▲ 8.2% in GAAR ▼ 1.8% in credit card sales growth ▲ 3.7% in average number of accounts with a balance ▲ 4.3% in average account balance <ul style="list-style-type: none"> • GAAR increased by 8.2 percent relative to last year driven by continued strong cardholder engagement. The average number of active accounts for the quarter increased by 3.7 percent along with an increase in average account balance of 4.3 percent. • Credit card sales declined by 1.8 percent over the prior year driven by softer sales at Petroleum and external merchants.
Performance	<ul style="list-style-type: none"> ▼ 57 bps in return on receivables ▲ 21 bps in Revenue as a percentage of GAAR ▼ 54 bps in Operating Expenditures ("OPEX") as a percentage of GAAR <ul style="list-style-type: none"> • Return on receivables decreased by 57 bps compared to the prior year due to GAAR growth that exceeded the growth in earnings on a 12-month basis. • Revenue as a percentage of GAAR increased by 21 bps compared to the prior year due to strong revenue growth. • OPEX as a percentage of GAAR decreased by 54 bps compared to the prior year due to GAAR growth that exceeded the slight increase in operating expenses on a 12-month basis.
Operational metrics	<ul style="list-style-type: none"> ▲ 62 bps in PD2+ rate ▲ 150 bps in net credit card write-off rate ▼ 12.7% allowance rate, down 20 bps <ul style="list-style-type: none"> • The PD2+ rate increased by 62 bps compared to the prior year due to the return of aging to pre-pandemic norms. • The increase in the net write-off rate compared to the prior year was driven by an expected increase in net write-off dollars as the portfolio continues to return to historic levels of performance. • The allowance rate decreased by 20 bps from Q2 2022 to 12.7 percent, remaining within the previously disclosed range of 11.5 to 13.5 percent.

4.3.3 Financial Services Segment Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. The following table shows the financial performance of the segment by quarter for the last two years.

(C\$ in millions)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	\$ 364.5	\$ 369.8	\$ 357.2	\$ 360.4	\$ 340.4	\$ 331.7	\$ 312.4	\$ 307.6	\$ 296.1
Income before income taxes	55.4	118.7	86.8	139.6	90.0	125.3	63.0	117.7	125.3

4.4 CT REIT Segment Performance

4.4.1 CT REIT Segment Financial Results

(C\$ in millions)				YTD		YTD	
	Q2 2023	Q2 2022	Change	Q2 2023	Q2 2022	Change	
Property revenue ¹	\$ 137.8	\$ 132.6	4.0 %	\$ 275.3	\$ 264.5	4.1 %	
Property expense ¹	28.1	28.0	0.5 %	58.6	56.7	3.4 %	
General and administrative expense ("G&A")	3.6	3.5	3.3 %	8.0	7.9	0.8 %	
Net finance costs	28.3	27.3	3.6 %	56.2	55.1	2.0 %	
Fair value (gain) adjustment ³	(31.6)	(6.0)	NM ²	(27.4)	(28.1)	(2.6) %	
Income before income taxes	\$ 109.4	\$ 79.8	37.1 %	\$ 179.9	\$ 172.9	4.1 %	
Adjustment from fair value to amortized cost method on Investment property							
Fair value gain adjustment	31.6	6.0	NM ²	27.4	28.1	2.6 %	
Depreciation and impairment loss	19.2	18.5	3.8 %	38.4	36.9	4.1 %	
Income before income taxes, applying CTC accounting policies	\$ 58.6	\$ 55.3	6.0 %	\$ 114.1	\$ 107.9	5.7 %	

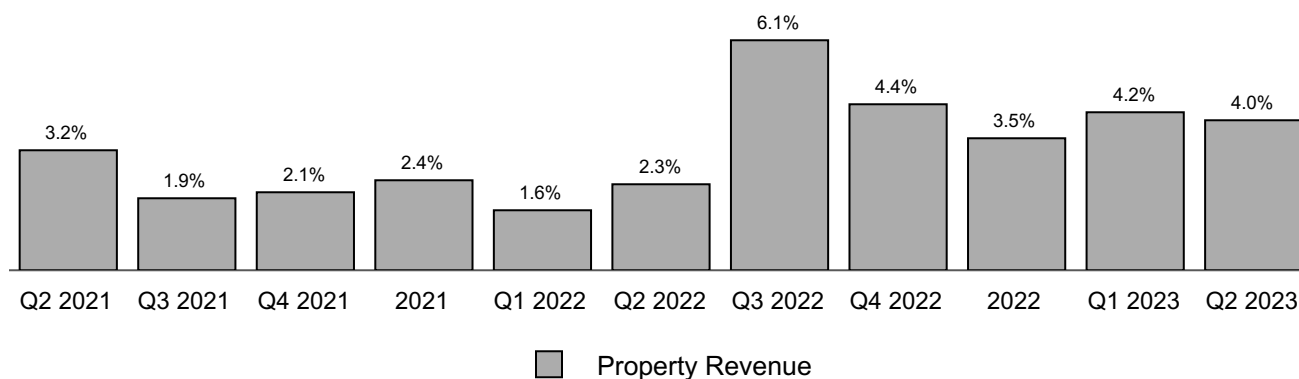
¹ For further information about this measure see section 9.2 of this MD&A.

² Not meaningful.

³ Fair value is eliminated on consolidation.

The following shows the CT REIT year-over-year Property revenue performance by quarter for the last two years.

Year-over-year Property Revenue Growth



CT REIT Segment Commentary

CT REIT segment income increased \$3.3 million due to higher Property revenue, partially offset by higher Net finance costs and depreciation during the quarter. The increase in earnings was mainly due to the properties acquired, and intensifications and developments completed during 2022 and 2023, in addition to contractual rent escalations.

CT REIT Segment Commentary (continued)

	Q2 2023	Year-to-Date
Property Revenue	<p>▲ \$5.2 million or 4.0%</p> <ul style="list-style-type: none"> Property revenue was \$137.8 million, an increase of \$5.2 million, or 4.0 percent. The increase was mainly due to the properties acquired, and intensifications and developments completed during 2022 and 2023, in addition to contractual rent escalations, partially offset by vacancies. 	<p>▲ \$10.8 million or 4.1 %</p> <ul style="list-style-type: none"> Property revenue was \$275.3 million, an increase of \$10.8 million, or 4.1 percent. The increase was mainly due to the properties acquired, and intensifications and developments completed during 2022 and 2023, in addition to contractual rent escalations, partially offset by vacancies.
Property Expense	<p>▲ \$0.1 million or 0.5%</p> <ul style="list-style-type: none"> Property expense was \$28.1 million, an increase of \$0.1 million, or 0.5 percent, relatively flat to the prior year. 	<p>▲ \$1.9 million or 3.4 %</p> <ul style="list-style-type: none"> Property expense was \$58.6 million, an increase of \$1.9 million, or 3.4 percent. The increase was due to the properties acquired, and intensifications and developments completed during 2022 and 2023.
G&A	<p>▲ \$0.1 million or 3.3%</p> <ul style="list-style-type: none"> G&A was \$3.6 million, relatively flat to the prior year. 	<p>▲ \$0.1 million or 0.8%</p> <ul style="list-style-type: none"> G&A was \$8.0 million, relatively flat to the prior year.
Depreciation and Impairment	<p>▲ \$0.8 million or 3.8%</p> <ul style="list-style-type: none"> Depreciation and impairment was \$19.2 million, an increase of \$0.8 million or 3.8 percent due to property acquisitions, and intensifications and developments completed during 2022 and 2023. 	<p>▲ \$1.5 million or 4.1 %</p> <ul style="list-style-type: none"> Depreciation and impairment was \$38.4 million, an increase of \$1.5 million or 4.1 percent due to property acquisitions, and intensifications and developments completed during 2022 and 2023.
Net Finance Costs	<p>▲ \$1.0 million or 3.6%</p> <ul style="list-style-type: none"> Net finance costs were \$28.3 million, an increase of \$1.0 million or 3.6 percent, driven by higher credit facilities utilization due to repayment of a mortgage in the first quarter of 2023 and an increase in the interest rate on the credit facilities, partially offset by capitalized interest on properties under development. 	<p>▲ \$1.1 million or 2.0 %</p> <ul style="list-style-type: none"> Net finance costs were \$56.2 million, an increase of \$1.1 million or 2.0 percent. The increase was driven by higher credit facilities utilization due to repayment of a mortgage in the first quarter of 2023 and an increase in the interest rate on the credit facilities, partially offset by capitalized interest on properties under development and a prepayment cost in the prior year relating to the early redemption of Series A unsecured debentures.
Earnings Summary	<p>▲ \$3.3 million or 6.0%</p> <ul style="list-style-type: none"> Income before income taxes was \$58.6 million, an increase of \$3.3 million or 6.0 percent attributable to the reasons above. 	<p>▲ \$6.2 million or 5.7%</p> <ul style="list-style-type: none"> Income before income taxes was \$114.1 million, an increase of \$6.2 million or 5.7 percent attributable to the reasons above.

4.4.2 CT REIT Segment Key Performance Measures

(C\$ in millions)				YTD		YTD	
	Q2 2023	Q2 2022	Change	Q2 2023	Q2 2022	Change	
Net operating income ¹	\$ 110.1	\$ 104.1	5.8 %	\$ 217.5	\$ 206.9	5.1 %	
Funds from operations ¹	77.8	73.4	6.0 %	153.1	145.2	5.4 %	
Adjusted funds from operations ¹	71.7	66.6	7.6 %	140.9	131.7	7.0 %	

¹ This measure is a non-GAAP financial measure. For further information and a detailed reconciliation see section 9.1 of this MD&A.

Net Operating Income (“NOI”)

NOI for the quarter increased by 5.8 percent compared to the prior year, primarily due to the intensifications of income-producing properties completed in 2023 and 2022, and rent escalations for CTC banner leases.

Funds from Operations (“FFO”)

FFO for the quarter increased by 6.0 percent compared to the prior year, primarily due to the impact of NOI variances.

Adjusted Funds from Operations (“AFFO”)

AFFO for the quarter increased by 7.6 percent compared to the prior year, primarily due to the impact of NOI variances.

5.0 Balance Sheet Analysis, Liquidity, and Capital Resources

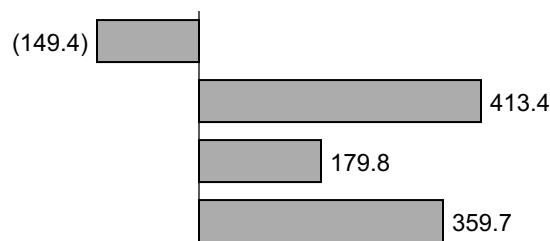
5.1 Selected Balance Sheet Highlights

Selected line items from the Company's assets and liabilities, as at July 1, 2023 and the year-over-year change versus July 2, 2022, are noted below:

Change in Total assets	▲ \$ 780.9
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Selected Assets	July 1, 2023
Investments (current and long-term)	240.6
Loans receivable (current portion)	6,387.0
Merchandise inventories	3,213.7
Property and equipment	5,007.8

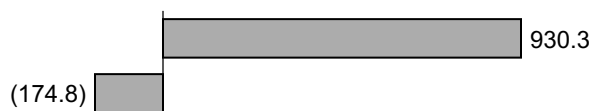
Year-over-year change in assets



Change in Total liabilities	▲ \$ 826.8
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Selected Liabilities	July 1, 2023
Short-term borrowings	1,026.2
Long-term debt (current and long-term portion)	4,203.4

Year-over-year change in liabilities

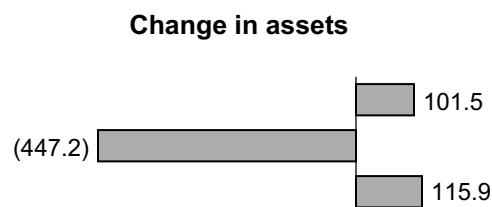


Assets		
Investments (current and long-term)	▼ \$149.4 million	The decrease in investments was primarily due to a reduction of excess accumulated liquidity in the Financial Services segment.
Loans receivable (current portion)	▲ \$413.4 million	The increase was primarily due to increased cardholder activity, in both the number of active credit cards and average balance, offset by a higher allowance.
Merchandise inventories	▲ \$179.8 million	While this represents an increase of 5.9 percent, this was down from a 21.6 percent year-over-year increase in the first quarter. Inventory decreased compared to prior year at CTR, offset by inventory increases in the other Retail banners.
Property and equipment	▲ \$359.7 million	The increase was primarily driven by CT REIT's investments to support the <i>Better-Connected</i> strategy. The increase is also due to equipment purchases for the new Greater Toronto Area Distribution Centre.
Liabilities		
Short-term borrowings	▲ \$930.3 million	The increase is primarily due to an increase in both commercial paper and credit facility debt payable in the Financial Services segment. Lower cash earnings combined with the impact of lower cash on hand at the beginning of 2023 led to a larger draw on short-term borrowings in Retail.
Long-term debt (current and long-term portion)	▼ \$174.8 million	The decrease was primarily due to reduced refinancing of Glacier term notes and repayment of mortgages at maturity.

Selected line items from the Company's assets and liabilities, as at July 1, 2023 and the change versus December 31, 2022, are noted below:

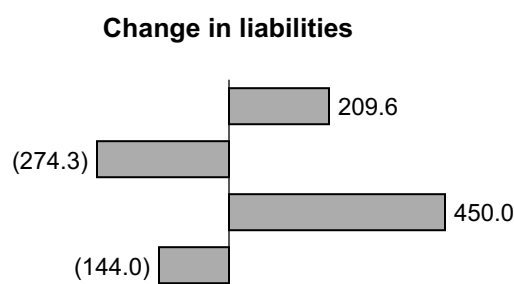
Change in Total assets ▼ \$ **261.7**

Selected Assets	July 1, 2023
Cash and cash equivalents	432.8
Trade and other receivables	862.7
Loans receivable (current portion)	6,387.0



Change in Total liabilities ▲ \$ **220.7**

Selected Liabilities	July 1, 2023
Deposits (current and long-term)	3,175.3
Trade and other payables	2,926.6
Short-term borrowings	1,026.2
Lease liabilities (current and long-term)	2,263.6



Assets		
Cash and cash equivalents	▲ \$101.5 million	The increase was primarily due to cash generated from operating activities. Refer to section 5.2 and Condensed Interim Consolidated Statements of Cash Flows for further details.
Trade and other receivables	▼ \$447.2 million	The decrease is mainly due to lower Dealer receivables due to the timing of payments and lower favourable fair value position for foreign exchange derivative contracts.
Loans receivable (current portion)	▲ \$115.9 million	The increase was primarily due to increased cardholder activity, in both the number of active credit cards and average balance, offset by a higher allowance.
Liabilities		
Deposits (current and long-term)	▲ \$209.6 million	The increase was mainly due to increased guaranteed investment certificate ("GIC") deposits to meet funding requirements, partially offset by a decline in demand deposits in the Financial Services segment.
Trade and other payables	▼ \$274.3 million	The decrease was due to timing and volume of payments and favourable change in fair values of derivative contracts.
Short-term borrowings	▲ \$450.0 million	The increase was primarily due to funding and capital requirements in the Retail segment. The Financial Services segment further drove the increase through increased commercial paper, offset by a lower amount outstanding in credit facility debt payable.
Lease liabilities (current and long-term)	▼ \$144.0 million	The decrease was primarily due to principal payments on existing leases, offset by new lease contracts and lease renewals.

5.2 Summary Cash Flows

Selected line items from the Company's Condensed Interim Consolidated Statements of Cash Flows for the quarters ended July 1, 2023 and July 2, 2022 are noted in the following table:

(C\$ in millions)	Q2 2023	Q2 2022	Change
Cash generated from operating activities	\$ 823.4	\$ 487.6	\$ 335.8
Cash (used for) generated from investing activities	(74.0)	91.3	(165.3)
Cash (used for) financing activities	(628.4)	(923.8)	295.4
Cash generated (used) in the period	\$ 121.0	\$ (344.9)	\$ 465.9

(C\$ in millions)	YTD Q2 2023	YTD Q2 2022	Change
Cash generated from operating activities	\$ 512.3	\$ (105.2)	\$ 617.5
Cash (used for) generated from investing activities	(233.1)	82.7	(315.8)
Cash (used for) financing activities	(172.7)	(1,221.2)	1,048.5
Cash generated (used) in the period	\$ 106.5	\$ (1,243.7)	\$ 1,350.2

	Q2 2023	Year-to-Date
Operating activities	<p>▲ \$335.8 million change</p> <ul style="list-style-type: none"> The increase in cash generated from operating activities is primarily driven by changes in working capital and changes in loans receivable. 	<p>▲ \$617.5 million change</p> <ul style="list-style-type: none"> The increase in cash generated from operating activities is primarily driven by changes in working capital and changes in loans receivable.
Investing activities	<p>▼ \$165.3 million change</p> <ul style="list-style-type: none"> The increase in cash used in investing activities is primarily from changes in short-term investments. Excess liquidity in 2022 led to positive cash generation upon sale or maturity of short-term investments compared to the same period in the current year. This is partially offset by reduced additions of property and equipment, investment property and intangible assets. 	<p>▼ \$315.8 million change</p> <ul style="list-style-type: none"> The increase in cash used in investing activities is primarily from changes in short-term investments. Excess liquidity in 2022 led to positive cash generation upon sale or maturity of short-term investments compared to the same period in the current year. This is partially offset by reduced additions of property and equipment, investment property and intangible assets.
Financing activities	<p>▲ \$295.4 million change</p> <ul style="list-style-type: none"> The cash used for financing activities declined primarily due to Changes in deposits partially offset by higher net repayment of short-term borrowings and increased repurchases of share capital. 	<p>▲ \$1,048.5 million change</p> <ul style="list-style-type: none"> The decline in cash used for financing activities is primarily due to Change in deposits, which produced positive cash flows in the current year-to-date period compared to cash used to reduce deposits in the prior year. Cash generated from short-term borrowings were offset by debt refinancings and repurchases of share capital.

5.3 Capital Management

The Company's objectives when managing capital are:

- Ensuring sufficient liquidity to meet its financial obligations when due and execute its operating and strategic plans;
- Maintaining healthy liquidity reserves and the ability to access additional capital from multiple sources, if required; and
- Minimizing its after-tax cost of capital while taking into consideration the key risks outlined in section 10.0 of this MD&A including current and future industry, market, and economic risks and conditions.

5.3.1 Canadian Tire Bank's Regulatory Environment

CTB manages its capital under guidelines established by the Office of the Superintendent of Financial Institutions ("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 relative to credit, market, and operational risks. The Bank has various capital policies, procedures, and controls in place, including an annual Internal Capital Adequacy Assessment Process ("ICAAP"), which it utilizes to determine the amount of capital that needs to be held based on the Bank's risk profile.

The Bank's objectives include:

- maintaining strong capital ratios, as measured by regulatory guidelines and internal targets; and
- holding sufficient capital to maintain the confidence of investors and depositors.

As at Q2 2023, CTB complied with all regulatory capital guidelines established by OSFI and its internal targets as determined by its ICAAP.

5.4 Investing

5.4.1 Capital Expenditures

The Company's capital expenditures for the periods ended July 1, 2023 and July 2, 2022 were as follows:

(C\$ in millions)	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Modernization and efficiency enablers	\$ 22.6	\$ 26.7	\$ 34.6	\$ 49.7
Omnichannel customer experience	95.9	101.8	163.5	182.8
Fulfilment infrastructure and automation	19.9	40.3	39.9	78.3
Operating capital expenditures¹	\$ 138.4	\$ 168.8	\$ 238.0	\$ 310.8
CT REIT acquisitions and developments excluding vend-ins from CTC	9.8	19.4	21.4	31.7
Total capital expenditures²	\$ 148.2	\$ 188.2	\$ 259.4	\$ 342.5

¹ This measure is a non-GAAP financial measure. For further information and a detailed reconciliation see section 9.1 of this MD&A.

² Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual properties, and tenant allowances received.

	Q2 2023	Year-to-Date
Total capital expenditures	▼ \$40.0 million	▼ \$83.1 million
	<ul style="list-style-type: none"> • On a year-to-date basis, the Company's operating capital expenditures and total capital expenditures were \$238.0 million and \$259.4 million respectively, a decrease of \$72.8 million and \$83.1 million from the prior year. The decrease was driven mainly by the timing of spend. 	

Capital Commitments

The Company had commitments of approximately \$162.5 million as at July 1, 2023 (July 2, 2022 – \$313.0 million) for the acquisition of tangible and intangible assets.

Operating Capital Expenditures

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

The Company expects its 2023 full-year operating capital expenditures to be at the lower end of the previously disclosed range of \$750 to \$800 million, with the timing of some projects shifted to 2024.

5.5 Liquidity and Financing

Management is focused on ensuring that the Company has sufficient liquidity, both through maintaining a strong balance sheet and the ability to access additional capital from multiple sources, if required. Several alternative financing sources are available to its Retail, Financial Services, and CT REIT segments to meet their financial obligations when due and to execute their operating and strategic plans.

The Company ended the quarter with \$610.9 million in cash and short-term investments, net of bank indebtedness, and \$4.4 billion in liquidity with \$1.8 billion, \$2.5 billion, and \$155.7 million at its Retail, Financial Services, and CT REIT segments, respectively.

As at July 1, 2023				
(C\$ in millions)	Consolidated	Retail	Financial Services	CT REIT
Cash and cash equivalents	\$ 432.8	\$ 74.0	\$ 354.7	\$ 4.1
Short-term investments	178.1	—	178.1	—
Less: Bank indebtedness	—	—	—	—
Total net cash and cash equivalents and short-term investments¹	\$ 610.9	\$ 74.0	\$ 532.8	\$ 4.1
Committed Bank Lines of Credit	4,546.6	1,996.6	2,250.0	300.0
Less: Borrowings outstanding ²	433.3	—	289.3	144.0
Less: U.S. commercial paper outstanding	304.5	304.5	—	—
Less: Letters of credit outstanding	4.4	—	—	4.4
Available Committed Bank Lines of Credit	\$ 3,804.4	\$ 1,692.1	\$ 1,960.7	\$ 151.6
Liquidity¹	\$ 4,415.3	\$ 1,766.1	\$ 2,493.5	\$ 155.7

¹ This measure is a non-GAAP financial measure with no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers.

² For further information about this measure see section 9.2 of this MD&A.

Financing Source	
Committed Bank Lines of Credit and Securitized Note Purchase Facilities	<ul style="list-style-type: none"> • Provided by a syndicate of seven Canadian and three international financial institutions, \$1,975 million in an unsecured line of credit is available to the Retail segment for general corporate purposes, expiring in June 2027. As of July 1, 2023, the Retail segment had no borrowings under this line of credit. • Provided by a syndicate of seven Canadian financial institutions, \$300 million in an unsecured line of credit is available to CT REIT for general business purposes, expiring in September 2027. As of July 1, 2023, CT REIT had \$144.0 million of borrowings under this line of credit. • Scotiabank has provided CTB with a \$500 million unsecured line of credit and \$1.75 billion in securitized note purchase facilities for the purchase of senior and subordinated credit card asset-backed notes issued by Glacier Credit Card Trust ("GCCT"). As of July 1, 2023, CTB had \$289.3 million of borrowings under this line of credit and a nominal amount owing under its note purchase facilities. • Helly Hansen has a 175 million Norwegian Krone ("NOK") secured overdraft facility (\$21.6 million Canadian dollar equivalent) provided by a Norwegian bank, expiring in January 2024. As of July 1, 2023, Helly Hansen had no borrowings outstanding on this facility.
Commercial Paper Programs	<ul style="list-style-type: none"> • CTC has a commercial paper program that allows it to issue up to a maximum aggregate principal amount of US\$ 1.0 billion of unsecured short-term promissory notes in the United States. Terms to maturity for the promissory notes range from one to 270 days from the date of issue. Notes are issued at a discount and rank equally in right of payment with all other present and future unsecured and unsubordinated obligations to creditors of CTC. As of July 1, 2023, CTC had \$304.5 million of Canadian dollar equivalent U.S. commercial paper outstanding. • Concurrent with CTC's US\$ commercial paper issuances, CTC enters foreign exchange derivatives to hedge the foreign currency risk associated with both the principal and interest components of the borrowings under the program. CTC does not designate these debt derivatives as hedges for accounting purposes. • GCCT has a commercial paper program that allows it to issue up to a maximum aggregate principal amount of \$300 million of short-term credit card asset-backed promissory notes. As of July 1, 2023, GCCT had \$288.4 million of asset-backed commercial paper notes outstanding.
Medium-Term Notes and Senior Unsecured Debentures	<ul style="list-style-type: none"> • As of July 1, 2023, CTC had an aggregate principal amount of \$950.0 million of medium-term notes outstanding. Subsequent to the quarter, on July 6, 2023, CTC repaid \$400.0 million of medium-term notes. • As of July 1, 2023, CT REIT had an aggregate principal amount of \$1.2 billion of senior unsecured debentures outstanding.
Asset-backed Senior and Subordinated Term Notes	<ul style="list-style-type: none"> • As of July 1, 2023, GCCT had an aggregate principal amount of \$2.1 billion of credit card asset-backed term notes outstanding, consisting of \$1.9 billion principal amount of senior term notes and \$135 million principal amount of subordinated term notes.
Broker GIC Deposits	<ul style="list-style-type: none"> • Funds continue to be readily available to CTB through broker networks. As of July 1, 2023, CTB held \$2.4 billion in broker GIC deposits.
Retail Deposits	<ul style="list-style-type: none"> • Retail deposits consist of High Interest Saving and retail GIC deposits held by CTB, available both within and outside a Tax-Free Savings Account. As of July 1, 2023, CTB held \$658.2 million in retail deposits.
Real Estate	<ul style="list-style-type: none"> • CTC can undertake strategic real estate transactions involving properties not owned by CT REIT. It also owns an investment in CT REIT in the form of publicly traded CT REIT Units. As of July 1, 2023, CTC had a 68.5 percent effective ownership interest in CT REIT. • Additional sources of funding are available to CT REIT, as appropriate, including the ability to access debt and equity markets, subject to the terms and conditions of CT REIT's Declaration of Trust and all applicable regulatory requirements. • As of July 1, 2023, CT REIT had an aggregate principal amount of \$9.1 million of mortgages, secured by certain investment properties, outstanding.

5.5.1 Contractual Obligations, Guarantees, and Commitments

For a description of contractual obligations as at December 31, 2022, refer to section 6.5.1 of the Company's 2022 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 July 1, 2023.

During the quarter the Company entered into agreements to spend \$445 million over a period of seven years.

For a discussion of the Company's significant guarantees and commitments, refer to Note 34 to the Company's 2022 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 2022 Consolidated Financial Statements. There were no significant changes in guarantees and commitments identified at year end, other than those discussed in this document.

6.0 Equity

6.1 Shares Outstanding

(C\$ in millions)	July 1, 2023	July 2, 2022	December 31, 2022
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (July 2, 2022 – 3,423,366; December 31, 2022 – 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
52,493,324 Class A Non-Voting Shares (July 2, 2022 – 55,537,813; December 31, 2022 – 54,276,998)	586.3	595.6	587.6
	\$ 586.5	\$ 595.8	\$ 587.8

Each year, the Company files a notice to make 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. Security holders may obtain a copy of the notice, without charge, by contacting the Corporate Secretary of the Company.

On February 17, 2022, the TSX accepted the Company’s notice of intention to make an NCIB to purchase up to 5.3 million Class A Non-Voting Shares during the period March 2, 2022 to March 1, 2023 (the “2022-23 NCIB”). On February 16, 2023, the TSX accepted the Company’s notice of intention to make an NCIB to purchase up to 5.1 million Class A Non-Voting Shares during the period March 2, 2023 to March 1, 2024 (the “2023-24 NCIB”). Also on February 16, 2023, the TSX accepted a new Automatic Securities Purchase Plan (“ASPP”) which expires on March 1, 2024 (the “2023-24 ASPP”) and allows a designated broker to purchase Class A Non-Voting Shares under the 2023-24 NCIB during the Company’s blackout periods, subject to pre-defined parameters.

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

On November 10, 2022, the Company announced that it intends to purchase \$500 million to \$700 million of its Class A Non-Voting Shares by the end of 2023, in excess of the amount required for anti-dilutive purposes. The following table summarizes the Company’s purchases relating to the 2022-23 Share Purchase Intention.

(C\$ in millions)	
2022-23 Share Purchase Intention announced on November 10, 2022	\$ 500 - 700
Shares purchased in fiscal 2022 under the 2022-23 Share Purchase Intention	121.8
Shares purchased in fiscal 2023 under the 2022-23 Share Purchase Intention	299.0
Total shares purchased under the 2022-23 Share Purchase Intention	\$ 420.8

6.2 Dividends

The Company has a long-term dividend payout ratio¹ target of approximately 30 to 40 percent of the prior year’s normalized net income, after considering the period-end cash position, future cash flow requirements, capital market conditions, and investment opportunities. The long-term dividend payout ratio may fluctuate in any particular year due to unusual or non-recurring events.

On August 9, 2023, the Company’s Board of Directors declared dividends at a rate of \$1.725 per share payable on December 1, 2023 to shareholders of record as of October 31, 2023. The dividend is considered an “eligible dividend” for tax purposes.

¹ For further information about this measure see section 9.1 of this MD&A.

6.3 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 Q2 2023, 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 payment to the counterparties of approximately \$5.6 million. The Company entered into 170,000 units of new equity-forward contracts in Q2 2023 with a hedge rate of \$168.11.

7.0 Tax Matters

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

There have been no material changes in the status of ongoing audits by tax authorities as disclosed in section 8.0 in the Company's 2022 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.

Income taxes for the 13 weeks ended July 1, 2023 were \$47.0 million (2022 – \$60.5 million). The effective tax rate for the 13 weeks ended July 1, 2023 increased to 27.0 percent (2022 – 25.4 percent), primarily due to higher non-deductible stock option expense, partially offset by the tax impact of costs to exit Helly Hansen operations in Russia incurred in 2022.

Income taxes for the 26 weeks ended July 1, 2023 were \$70.8 million (2022 – \$137.8 million). The effective tax rate for the 26 weeks ended July 1, 2023 increased to 29.4 percent (2022 – 25.9 percent), primarily due to higher non-deductible stock option expense.

8.0 Accounting Policies and Estimates

8.1 Critical Accounting Estimates

The Company estimates certain amounts, which are reflected in its condensed interim consolidated financial statements using detailed financial models based on historical experience, current trends, and other assumptions. 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 2022 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 are described in Note 2 to the Company's 2022 Consolidated Financial Statements and Notes.

Effective this quarter, the Company changed an accounting estimate which results in a shift of earnings from the fourth quarter to the first, second and third quarters; with no change to the annual amount. Refer to section 4.1.1 for a discussion of the impacts of the Company's MSA with Dealers.

8.2 Changes in Accounting Policies

Standards, Amendments and Interpretations Issued and Adopted

Insurance Contracts

In May 2017, the International Accounting Standards Board (“IASB”) issued IFRS 17, which replaced IFRS 4 – *Insurance Contracts* and established a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. 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 amendments also deferred the effective date for two years to January 1, 2023. The Company adopted IFRS 17 on January 1, 2023 and determined there to be no material impact on the consolidated financial statements. The comparative period is presented under IFRS 4 – *Insurance Contracts* and has not been restated.

As a result of adopting IFRS 17, the Company updated its accounting policies for Reinsurance revenue and the measurement of insurance contracts as follows:

Reinsurance revenue in each reporting period represents the changes in liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

IFRS 17 allows the optional simplification of the measurement of reinsurance contracts by applying the Premium Allocation Approach (“PAA”). When measuring liabilities for remaining coverage, the PAA is similar to the Company’s previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows and includes an explicit risk adjustment for non-financial risk.

Clarifying Distinction Between Accounting Policies and Accounting Estimates

In February 2021, the IASB issued narrow-scope amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* (“IAS 8”). The amendments to IAS 8 clarify how companies 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 retroactively to past transactions and other past events. The Company assessed the impact of the amendment and determined there to be no material impact on the consolidated financial statements.

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 December 30, 2023 and, accordingly, have not been applied in preparing these interim financial statements.

Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 – *Leases* (“IFRS 16”) relating to sale leaseback transactions for seller-lessees. The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

Non-current Liabilities with Covenants

In October 2022, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements*, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Financial Instruments: Disclosures*. The amendments add requirements to disclose information that allows users to assess

how supplier finance arrangements affect an entity's liabilities, cash flows, and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

International Tax Reform

In May 2023, the IASB issued amendments to IAS 12 – *Incomes Taxes*. The amendments require entities to disclose information relating to income taxes arising from implementation of Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development which are expected to be enacted in local tax jurisdictions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is assessing the potential impact of these amendments.

9.0 Non-GAAP Financial Measures, Ratios and Supplementary Financial Measures

9.1 Non-GAAP Financial Measures and Ratios

The Company prepares and presents its financial information on a GAAP basis. Management uses many measures to assess performance, including non-GAAP financial measures and non-GAAP ratios. Non-GAAP financial measures and non-GAAP ratios have no standardized meanings under GAAP and may not be comparable to similar measures of other companies.

Management considers both reported and normalized results and measures useful in evaluating the performance of the core business operations of the Company. Management uses normalized results to assess changes in financial performance across periods on a comparable basis by removing specified items not related to the core business operations of the Company that are infrequent and non-operational in nature. The items, which can include acquisition-related transaction costs, restructuring or discontinued operations costs, Operational Efficiency program costs, one-time costs for new program rollouts, and infrequent non-operational fair value adjustments, are removed from SG&A and Other expense (income) where applicable. Explanations of normalizing items can be found in subsection 4.1.1.

Normalized Other Expense

The following table reconciles Normalized Other expense to Other expense, a GAAP measure reported in the consolidated financial statements. Normalized Other expense is most directly comparable to Other expense, a GAAP measure reported in the consolidated financial statements.

(C\$ in millions)	Q2 2023		Q2 2022	
	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Other expense	\$ 79.0	\$ 48.9	\$ 158.0	\$ 47.6
Add normalizing items:				
DC fire	(74.6)	—	(142.3)	—
Helly Hansen Russia exit	—	(36.5)	—	(36.5)
Normalized Other expense	\$ 4.4	\$ 12.4	\$ 15.7	\$ 11.1

Retail Normalized Other (Income)

The following table reconciles Retail Normalized Other (income) to Other expense, a GAAP measure reported in the consolidated financial statements.

(C\$ in millions)	Q2 2023		Q2 2022	
	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Other expense	\$ 79.0	\$ 48.9	\$ 158.0	\$ 47.6
Less: Other operating segments	36.5	34.3	72.6	70.4
Retail Other expense (income)	\$ 42.5	\$ 14.6	\$ 85.4	\$ (22.8)
Add normalizing items:				
DC fire	(74.6)	—	(142.3)	—
Helly Hansen Russia exit	—	(36.5)	—	(36.5)
Retail Normalized Other (income)	\$ (32.1)	\$ (21.9)	\$ (56.9)	\$ (59.3)

Normalized SG&A and Normalized SG&A as a Percentage of Revenue

Normalized SG&A is used as an additional measure when assessing the performance of the Company's ongoing operations. Normalized SG&A is most directly comparable to SG&A, a GAAP measure reported in the consolidated financial statements. SG&A is adjusted for normalizing items.

Normalized SG&A as a percentage of revenue is a non-GAAP ratio that is calculated by dividing normalized SG&A by revenue.

(C\$ in millions)	Q2 2023		YTD	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022
Selling, general and administrative expenses	\$ 929.3	\$ 862.1	\$ 1,800.5	\$ 1,657.0
Less normalizing items:				
GST/HST-related charge	33.3	—	33.3	—
Operational Efficiency program	—	9.7	—	11.8
Normalized Selling, general and administrative expenses	\$ 896.0	\$ 852.4	\$ 1,767.2	\$ 1,645.2

Retail Normalized SG&A and Retail Normalized SG&A as a Percentage of Revenue excluding Petroleum

Retail Normalized SG&A is used as an additional measure when assessing the performance of the Company's ongoing operations. This metric is most directly comparable to SG&A, a GAAP measure reported in the consolidated financial statements. Retail SG&A is adjusted for normalizing items.

Retail Normalized SG&A as a percentage of Revenue excluding Petroleum is a non-GAAP ratio that is calculated by dividing Retail Normalized SG&A by Retail Revenue excluding Petroleum.

(C\$ in millions)	Q2 2023		YTD	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022
Selling, general and administrative expenses	\$ 929.3	\$ 862.1	\$ 1,800.5	\$ 1,657.0
Less: Other operating segments	111.3	85.1	197.0	170.0
Retail Selling, general and administrative expenses	\$ 818.0	\$ 777.0	\$ 1,603.5	\$ 1,487.0
Less normalizing items: Operational Efficiency program	—	9.7	—	11.8
Retail Normalized Selling, general and administrative expenses	\$ 818.0	\$ 767.3	\$ 1,603.5	\$ 1,475.2

Financial Services Normalized SG&A

Financial Services Normalized SG&A is used as an additional measure when assessing the performance of the Company's ongoing operations. This metric is most directly comparable to SG&A, a GAAP measure reported in the consolidated financial statements. Financial Services SG&A is adjusted for normalizing items.

(C\$ in millions)	Q2 2023		YTD	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022
Selling, general and administrative expenses	\$ 929.3	\$ 862.1	\$ 1,800.5	\$ 1,657.0
Less: Other operating segments	806.0	766.6	1,586.5	1,471.8
Financial Services Selling, general and administrative expenses	\$ 123.3	\$ 95.5	\$ 214.0	\$ 185.2
Less normalizing items: GST/HST-related charge	33.3	—	33.3	—
Financial Services Normalized Selling, general and administrative expenses	\$ 90.0	\$ 95.5	\$ 180.7	\$ 185.2

EBITDA and related measures

EBITDA, Normalized EBITDA, and Normalized EBITDA as a percentage of revenue are used as additional measures when assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements, including capital expenditures. EBITDA and its successive derivations are most directly comparable to Income before income tax, a GAAP measure reported in the consolidated financial statements, and is adjusted by deducting Net finance costs and Depreciation and amortization. EBITDA itself is then adjusted for normalizing items.

Normalized EBITDA as a Percentage of Revenue is a non-GAAP Ratio that is calculated by dividing the Normalized EBITDA by Revenue.

(C\$ in millions)	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Income before income taxes	\$ 173.9	\$ 238.1	\$ 240.5	\$ 533.0
Add:				
Depreciation and amortization ¹	195.4	185.2	398.4	359.2
Net finance costs	77.4	54.9	150.4	109.5
EBITDA	\$ 446.7	\$ 478.2	\$ 789.3	\$ 1,001.7
Add normalizing items:				
DC fire	74.6	\$ —	142.3	\$ —
GST/HST-related charge	33.3	—	33.3	—
Operational Efficiency program	—	9.7	—	11.8
Helly Hansen Russia exit	—	36.5	—	36.5
Normalized EBITDA	\$ 554.6	\$ 524.4	\$ 964.9	\$ 1,050.0

¹ Depreciation and amortization reported in Cost of producing revenue for the 13 and 26 weeks ended July 1, 2023 was \$6.6 million (2022 – \$6.4 million) and \$17.5 million (2022 - \$12.1 million).

Retail EBITDA and related measures

Retail EBITDA and Retail Normalized EBITDA are used as additional measures when assessing the performance of the Retail segment's ongoing operations and its ability to generate cash flows to fund its cash requirements, including capital expenditures. Retail EBITDA and its successive derivations are most directly comparable to Income before income tax, a GAAP measure reported in the consolidated financial statements, and is adjusted by deducting Net finance costs and Depreciation and amortization. Retail EBITDA is then adjusted for normalizing items.

(C\$ in millions)	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Income before income taxes	\$ 173.9	\$ 238.1	\$ 240.5	\$ 533.0
Less: Other operating segments	88.3	114.3	234.2	260.4
Retail Income before income taxes	\$ 85.6	\$ 123.8	\$ 6.3	\$ 272.6
Add:				
Depreciation and amortization ¹	244.8	229.5	495.4	447.6
Net finance costs	66.6	43.6	127.8	86.7
Retail EBITDA	\$ 397.0	\$ 396.9	\$ 629.5	\$ 806.9
Add normalizing items:				
DC fire	74.6	—	142.3	—
Operational Efficiency program	—	9.7	—	11.8
Helly Hansen Russia exit	—	36.5	—	36.5
Retail Normalized EBITDA	\$ 471.6	\$ 443.1	\$ 771.8	\$ 855.2

¹ Depreciation and amortization reported in Cost of producing revenue for the 13 and 26 weeks ended July 1, 2023 was \$6.6 million (2022 – \$6.4 million) and \$17.5 million (2022 – \$12.1 million).

Normalized Income Before Income Taxes

Normalized Income before income taxes is used as an additional measure to assess the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business. The following table reconciles Normalized Income before income taxes to Income before income taxes which is a GAAP measure reported in the consolidated financial statements.

(C\$ in millions)	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Income before income taxes	\$ 173.9	\$ 238.1	\$ 240.5	\$ 533.0
Add normalizing items:				
DC fire	74.6	—	142.3	—
GST/HST-related charge	33.3	—	33.3	—
Operational Efficiency program	—	9.7	—	11.8
Helly Hansen Russia exit	—	36.5	—	36.5
Normalized Income before income taxes	\$ 281.8	\$ 284.3	\$ 416.1	\$ 581.3

Retail Normalized Income Before Income Taxes

Retail Normalized Income before income taxes is used as an additional measure to assess the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business. The following table reconciles Retail Normalized Income before income taxes to Income before income taxes which is a GAAP measure reported in the consolidated financial statements.

(C\$ in millions)	Q2 2023		Q2 2022	
	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Income before income taxes	\$ 173.9	\$ 238.1	\$ 240.5	\$ 533.0
Less: Other operating segments	88.3	114.3	234.2	260.4
Retail Income before income taxes	\$ 85.6	\$ 123.8	\$ 6.3	\$ 272.6
Add normalizing items:				
DC fire	74.6	—	142.3	—
Operational Efficiency program	—	9.7	—	11.8
Helly Hansen Russia exit	—	36.5	—	36.5
Retail Normalized Income before income taxes	\$ 160.2	\$ 170.0	\$ 148.6	\$ 320.9

Financial Services Normalized Income Before Income Taxes

Financial Services Normalized Income before income taxes is used as an additional measure to assess the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business. The following table reconciles Financial Services Normalized Income before income taxes to Income before income taxes which is a GAAP measure reported in the consolidated financial statements.

(C\$ in millions)	Q2 2023		Q2 2022	
	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Income before income taxes	\$ 173.9	\$ 238.1	\$ 240.5	\$ 533.0
Less: Other operating segments	118.5	148.1	66.4	317.7
Financial Services Income before income taxes	\$ 55.4	\$ 90.0	\$ 174.1	\$ 215.3
Add normalizing items: GST/HST-related charge	33.3	—	33.3	—
Financial Services Normalized Income before income taxes	\$ 88.7	\$ 90.0	\$ 207.4	\$ 215.3

Normalized Income Tax Expense

Management uses Normalized Income tax expense to calculate Normalized Net income. The tax effect of normalizing items is calculated by multiplying normalizing items by the statutory tax rate. The following table reconciles Normalized Income tax expense to Income tax expense which is a GAAP measure reported in the consolidated financial statements.

(C\$ in millions)	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Income tax expense	\$ 47.0	\$ 60.5	\$ 70.8	\$ 137.8
Add tax effect of normalizing items:				
DC fire	19.7	—	37.5	—
GST/HST-related charge	8.6	—	8.6	—
Operational Efficiency program	—	2.5	—	3.1
Helly Hansen Russia exit	—	3.1	—	3.1
Normalized Income tax expense	\$ 75.3	\$ 66.1	\$ 116.9	\$ 144.0

Normalized Net Income, Normalized Net Income Attributable to Shareholders, Normalized Diluted Earnings per Share, and Long-term Dividend Payout Ratio

Normalized Net income, Normalized Net income attributable to shareholders, and Normalized Diluted EPS are used as additional measures when assessing the Company's underlying operating performance. The following table reconciles Normalized Net income, Normalized Net income attributable to shareholders and Normalized Diluted EPS to Net income, a GAAP measure reported in the consolidated financial statements.

Long-term dividend payout ratio target is calculated by dividing total dividends by the prior year's Normalized Net income.

(C\$ in millions)	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Net income	\$ 126.9	\$ 177.6	\$ 169.7	\$ 395.2
Net income attributable to shareholders	99.4	145.2	107.2	327.3
Add normalizing items:				
DC fire	\$ 54.9	—	\$ 104.8	—
GST/HST-related charge ¹	24.7	—	24.7	—
Operational Efficiency program	—	7.2	—	8.7
Helly Hansen Russia exit	—	33.4	—	33.4
Normalized net income	\$ 206.5	\$ 218.2	\$ 299.2	\$ 437.3
Normalized net income attributable to shareholders¹	\$ 174.0	\$ 185.8	\$ 231.7	\$ 369.4
Normalized diluted EPS	\$ 3.08	\$ 3.11	\$ 4.07	\$ 6.16

¹ \$5.0 million relates to non-controlling interests and is not included in the sum of Normalized net income attributable to shareholders.

Operating Capital Expenditures

Operating capital expenditures is used to assess the resources used to maintain capital assets at their productive capacity. Operating capital expenditures is most directly comparable to the Total additions, a GAAP measure reported in the consolidated financial statements.

(C\$ in millions)	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Total additions ¹	\$ 78.9	\$ 120.6	\$ 208.0	\$ 280.6
Add: Accrued additions	69.3	67.6	51.4	61.9
Less:				
Business combinations, intellectual properties, and tenant allowances	—	—	—	—
CT REIT acquisitions and developments excluding vend-ins from CTC	9.8	19.4	21.4	31.7
Operating capital expenditures	\$ 138.4	\$ 168.8	\$ 238.0	\$ 310.8

¹ This line appears on the Consolidated Statement of Cash Flows under Investing activities.

Retail Return on Invested Capital

Retail ROIC is calculated as Retail return divided by the Retail invested capital. Retail return is defined as trailing annual Retail 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. Retail return and Retail invested capital are non-GAAP financial measures, which the Company does not consider useful in isolation. The Company believes that Retail ROIC is useful in assessing the Retail segment's performance relative to shareholder investment.

(C\$ in millions)	Rolling 12 months ended	
	Q2 2023	Q2 2022
Income before income taxes	\$ 1,291.3	\$ 1,622.8
Less: Other operating segments	509.6	485.6
Retail Income before income taxes	\$ 781.7	\$ 1,137.2
Add normalizing items:		
Operational Efficiency program	35.4	37.1
Helly Hansen Russia exit	—	36.5
DC fire	142.3	—
Retail Normalized Income before income taxes	\$ 959.4	\$ 1,210.8
Less:		
Retail intercompany adjustments ¹	214.8	199.6
Add:		
Retail interest expense ²	283.2	241.0
Retail depreciation of right-of-use assets	616.7	562.6
Retail effective tax rate	27.3 %	26.5 %
Add: Retail taxes	(448.1)	(480.7)
Retail return	\$ 1,196.4	\$ 1,334.1
Average total assets	\$ 22,079.3	\$ 21,470.6
Less: Average assets in other operating segments	4,380.6	4,822.1
Average Retail assets	\$ 17,698.7	\$ 16,648.5
Less:		
Average Retail intercompany adjustments ¹	3,526.0	3,481.0
Average Retail trade payables and accrued liabilities ³	2,994.4	2,712.7
Average Franchise Trust assets	484.9	456.1
Average Retail excess cash	—	114.4
Average Retail invested capital	\$ 10,693.4	\$ 9,884.3
Retail ROIC	11.2 %	13.5 %

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.

Helly Hansen Revenue on a Constant Currency Basis

Helly Hansen revenue on a constant currency basis is used to assess revenue variations by removing the effect of changes to foreign exchange rates. This is accomplished by applying the same foreign exchange rate to current and comparative periods. This measure is most directly comparable to Revenue, a GAAP measure reported in the consolidated financial statements.

(C\$ in millions)	Q2 2023		Q2 2022	
	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Revenue	\$ 4,255.8	\$ 4,404.0	\$ 7,963.0	\$ 8,241.4
Less: Other operating segments and other banners	4,120.2	4,264.4	7,619.0	7,932.2
Helly Hansen Revenue (CAD)	\$ 135.6	\$ 139.6	\$ 344.0	\$ 309.2
NOK/CAD average FX rate	7.97	7.35	7.72	7.15
Helly Hansen Revenue (Kroner)	\$ 1,080.1	\$ 1,026.1	\$ 2,656.0	\$ 2,210.8
NOK/CAD constant FX rate	7.35	7.35	7.15	7.15
Helly Hansen Revenue (constant currency)	\$ 147.0	\$ 139.6	\$ 371.5	\$ 309.2

Adjusted Net Debt

The following tables present the components of adjusted net debt. The Company believes that Adjusted net debt is relevant in assessing the amount of financial leverage employed.

As at July 1, 2023

(C\$ in millions)	Consolidated	Retail	Financial Services	REIT
Consolidated net debt				
Bank indebtedness	\$ —	\$ —	\$ —	—
Short-term deposits	1,080.6	—	1,080.6	—
Long-term deposits	2,094.7	—	2,094.7	—
Short-term borrowings	1,026.2	304.5	577.7	144.0
Long-term debt	4,203.4	952.5	2,070.2	1,180.7
Total debt	\$ 8,404.9	\$ 1,257.0	\$ 5,823.2	\$ 1,324.7
Cash and cash equivalents ¹	(432.8)	(74.0)	(354.7)	(4.1)
Short-term investments ¹	(178.1)	—	(178.1)	—
Long-term investments ¹	(62.5)	(3.2)	(59.3)	—
Net debt	\$ 7,731.5	\$ 1,179.8	\$ 5,231.1	\$ 1,320.6
Intercompany debt	—	(1,557.8)	106.2	1,451.6
Adjusted net debt	\$ 7,731.5	\$ (378.0)	\$ 5,337.3	\$ 2,772.2

¹ Includes regulatory reserves.

As at July 2, 2022

(C\$ in millions)	Consolidated	Retail	Financial Services	REIT
Consolidated net debt				
Bank indebtedness	\$ 4.6	\$ 4.6	\$ —	—
Short-term deposits	1,398.4	—	1,398.4	—
Long-term deposits	1,776.1	—	1,776.1	—
Short-term borrowings	95.9	45.5	50.4	—
Long-term debt	4,378.2	951.6	2,180.6	1,246.0
Total debt	\$ 7,653.2	\$ 1,001.7	\$ 5,405.5	\$ 1,246.0
Cash and cash equivalents ¹	(512.6)	(215.5)	(274.1)	(23.0)
Short-term investments ¹	(212.0)	—	(212.0)	—
Long-term investments ¹	(178.0)	(3.2)	(174.8)	—
Net debt	\$ 6,750.6	\$ 783.0	\$ 4,744.6	\$ 1,223.0
Intercompany debt	—	(1,545.2)	93.6	1,451.6
Adjusted net debt	\$ 6,750.6	\$ (762.2)	\$ 4,838.2	\$ 2,674.6

¹ Includes regulatory reserves.

Past Due Credit Card Receivables Rate

PD2+ rate is calculated by dividing gross credit card receivables that are two cycles or more overdue (30+ days past due) by total gross credit card receivables. Both components exclude allowances and discounts. Gross past due credit card receivables, total gross credit card receivables and PD2+ are non-GAAP financial measures and a non-GAAP ratio, respectively.

The ratio of past due credit card receivables provides Management and investors with an additional measure to assess the quality and health of credit card loan assets. Past due gross credit card receivables and total gross credit card receivables provide insight into the book value of cardholder balances in our portfolio at the reporting date; however, observed in isolation do not provide meaningful information.

(C\$ in millions)	Q2 2023	Q2 2022
Current portion of loans receivable	\$ 6,387.0	\$ 5,973.6
Add: ECL allowance	912.6	868.4
Less:		
Other discounts or adjustments	139.2	117.3
Line of credit and current portion of dealer loans	91.2	92.3
Total gross credit card receivables	\$ 7,069.2	\$ 6,632.4
Less: Loans no more than 30 days past due	6,858.7	6,476.2
Past due gross credit card receivables	\$ 210.5	\$ 156.2

CT REIT Net Operating Income

NOI is defined as Property revenue less Property expense adjusted further for straight-line rent. This measure is most directly comparable to Revenue, a GAAP measure reported in the consolidated financial statements. Management believes that NOI is a useful key indicator of performance as it represents a measure of property operations over which Management has control. NOI is also a key input in determining the value of the portfolio. NOI should not be considered as an alternative to Property revenue or Net income and Comprehensive income, both of which are determined in accordance with GAAP.

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

(C\$ in millions)	Q2 2023		YTD	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022
Revenue	\$ 4,255.8	\$ 4,404.0	\$ 7,963.0	\$ 8,241.4
Less: Other operating segments	4,118.0	4,271.4	7,687.7	7,976.9
CT REIT Property revenue	\$ 137.8	\$ 132.6	\$ 275.3	\$ 264.5
Less:				
CT REIT Property expense	28.1	28.0	58.6	56.7
CT REIT property straight-line rent revenue	(0.4)	0.5	(0.8)	0.9
CT REIT net operating income	\$ 110.1	\$ 104.1	\$ 217.5	\$ 206.9

CT REIT Funds from Operations and Adjusted Funds from Operations

Funds from Operations

FFO is a non-GAAP financial measure of operating performance used by the real estate industry, particularly by those publicly-traded entities that own and operate income-producing properties. This measure is most directly comparable to Net income and Comprehensive income, GAAP measures reported in the consolidated financial statements. FFO should not be considered as an alternative to Net income or Cash flow provided by operating activities determined in accordance with IFRS. CT REIT calculates its FFO in accordance with Real Property Association of Canada's publication "REALPAC Funds From Operations & Adjusted Funds From Operations for IFRS" ("REALPAC FFO & AFFO"). The use of FFO, together with the required IFRS presentations, have been included for the purpose of improving the understanding of the operating results of CT REIT.

Management believes that FFO is a useful measure of operating performance 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.

Adjusted Funds from Operations

AFFO is a non-GAAP financial measure of recurring economic earnings used in the real estate industry to assess an entity's distribution capacity. This measure is most directly comparable to Net income and Comprehensive income, GAAP measures reported in the consolidated financial statements. AFFO should not be considered as an alternative to Net income or Cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its AFFO in accordance with REALPAC's FFO and AFFO.

CT REIT calculates AFFO by adjusting FFO for non-cash income and expense items such as amortization of straight-line rents. FFO is also adjusted as a reserve for maintaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. As property capital expenditures do not occur evenly during the fiscal year or from year to year, the capital expenditure reserve in the AFFO calculation, which is used as an input in assessing the REIT's distribution payout ratio, is intended to reflect

an average annual spending level. The reserve is primarily based on average expenditures as determined by building condition reports prepared by independent consultants.

Management believes that AFFO is a useful measure of operating performance similar to FFO as described, adjusted for the impact of non-cash income and expense items.

FFO per unit and AFFO per unit

FFO per unit and AFFO per unit are calculated by dividing FFO or AFFO by the weighted average number of units outstanding on a diluted basis. Management believes that these measures are useful to investors to assess the effect of this measure as it relates to their holdings.

The following table reconciles GAAP Income before income taxes to FFO and further reconciles FFO to AFFO:

(C\$ in millions)	Q2 2023	Q2 2022	YTD Q2 2023	YTD Q2 2022
Income before income taxes	\$ 173.9	\$ 238.1	\$ 240.5	\$ 533.0
Less: Other operating segments	64.5	158.3	60.6	360.1
CT REIT income before income taxes	\$ 109.4	\$ 79.8	\$ 179.9	\$ 172.9
Add:				
CT REIT fair value (gain) adjustment	(31.6)	(6.0)	(27.4)	(28.1)
CT REIT deferred taxes	0.4	—	0.8	0.6
CT REIT lease principal payments on right-of-use assets	(0.2)	(0.1)	(0.5)	(0.3)
CT REIT fair value of equity awards	(0.5)	(0.5)	(0.2)	(0.3)
CT REIT internal leasing expense	0.3	0.2	0.5	0.4
CT REIT funds from operations	\$ 77.8	\$ 73.4	\$ 153.1	\$ 145.2
Less:				
CT REIT properties straight-line rent revenue	(0.4)	0.5	(0.8)	0.9
CT REIT direct leasing costs	0.4	0.1	0.6	0.2
CT REIT capital expenditure reserve	6.1	6.2	12.4	12.4
CT REIT adjusted funds from operations	\$ 71.7	\$ 66.6	\$ 140.9	\$ 131.7

9.2 Supplementary Financial Measures

Average Account Balance

Average account balance measures average aggregate account balances for the credit card portfolio, excluding lines of credit and personal loans, divided by the average number of credit card accounts, for the applicable period.

Borrowings Outstanding

Borrowings outstanding represents drawdowns from committed bank lines of credit.

Credit Card Sales and Credit Card Sales Growth

Credit card sales is a measure of the net sales charged to credit cards. Credit card sales growth excludes balance transfers and represents year-over-year percentage change.

Comparable Sales

Comparable sales is 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. Comparable sales do not form part of the Company's consolidated financial statements. Management applies this measure to Consolidated results (including and excluding Petroleum), the Retail segment (including and excluding Petroleum), and all banners under the Retail segment (including but not limited to Canadian Tire Retail, SportChek and Mark's).

Cost of Debt

Cost of debt represents the weighted average finance costs as a percentage of total short-term and long-term debt during the period.

eCommerce Sales

eCommerce sales refers to sales generated by the Company's online presence. Only eCommerce sales from corporate stores are included in the Company's consolidated financial statements. Management applies this measure to Consolidated results, the Retail segment, and banners under the Retail segment.

eCommerce Penetration Rate

eCommerce penetration rate is calculated by dividing eCommerce sales by Retail sales.

ECL Allowance Rate

This measure is the total allowance for expected credit losses as a percentage of total gross loans receivable for the Financial Services segment.

Effective Tax Rate

Effective tax rate is the tax expense for the period divided by the income before income taxes for the same period.

Gross Average Accounts Receivable

GAAR is the average accounts receivable from credit cards, personal loans, and lines of credit, before allowances for expected credit losses. Measures using GAAR apply only to the Financial Services segment.

Gross Margin Rate

Gross margin rate is gross margin divided by revenue.

Gross Margin Dollars excluding Petroleum and Gross Margin Rate excluding Petroleum

Gross margin dollars excluding Petroleum captures gross margin dollars in the consolidated entity or Retail segment, as measured according to the Company's IFRS accounting policy, while excluding gross margin dollars from Petroleum sales. Gross margin rate excluding Petroleum is calculated by dividing gross margin excluding Petroleum by revenue excluding Petroleum.

Interest Expense

Interest expense represents the finance cost of short-term and long-term debt, which includes lines of credit, medium-term notes, debentures, and senior and subordinated term notes. This metric excludes deposits held by CTB, Franchise Trust indebtedness, and lease liability interest.

Loyalty Sales and Loyalty Sales as a Percentage of Retail Sales (Loyalty Penetration)

Loyalty sales are Retail sales attributable to Triangle members. Loyalty sales as a percentage of retail sales is calculated by dividing loyalty sales by Retail sales.

Net Credit Card Write-off Rate

Net credit card write-off rate measures write-offs of credit card balances only, net of recoveries for the past twelve months, as a percentage of the credit card GAAR.

Operating Expenses as Percentage of GAAR

Operating expenses as percentage of GAAR for the Financial Services segment is calculated using rolling 12-month operating expenses divided by gross average receivables accounts receivable.

Owned Brands Penetration

Owned Brands penetration is calculated by dividing sales of Owned Brands by Retail sales.

Property Revenue

Property revenue includes all amounts earned from tenants pursuant to lease agreements including property taxes, operating costs, and other recoveries.

Property Expense

Property expense consists primarily of property taxes, operating costs, and property management costs (including any outsourcing of property management services).

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 banners under the Retail segment, 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 part of the Company's consolidated financial statements. Management applies this measure to Consolidated results (including and excluding Petroleum), the Retail segment (including and excluding Petroleum), and all banners under the Retail segment (including but not limited to Canadian Tire Retail, SportChek, Mark's, Helly Hansen, Gas+, and Owned Brands).

Retail SG&A Rate and Retail SG&A as a Percentage of Revenue excluding Petroleum

Retail SG&A rate is calculated by dividing Retail SG&A by Retail revenue. Retail SG&A as a percentage of revenue excluding Petroleum is calculated by dividing Retail SG&A by Retail revenue excluding Petroleum.

Return on Receivables

Return on receivables ("ROR") assesses the profitability of the Financial Services' total portfolio of receivables. ROR is calculated by dividing Financial Services' income before income tax and gains/losses on disposal of property and equipment by the average of Financial Services' total-managed portfolio over a rolling 12-month period.

Revenue as Percentage of GAAR

Revenue as percentage of GAAR for the Financial Services segment is the rolling 12-month revenue divided by gross average accounts receivable.

Revenue Excluding Petroleum

Revenue excluding Petroleum captures revenue in the consolidated entity and Retail segment, as measured according to the Company's IFRS accounting policy, while excluding revenues from petroleum sales.

Sales per Square Foot

Comparisons of sales per square foot metrics over several periods 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 is calculated on a rolling 12-month basis for the Retail segment. This calculation includes the period in which stores were temporarily closed. For Canadian Tire, retail space does not include seasonal outdoor garden centres, auto service bays, warehouses, and administrative space. For SportChek and Mark's, it includes both corporate and franchise stores and warehouse and administrative space.

10.0 Key Risks and Risk Management

In the normal course of its business activities, CTC regularly faces risks and opportunities. 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 risks and opportunities facing CTC. Refer to Section 2.6 Risk Factors in the 2022 AIF for further details of CTC’s ERM Framework.

The Company regularly assesses its businesses to identify and monitor key risks that, alone or in combination with other interrelated risks, could have a significant adverse impact on the Company’s brand, financial performance, and/or ability to achieve its strategic objectives.

The mitigation and management of risk is approached holistically with a view to ensuring all risk exposures are considered. Although the Company believes the measures taken to mitigate risks are reasonable, there can be no assurance that they will effectively mitigate risks that may have a negative impact on the Company’s financial performance, brand, and/or ability to achieve its strategic objectives.

There are numerous external risk factors, such as macroeconomic (inflationary pressures; higher interest rates; volatilities in foreign currencies), geopolitical (including the Russia-Ukraine conflict), cyber and ransomware attacks, changing consumer preferences, climate change, commodity pricing, supply chain disruption, pandemics, changing laws and regulations, or new technologies, the impact of which is difficult to predict.

Refer to Section 11.0 in the Company’s 2022 Annual MD&A and Section 13.0 Forward-Looking Information and other Investor Communication in this MD&A for further discussion of key risks.

11.0 Internal Controls and Procedures

Details relating to disclosure controls and procedures, and internal control over financial reporting, are disclosed in section 12.0 of the Company’s 2022 Annual MD&A.

Changes in Internal Control Over Financial Reporting

During the quarter ended July 1, 2023, there were no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

12.0 Environmental, Social and Governance

12.1 Overview

The Company is making significant progress in executing its Environmental, Social and Governance (“ESG”) strategy. This includes initiatives that reduce both energy consumption and waste and increase the use of 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 emissions.

CTC also invests in communities across Canada where it operates through supporting a variety of social causes, with the largest single beneficiary being Canadian Tire Jumpstart Charities. Additional information regarding Jumpstart is available on their website at: <https://jumpstart.canadiantire.ca>

For additional details on the Company's ESG strategy please refer to section 2.8 of the 2022 AIF. A copy of the Company's ESG report, which includes a Climate Data Supplement, is available at: <https://corp.canadiantire.ca/Environmental-Social-Governance/default.aspx>. These reports are not incorporated herein by reference.

The Company's approach to ESG matters is led by the Chief Executive Officer, with support from the ESG Executive Council, and overseen by the Board of Directors, principally through its Brand and Corporate Responsibility Committee which coordinates with the other committees of the Board as needed.

13.0 Forward-Looking Information and Other Investor Communication

Caution Regarding Forward-Looking Information

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

- The Company's strategic investments and strategic initiatives in section [3.0](#);
- The Company's operating capital expenditures for the 2023 fiscal year in sections [3.0](#) and [5.4.1](#); and
- The Company's intention to purchase its Class A Non-Voting Shares in sections [3.0](#) and [6.1](#).

Forward-looking information provides insights regarding Management's current expectations and plans, and allows 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 other information, other than historical information, may also constitute forward-looking information, including, but not limited to, information concerning Management's current expectations relating to possible or assumed 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 information 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 information is 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 information is disclosed.

By its very nature, forward-looking information requires Management to make assumptions and is subject to inherent risk factors and uncertainties, which give rise to the possibility that Management'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 include, but are not limited to, the duration and impact of COVID-19 on the Company's operations, liquidity, financial condition, or results, future economic conditions and related impacts on inflation, consumer spending, interest rates, and foreign exchange rates, current and future competitive conditions, and the Company's position in the competitive environment, anticipated cost savings and operational efficiencies as well as anticipated benefits from strategic and other initiatives, and the availability of sufficient liquidity. Additional assumptions relating to Management's expectations

with respect to the Company's strategic investments and operating capital expenditures include: (a) no material changes in the Company's strategic and capital allocation priorities; (b) no material changes to the Company's earnings prospects and financial leverage; (c) no significant changes to the retail landscape or regulatory environment; (d) continued availability of skilled talent and source materials to execute on the capital investment agenda; and (e) continued successful investments in businesses to achieve organic growth and in projects and initiatives which yield improved asset productivity. 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 business, economic, competitive and other risk factors that could cause actual results to differ materially from Management's expectations and plans as set forth in such forward-looking information. Some of the risk factors, many of which are beyond the Company's control and the effects of which can be difficult to predict, but may cause actual results to differ from the results expressed by the forward-looking information, 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, 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) geopolitical risks (including the Russia-Ukraine conflict), 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 and investments. Additional risk factors relating to Management's expectations with respect to the Company's strategic investments and operating capital expenditures include: (a) the occurrence of widespread economic restrictions, construction limitations, or supply chain delays due to, among other events, a global pandemic resurgence; (b) shortages of raw materials and/or skilled labour required to execute capital investment plans; (c) higher than expected cost inflation for materials, equipment, and labour required to execute capital investment plans; and (d) organizational capacity to execute the capital agenda. The Company cautions that the foregoing list of important risk 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 information and are cautioned not to place undue reliance on such forward-looking information.

For more information on the material risk factors, uncertainties and assumptions that could cause the Company's actual results to differ materially from predictions, forecasts, projections, expectations or conclusions, refer to section 10.0 (Key Risks and Risk Management) in this MD&A and all subsections therein. For further information, refer to the Company's other public filings, available on the SEDAR+ website at <http://www.sedarplus.ca> and <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 information has been disclosed have on the Company's business. The Company does not undertake to update any forward-looking information, 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 is 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:

- Annual and Quarterly Report to Shareholders;
- Quarterly earnings news releases, fact sheets, and other materials including conference call transcripts and webcasts (archived for one year);
- Supplementary information including investor presentations and videos;
- the Annual Information Form;
- the Management Information Circular;
- Information for Debtholders; and
- The Company's Approach to Corporate Governance.

The Company's Report to Shareholders, Annual Information Form, Management Information Circular and quarterly financial statements and MD&A are also available at <http://www.sedarplus.ca>.

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

August 9, 2023

CANADIAN TIRE CORPORATION, LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Q2 2023

Index to the Financial Statements and Notes

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Condensed Interim Consolidated Balance Sheets

As at (C\$ in millions)(unaudited)	July 1, 2023	July 2, 2022	December 31, 2022
ASSETS			
Cash and cash equivalents (Note 16)	\$ 432.8	\$ 512.6	\$ 331.3
Short-term investments	178.1	212.0	176.3
Trade and other receivables	862.7	800.1	1,309.9
Loans receivable (Note 6)	6,387.0	5,973.6	6,271.1
Merchandise inventories	3,213.7	3,033.9	3,216.1
Income taxes recoverable	132.3	56.0	27.4
Prepaid expenses and deposits	239.2	226.7	195.7
Assets classified as held for sale	3.9	5.4	2.6
Total current assets	11,449.7	10,820.3	11,530.4
Long-term receivables and other assets	657.0	685.8	676.7
Long-term investments	62.5	178.0	62.6
Goodwill and intangible assets	2,248.5	2,297.1	2,341.6
Investment property	433.7	468.6	421.5
Property and equipment	5,007.8	4,648.1	4,994.1
Right-of-use assets	1,863.2	1,790.9	1,932.0
Deferred income taxes	118.2	170.9	143.4
Total assets	\$ 21,840.6	\$ 21,059.7	\$ 22,102.3
LIABILITIES			
Bank indebtedness (Note 16)	\$ —	\$ 4.6	\$ 5.0
Deposits	1,080.6	1,398.4	1,226.3
Trade and other payables	2,926.6	2,935.7	3,200.9
Provisions	236.0	177.1	197.2
Short-term borrowings	1,026.2	95.9	576.2
Loans	501.8	462.0	472.9
Current portion of lease liabilities	371.7	366.1	381.2
Income taxes payable	16.7	17.2	47.1
Current portion of long-term debt (Note 7)	1,544.5	625.6	1,040.2
Total current liabilities	7,704.1	6,082.6	7,147.0
Long-term provisions	67.9	51.9	66.1
Long-term debt (Note 7)	2,658.9	3,752.6	3,217.5
Long-term deposits	2,094.7	1,776.1	1,739.4
Long-term lease liabilities	1,891.9	1,892.2	2,026.4
Deferred income taxes	122.3	113.3	132.1
Other long-term liabilities	744.0	788.3	734.6
Total liabilities	15,283.8	14,457.0	15,063.1
EQUITY			
Share capital (Note 8)	586.5	595.8	587.8
Contributed surplus	2.9	2.9	2.9
Accumulated other comprehensive (loss)	(218.3)	(149.3)	(42.4)
Retained earnings	4,767.6	4,748.7	5,070.2
Equity attributable to shareholders of Canadian Tire Corporation	5,138.7	5,198.1	5,618.5
Non-controlling interests	1,418.1	1,404.6	1,420.7
Total equity	6,556.8	6,602.7	7,039.2
Total liabilities and equity	\$ 21,840.6	\$ 21,059.7	\$ 22,102.3

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

Condensed Interim Consolidated Statements of Income

For the (C\$ in millions, except share and per share amounts)(unaudited)	13 weeks ended		26 weeks ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Revenue (Note 10)	\$ 4,255.8	\$ 4,404.0	\$ 7,963.0	\$ 8,241.4
Cost of producing revenue (Note 11)	2,807.4	3,021.2	5,232.7	5,547.2
Gross margin	1,448.4	1,382.8	2,730.3	2,694.2
Other expense (income)	79.0	48.9	158.0	47.6
Selling, general and administrative expenses ¹ (Note 12)	929.3	862.1	1,800.5	1,657.0
Depreciation and amortization ¹ (Note 13)	188.8	178.8	380.9	347.1
Net finance costs (income) (Note 14)	77.4	54.9	150.4	109.5
Income before income taxes	173.9	238.1	240.5	533.0
Income tax expense (recovery)	47.0	60.5	70.8	137.8
Net income	\$ 126.9	\$ 177.6	\$ 169.7	\$ 395.2
Net income (loss) attributable to:				
Shareholders of Canadian Tire Corporation	\$ 99.4	\$ 145.2	\$ 107.2	\$ 327.3
Non-controlling interests	27.5	32.4	62.5	67.9
	\$ 126.9	\$ 177.6	\$ 169.7	\$ 395.2
Basic earnings per share	\$ 1.77	\$ 2.45	\$ 1.89	\$ 5.50
Diluted earnings per share	\$ 1.76	\$ 2.43	\$ 1.88	\$ 5.46
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	56,334,499	59,271,383	56,761,634	59,512,081
Diluted	56,548,207	59,625,953	57,011,764	59,916,600

¹ Certain prior-year figures have been restated to conform to the current-year presentation.

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		26 weeks ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net income (loss)	\$ 126.9	\$ 177.6	\$ 169.7	\$ 395.2
Other comprehensive income (loss), net of taxes				
Items that may be reclassified subsequently to net income (loss):				
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	33.5	54.8	5.6	110.8
Deferred cost of hedging not subject to basis adjustment – Changes in fair value of the time value of an option in relation to time-period related hedged items	(2.0)	(9.7)	1.6	(21.1)
Reclassification of losses (gains) to income	0.4	1.9	1.0	3.9
Currency translation adjustment	(39.1)	(82.7)	(94.9)	(89.5)
Items that will not be reclassified subsequently to net income (loss):				
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	(43.1)	70.0	(37.8)	49.9
Other comprehensive income (loss)	\$ (50.3)	\$ 34.3	\$ (124.5)	\$ 54.0
Other comprehensive income (loss) attributable to:				
Shareholders of Canadian Tire Corporation	\$ (56.6)	\$ 24.9	\$ (126.1)	\$ 35.3
Non-controlling interests	6.3	9.4	1.6	18.7
	\$ (50.3)	\$ 34.3	\$ (124.5)	\$ 54.0
Comprehensive income (loss)	\$ 76.6	\$ 211.9	\$ 45.2	\$ 449.2
Comprehensive income (loss) attributable to:				
Shareholders of Canadian Tire Corporation	\$ 42.8	\$ 170.1	\$ (18.9)	\$ 362.6
Non-controlling interests	33.8	41.8	64.1	86.6
	\$ 76.6	\$ 211.9	\$ 45.2	\$ 449.2

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		26 weeks ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Cash generated from (used for):				
Operating activities				
Net income	\$ 126.9	\$ 177.6	\$ 169.7	\$ 395.2
Adjustments for:				
Depreciation of property and equipment, investment property and right-of-use assets	164.7	154.3	335.4	300.1
Income taxes	47.0	60.5	70.8	137.8
Net finance costs (Note 14)	77.4	54.9	150.4	109.5
Amortization of intangible assets (Note 13)	30.7	30.9	63.0	59.1
Gain (loss) on disposal of property and equipment, investment property, assets held for sale and right-of-use assets	2.2	(4.6)	(1.3)	(11.8)
Non-cash loss on exit of Helly Hansen operations in Russia	—	20.8	—	20.8
Non-cash charge related to fire at A.J. Billes Distribution Centre (Note 2)	12.3	—	54.3	—
Total except as noted below	461.2	494.4	842.3	1,010.7
Interest paid	(77.6)	(44.9)	(173.9)	(110.8)
Interest received	8.0	5.3	15.1	8.4
Income taxes paid	(53.4)	(99.4)	(155.5)	(336.6)
Change in loans receivable ¹	(270.8)	(384.7)	(90.1)	(333.3)
Change in operating working capital and other	756.0	516.9	74.4	(343.6)
Cash generated from (used for) operating activities	823.4	487.6	512.3	(105.2)
Investing activities				
Additions to property and equipment and investment property	(53.5)	(84.4)	(153.6)	(211.2)
Additions to intangible assets	(25.4)	(36.2)	(54.4)	(69.4)
Total additions	(78.9)	(120.6)	(208.0)	(280.6)
Acquisition of short-term investments	(32.2)	(47.3)	(64.5)	(104.9)
Proceeds from maturity and disposition of short-term investments	31.6	286.9	63.2	499.7
Proceeds on disposition of property and equipment, investment property, and assets held for sale	—	—	—	5.7
Lease payments received for finance subleases (principal portion)	4.4	4.2	10.8	8.4
Acquisition of long-term investments and other	—	(8.0)	(6.0)	(11.1)
Change in Franchise Trust loans receivable ¹	1.1	(23.9)	(28.6)	(34.5)
Cash (used for) generated from investing activities	(74.0)	91.3	(233.1)	82.7
Financing activities				
Dividends paid	(89.6)	(73.1)	(183.3)	(146.5)
Distributions paid to non-controlling interests	(38.7)	(22.4)	(73.9)	(78.5)
Net (repayment) issuance of short-term borrowings	(345.8)	(286.5)	450.0	(12.3)
Issuance of loans	73.6	81.4	142.9	149.9
Repayment of loans	(74.7)	(57.3)	(114.2)	(115.3)
Issuance of long-term debt	—	—	—	250.0
Repayment of long-term debt	(0.1)	(0.2)	(55.9)	(150.4)
Payment of lease liabilities (principal portion)	(101.6)	(86.1)	(232.5)	(176.2)
Payment of transaction costs relating to long-term debt	—	—	—	(1.5)
Purchase of Class A Non-Voting Shares	(149.4)	(105.7)	(317.4)	(219.2)
Net receipts (payments) on financial instruments	1.9	1.2	4.5	0.2
Change in deposits	96.0	(375.1)	207.1	(721.4)
Cash used for financing activities	(628.4)	(923.8)	(172.7)	(1,221.2)
Cash generated (used) in the period	121.0	(344.9)	106.5	(1,243.7)
Cash and cash equivalents, net of bank indebtedness, beginning of period	311.8	852.9	326.3	1,751.7
Cash and cash equivalents, net of bank indebtedness, end of period	\$ 432.8	\$ 508.0	\$ 432.8	\$ 508.0

¹ Certain prior-year figures have been restated to conform to the current-year presentation.

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 December 31, 2022	\$ 587.8	\$ 2.9	\$ 132.9	\$ (175.3)	\$ (42.4)	\$ 5,070.2	\$ 5,618.5	\$ 1,420.7	\$ 7,039.2	
Net income (loss)	—	—	—	—	—	107.2	107.2	62.5	169.7	
Other comprehensive income (loss)	—	—	(31.2)	(94.9)	(126.1)	—	(126.1)	1.6	(124.5)	
Total comprehensive income (loss)	—	—	(31.2)	(94.9)	(126.1)	107.2	(18.9)	64.1	45.2	
Transfers of cash flow hedge (gains) to non-financial assets	—	—	(49.8)	—	(49.8)	—	(49.8)	—	(49.8)	
Contributions and distributions to shareholders of Canadian Tire Corporation										
Issuance of Class A Non-Voting Shares (Note 8)	12.9	—	—	—	—	—	12.9	—	12.9	
Purchase of Class A Non-Voting Shares (Note 8)	(312.0)	—	—	—	—	—	(312.0)	—	(312.0)	
Change in automatic share purchase plan commitment (Note 8)	6.3	—	—	—	—	74.9	81.2	—	81.2	
Excess of purchase price over average cost (Note 8)	291.5	—	—	—	—	(291.5)	—	—	—	
Dividends	—	—	—	—	—	(193.2)	(193.2)	—	(193.2)	
Contributions and distributions to non-controlling interests										
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	7.2	7.2	
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(73.9)	(73.9)	
Total contributions and distributions	(1.3)	—	(49.8)	—	(49.8)	(409.8)	(460.9)	(66.7)	(527.6)	
Balance at July 1, 2023	\$ 586.5	\$ 2.9	\$ 51.9	\$ (270.2)	\$ (218.3)	\$ 4,767.6	\$ 5,138.7	\$ 1,418.1	\$ 6,556.8	

(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 1, 2022	\$ 593.6	\$ 2.9	\$ (19.9)	\$ (149.3)	\$ (169.2)	\$ 4,696.5	\$ 5,123.8	\$ 1,387.0	\$ 6,510.8	
Net income (loss)	—	—	—	—	—	327.3	327.3	67.9	395.2	
Other comprehensive income (loss)	—	—	124.8	(89.5)	35.3	—	35.3	18.7	54.0	
Total comprehensive income (loss)	—	—	124.8	(89.5)	35.3	327.3	362.6	86.6	449.2	
Transfers of cash flow hedge (gains) to non-financial assets	—	—	(15.4)	—	(15.4)	—	(15.4)	—	(15.4)	
Contributions and distributions to shareholders of Canadian Tire Corporation										
Issuance of Class A Non-Voting Shares (Note 8)	8.6	—	—	—	—	—	8.6	—	8.6	
Purchase of Class A Non-Voting Shares (Note 8)	(219.2)	—	—	—	—	—	(219.2)	—	(219.2)	
Change in accrued liability for automatic share purchase plan commitment (Note 8)	6.8	—	—	—	—	103.0	109.8	—	109.8	
Excess of purchase price over average cost (Note 8)	206.0	—	—	—	—	(206.0)	—	—	—	
Dividends	—	—	—	—	—	(172.1)	(172.1)	—	(172.1)	
Contributions and distributions to non-controlling interests										
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	9.7	9.7	
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(78.7)	(78.7)	
Total contributions and distributions	2.2	—	(15.4)	—	(15.4)	(275.1)	(288.3)	(69.0)	(357.3)	
Balance at July 2, 2022	\$ 595.8	\$ 2.9	\$ 89.5	\$ (238.8)	\$ (149.3)	\$ 4,748.7	\$ 5,198.1	\$ 1,404.6	\$ 6,602.7	

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

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2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements (“interim financial statements”) for the 13 and 26 weeks ended July 1, 2023 (and comparative results for the 13 and 26 weeks ended July 2, 2022) 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”) for annual financial statements. These interim financial statements should be read in conjunction with the Company’s 2022 Consolidated Financial Statements and Notes and have been prepared using the same accounting policies described in Note 3 to the 2022 Consolidated Financial Statements and Notes, with the exception of the accounting policy adopted as a result of implementation of IFRS 17 - *Insurance Contracts* (“IFRS 17”).

These interim financial statements were authorized for issuance by the Company’s Board of Directors on August 9, 2023.

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

The duration and long-term effects on CTC from macroeconomic conditions remain uncertain and Management continues to monitor and assess the impact on the business and on certain judgments and estimates, including the recoverable amount of goodwill and intangible assets.

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 2022 Consolidated Financial Statements and Notes and supplemented by the changes below.

The Company has historically accrued the majority of the annual benefit from its margin-sharing arrangement ("MSA") with the Canadian Tire Associate Dealers ("Dealers") in the fourth quarter of every year. Based on the experience gained since the inception of the MSA, the Company has developed a methodology to better estimate the impact on a quarterly basis. Effective as of the first quarter of this year, the Company records the MSA throughout the year to better reflect the pattern over which the MSA is earned. This change has been accounted for as a change in accounting estimate, and results in a shift of earnings from the fourth quarter to the first, second and third quarters; with no change to the annual amount. The change in accounting estimate had a year-to-date impact of \$138.3 million, of which \$86.5 million was recognized in the second quarter.

On March 15, 2023, a fire occurred at the A.J. Billes Distribution Centre. The Company has recorded a cumulative charge of \$142.3 million in expenses, of which \$74.6 million was recognized in the second quarter, relating to remediation, and write-offs of inventory and property and equipment in the first two quarters of 2023. Actual results may differ from the estimates made. The Company is preparing an insurance claim, for further information refer to Note 18.

The 2023 Federal Budget, released on March 28, 2023, included certain tax measures affecting Canadian Tire Bank ("CTB"), specifically a proposal to amend the definition of "financial services" to exclude clearing services rendered by a payment card network operator. On June 22, 2023, Bill C-47 ("Bill C-47"), which included this proposal, received Royal Assent and, as a result, these services are subject to GST/HST both prospectively and retroactively, with a one-year deadline from Royal Assent for the CRA to reassess prior periods that are statute-barred. As a result, a \$33.3 million provision was recorded in the quarter in Selling, general and administrative expenses and Provisions in the Consolidated Statements of Income and Consolidated Balance Sheet.

Standards, Amendments and Interpretations Issued and Adopted

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17, which replaced IFRS 4 – *Insurance Contracts* and established a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. 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 amendments also deferred the

effective date for two years to January 1, 2023. The Company adopted IFRS 17 on January 1, 2023 and determined there to be no material impact on the consolidated financial statements. The comparative period is presented under IFRS 4 – *Insurance Contracts* and has not been restated.

As a result of adopting IFRS 17, the Company updated its accounting policies for Reinsurance revenue and the measurement of insurance contracts as follows:

Reinsurance revenue in each reporting period represents the changes in liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

IFRS 17 allows the optional simplification of the measurement of reinsurance contracts by applying the Premium Allocation Approach (“PAA”). When measuring liabilities for remaining coverage, the PAA is similar to the Company’s previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows and includes an explicit risk adjustment for non-financial risk.

Clarifying Distinction Between Accounting Policies and Accounting Estimates

In February 2021, the IASB issued narrow-scope amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* (“IAS 8”). The amendments to IAS 8 clarify how companies 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 retroactively to past transactions and other past events. The Company assessed the impact of the amendment and determined there to be no material impact on the consolidated financial statements.

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 December 30, 2023 and, accordingly, have not been applied in preparing these interim financial statements.

Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 – *Leases* (“IFRS 16”) relating to sale leaseback transactions for seller-lessees. The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

Non-current Liabilities with Covenants

In October 2022, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements*, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Financial Instruments: Disclosures*. The amendments add requirements to disclose information that allows users to assess how supplier finance arrangements affect an entity’s liabilities, cash flows, and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

International Tax Reform

In May 2023, the IASB issued amendments to IAS 12 – *Incomes Taxes*. The amendments require entities to disclose information relating to income taxes arising from implementation of Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development which are expected to be enacted in local tax

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

3. Capital Management

The Company's objectives when managing capital are:

- Ensuring sufficient liquidity to meet its financial obligations when due and execute its operating and strategic plans;
- Maintaining healthy liquidity reserves and have the ability to access additional capital from multiple sources, if required; 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 ratios to approximate the methodologies of credit-rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, Management monitors these ratios against target ranges.

Canadian Tire Corporation, Limited was compliant with all financial covenants under its bank credit agreements as of July 1, 2023. 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 compliant with all financial covenants thereunder as of July 1, 2023.

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 compliant with all financial covenants thereunder as of July 1, 2023.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of CTB, 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 of July 1, 2023, CTB complied with all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions and all financial covenants under its bank credit agreements.

4. Liquidity and Financing

As of July 1, 2023, the Company had a total of \$433.3 million of borrowings under its committed bank lines of credit, a nominal amount owing under its note purchase facilities, \$304.5 million Canadian dollar equivalent of U.S. commercial paper outstanding, and \$288.4 million of asset-backed commercial paper notes outstanding.

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 City in Canada, 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 brand 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 account deposits, Tax-Free Savings Accounts and GIC deposits, both directly and through third-party brokers. Financial Services includes Glacier Credit Card Trust ("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:

For the	13 weeks ended									
	July 1, 2023					July 2, 2022				
(C\$ in millions)	Financial Retail	Financial Services	CT REIT	Eliminations and adjustments	Total	Retail	Financial Services	CT REIT	Eliminations and adjustments	Total
External revenue	\$ 3,895.0	\$ 351.9	\$ 13.8	\$ (4.9)	\$ 4,255.8	\$ 4,065.8	\$ 326.7	\$ 13.9	\$ (2.4)	\$ 4,404.0
Intercompany revenue	1.1	12.6	124.0	(137.7)	—	1.4	13.7	118.7	(133.8)	—
Total revenue	3,896.1	364.5	137.8	(142.6)	4,255.8	4,067.2	340.4	132.6	(136.2)	4,404.0
Cost of producing revenue	2,645.2	185.0	—	(22.8)	2,807.4	2,885.1	152.5	—	(16.4)	3,021.2
Gross margin	1,250.9	179.5	137.8	(119.8)	1,448.4	1,182.1	187.9	132.6	(119.8)	1,382.8
Other expense (income)	42.5	1.1	—	35.4	79.0	14.6	—	—	34.3	48.9
Selling, general and administrative expenses ¹	818.0	123.3	31.7	(43.7)	929.3	777.0	95.5	31.5	(41.9)	862.1
Depreciation and amortization ¹	238.2	2.4	—	(51.8)	188.8	223.1	3.5	—	(47.8)	178.8
Net finance costs (income)	66.6	(2.7)	28.3	(14.8)	77.4	43.6	(1.1)	27.3	(14.9)	54.9
Fair value (gain) loss on investment properties	—	—	(31.6)	31.6	—	—	—	(6.0)	6.0	—
Income before income taxes	\$ 85.6	\$ 55.4	\$ 109.4	\$ (76.5)	\$ 173.9	\$ 123.8	\$ 90.0	\$ 79.8	\$ (55.5)	\$ 238.1
Items included in the above:										
Interest income	28.1	305.9	—	(18.3)	315.7	20.3	279.2	—	(15.9)	283.6
Interest expense	86.9	48.2	28.3	(52.3)	111.1	61.4	35.8	27.3	(46.2)	78.3

¹ Certain prior year figures have been restated to conform to the current year presentation.

For the (C\$ in millions)	26 weeks ended									
	July 1, 2023					July 2, 2022				
	Retail	Financial Services	CT REIT	Eliminations and adjustments	Total	Retail	Financial Services	CT REIT	Eliminations and adjustments	Total
External revenue	\$ 7,231.9	\$ 711.5	\$ 28.9	\$ (9.3)	\$ 7,963.0	\$ 7,569.2	\$ 648.3	\$ 28.2	\$ (4.3)	\$ 8,241.4
Intercompany revenue	2.1	22.8	246.4	(271.3)	—	2.5	23.8	236.3	(262.6)	—
Total revenue	7,234.0	734.3	275.3	(280.6)	7,963.0	7,571.7	672.1	264.5	(266.9)	8,241.4
Cost of producing revenue	4,933.1	343.5	—	(43.9)	5,232.7	5,312.7	266.7	—	(32.2)	5,547.2
Gross margin	2,300.9	390.8	275.3	(236.7)	2,730.3	2,259.0	405.4	264.5	(234.7)	2,694.2
Other expense (income)	85.4	2.3	—	70.3	158.0	(22.8)	0.2	—	70.2	47.6
Selling, general and administrative expenses ¹	1,603.5	214.0	66.6	(83.6)	1,800.5	1,487.0	185.2	64.6	(79.8)	1,657.0
Depreciation and amortization ¹	477.9	5.2	—	(102.2)	380.9	435.5	6.7	—	(95.1)	347.1
Net finance costs (income)	127.8	(4.8)	56.2	(28.8)	150.4	86.7	(2.0)	55.1	(30.3)	109.5
Fair value (gain) loss on investment properties	—	—	(27.4)	27.4	—	—	—	(28.1)	28.1	—
Income before income taxes	\$ 6.3	\$ 174.1	\$ 179.9	\$ (119.8)	\$ 240.5	\$ 272.6	\$ 215.3	\$ 172.9	\$ (127.8)	\$ 533.0
Items included in the above:										
Interest income	56.0	612.2	0.1	(37.4)	630.9	39.3	553.9	0.1	(32.0)	561.3
Interest expense	169.0	91.5	56.3	(103.3)	213.5	121.9	71.8	55.2	(92.5)	156.4

¹ Certain prior year figures have been restated to conform to the current year presentation.

Transactions among reportable operating segments are carried out at arm's length prices. 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 measurement policy to the Company's cost model, including the recording of depreciation and impairment; 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 26 weeks ended July 1, 2023 amounted to \$127.4 million (July 2, 2022 – \$131.7 million) and \$321.3 million (July 2, 2022 – \$286.3 million), respectively. Property and equipment, intangible assets (brand and goodwill) and right-of-use assets located outside of Canada was \$894.3 million as at July 1, 2023 (July 2, 2022 – \$884.5 million).

Capital expenditures by reportable operating segment are as follows:

For the (C\$ in millions)	13 weeks ended							
	July 1, 2023				July 2, 2022			
	Retail	Financial Services	CT REIT	Total	Retail	Financial Services	CT REIT	Total
Capital expenditures ¹	\$ 137.6	\$ 0.8	\$ 9.8	\$ 148.2	\$ 166.6	\$ 2.2	\$ 19.4	\$ 188.2

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 (C\$ in millions)	26 weeks ended							
	July 1, 2023				July 2, 2022			
	Retail	Financial Services	CT REIT	Total	Retail	Financial Services	CT REIT	Total
Capital expenditures ¹	\$ 235.1	\$ 2.9	\$ 21.4	\$ 259.4	\$ 304.9	\$ 5.9	\$ 31.7	\$ 342.5

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

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

For the (C\$ in millions)	13 weeks ended							
	July 1, 2023				July 2, 2022			
	Retail	Financial Services	CT REIT	Total	Retail	Financial Services	CT REIT	Total
Right-of-use asset additions	\$ 95.3	\$ —	\$ —	\$ 95.3	\$ 74.5	\$ —	\$ —	\$ 74.5

For the (C\$ in millions)	26 weeks ended							
	July 1, 2023				July 2, 2022			
	Retail	Financial Services	CT REIT	Total	Retail	Financial Services	CT REIT	Total
Right-of-use asset additions	\$ 121.7	\$ —	\$ 0.3	\$ 122.0	\$ 198.3	\$ —	\$ 7.0	\$ 205.3

Total assets by reportable operating segment are as follows:

(C\$ in millions)	July 1, 2023			July 2, 2022	December 31, 2022
As at					
Retail	\$	17,169.5	\$	16,700.3	\$ 17,729.6
Financial Services		7,275.1		6,961.5	7,060.4
CT REIT		6,950.1		6,702.6	6,844.8
Eliminations and adjustments		(9,554.1)		(9,304.7)	(9,532.5)
Total assets ¹	\$	21,840.6	\$	21,059.7	\$ 22,102.3

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

Total liabilities by reportable operating segment are as follows:

(C\$ in millions)	July 1, 2023			July 2, 2022	December 31, 2022
As at					
Retail	\$	10,288.6	\$	9,756.2	\$ 10,395.5
Financial Services		6,168.4		5,796.8	5,883.4
CT REIT		3,038.5		2,935.0	3,017.6
Eliminations and adjustments		(4,211.7)		(4,031.0)	(4,233.4)
Total liabilities ¹	\$	15,283.8	\$	14,457.0	\$ 15,063.1

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.

The eliminations and adjustments include the following items:

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

6. Loans Receivable

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

(C\$ in millions)	Total principal amount of receivables ¹		
	July 1, 2023	July 2, 2022	December 31, 2022
As at			
Credit card loans ²	\$ 6,296.3	\$ 5,882.4	\$ 6,206.3
Dealer and other loans ³	503.4	463.7	474.7
Total loans receivable	6,799.7	6,346.1	6,681.0
Less: long-term portion ⁴	412.7	372.5	409.9
Current portion of loans receivable	\$ 6,387.0	\$ 5,973.6	\$ 6,271.1

¹ Amounts shown are net of allowances for loans receivable.

² Includes line of credit loans.

³ Dealer loans of \$501.7 million (July 2, 2022 – \$462.0 million and December 31, 2022 – \$472.9 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 \$411.0 million (July 2, 2022 – \$370.9 million and December 31, 2022 – \$408.2 million).

A continuity of the Company's allowances for loans receivable (Expected Credit Losses ["ECL"]) is as follows:

(C\$ in millions)	2023			
	12-month ECL (Stage 1)	Lifetime ECL – not credit-impaired (Stage 2)	Lifetime ECL – credit-impaired (Stage 3)	Total
Balance at December 31, 2022	\$ 423.9	\$ 197.4	\$ 275.8	\$ 897.1
Increase (decrease) during the period				
Write-offs	(3.6)	(19.5)	(239.3)	(262.4)
Recoveries	—	—	47.7	47.7
New loans originated	9.4	—	—	9.4
Transfers				
to Stage 1	57.3	(40.0)	(17.3)	—
to Stage 2	(19.8)	22.3	(2.5)	—
to Stage 3	(16.0)	(34.5)	50.5	—
Net remeasurements	(15.3)	63.2	172.9	220.8
Balance at July 1, 2023	\$ 435.9	\$ 188.9	\$ 287.8	\$ 912.6
				2022
(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 1, 2022	\$ 435.9	\$ 174.3	\$ 231.3	\$ 841.5
Increase (decrease) during the period				
Write-offs	(2.8)	(12.6)	(172.8)	(188.2)
Recoveries	—	—	41.7	41.7
New loans originated	10.1	—	—	10.1
Transfers				
to Stage 1	53.4	(30.1)	(23.3)	—
to Stage 2	(15.6)	18.7	(3.1)	—
to Stage 3	(12.8)	(21.0)	33.8	—
Net remeasurements	(27.4)	58.3	132.4	163.3
Balance at July 2, 2022	\$ 440.8	\$ 187.6	\$ 240.0	\$ 868.4

Credit card loans are considered impaired when a payment is over 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:

(C\$ in millions)	July 1, 2023			
	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 3,107.5	\$ 58.8	\$ —	\$ 3,166.3
Moderate risk	2,174.5	96.2	—	2,270.7
High risk	931.3	270.5	570.1	1,771.9
Total gross carrying amount	6,213.3	425.5	570.1	7,208.9
ECL allowance	435.9	188.9	287.8	912.6
Net carrying amount	\$ 5,777.4	\$ 236.6	\$ 282.3	\$ 6,296.3

(C\$ in millions)	July 2, 2022			
	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 3,022.6	\$ 56.3	\$ —	\$ 3,078.9
Moderate risk	2,042.0	96.3	—	2,138.3
High risk	833.9	208.4	491.3	1,533.6
Total gross carrying amount	5,898.5	361.0	491.3	6,750.8
ECL allowance	440.8	187.6	240.0	868.4
Net carrying amount	\$ 5,457.7	\$ 173.4	\$ 251.3	\$ 5,882.4

(C\$ in millions)	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Low risk	\$ 3,069.3	\$ 58.9	\$ —	\$ 3,128.2
Moderate risk	2,154.1	109.2	—	2,263.3
High risk	911.9	260.4	539.6	1,711.9
Total gross carrying amount	6,135.3	428.5	539.6	7,103.4
ECL allowance	423.9	197.4	275.8	897.1
Net carrying amount	\$ 5,711.4	\$ 231.1	\$ 263.8	\$ 6,206.3

During the 13 and 26 weeks ended July 1, 2023, the amount of cash received from interest earned on credit cards and loans was \$278.7 million (July 2, 2022 – \$255.6 million) and \$568.6 million (July 2, 2022 – \$515.0 million), respectively.

7. Long-Term Debt

On March 9, 2023 CT REIT repaid a \$55.7 million mortgage, at maturity, bearing an interest rate of 3.24 percent per annum.

8. Share Capital

Share capital consists of the following:

As at	July 1, 2023	July 2, 2022	December 31, 2022
(C\$ in millions)			
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (July 2, 2022 – 3,423,366; December 31, 2022 – 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
52,493,324 Class A Non-Voting Shares (July 2, 2022 – 55,537,813; December 31, 2022 – 54,276,998)	586.3	595.6	587.6
	\$ 586.5	\$ 595.8	\$ 587.8

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 have a par value.

During the first half of 2023 and fiscal 2022, the Company issued and purchased Class A Non-Voting Shares. The Company's share purchases were made pursuant to its Normal-Course Issuer Bid ("NCIB") program, in connection with its anti-dilutive policy and announced share purchase intentions.

During the first quarter of 2023, the Toronto Stock Exchange accepted the Company's notice of intention to make an NCIB to purchase up to 5.1 million Class A Non-Voting Shares during the period March 2, 2023 to March 1, 2024.

During the second quarter of 2023, the Company entered into an automatic securities purchase plan ("ASPP") and provided notice to its broker to purchase Class A Non-Voting Shares under the NCIB during the Company's blackout period commencing on July 1, 2023. As of July 1, 2023, a maximum obligation to purchase \$25.5 million Class A Non-Voting Shares (July 2, 2022 – \$53.5 million) was recognized under the ASPP in trade and other payables.

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

For the	13 Weeks Ended				26 Weeks Ended			
	July 1, 2023		July 2, 2022		July 1, 2023		July 2, 2022	
(C\$ in millions)	Number	\$	Number	\$	Number	\$	Number	\$
Shares outstanding at beginning of the period	53,306,998	\$ 583.8	56,125,813	\$ 595.5	54,276,998	\$ 587.6	56,723,758	\$ 593.4
Issued under the dividend reinvestment plan and stock option plan	46,226	7.7	25,088	4.3	77,017	12.9	48,371	8.6
Purchased ¹	(859,900)	(149.2)	(613,088)	(105.6)	(1,860,691)	(312.0)	(1,234,316)	(219.2)
Change in ASPP maximum obligation	—	4.2	—	2.3	—	6.3	—	6.8
Excess of purchase price over average cost	—	139.8	—	99.1	—	291.5	—	206.0
Shares outstanding at end of the period	52,493,324	\$ 586.3	55,537,813	\$ 595.6	52,493,324	\$ 586.3	55,537,813	\$ 595.6

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.

As of July 1, 2023, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of \$96.5 million (July 2, 2022 – \$95.8 million) at a rate of \$1.7250 per share (July 2, 2022 – \$1.6250 per share).

On August 9, 2023, the Company's Board of Directors declared dividends at a rate of \$1.725 per share payable on December 1, 2023 to shareholders of record as of October 31, 2023.

9. Share-Based Payments

During the 26 weeks ended July 1, 2023, the Company granted the following share-based payment awards:

Stock options

The Company granted 249,776 (July 2, 2022 – 226,744) stock options to certain employees. These stock options vest on a graduated basis over a three-year period, are exercisable over a term of seven years and have an exercise price of \$167.80 and \$166.07 (July 2, 2022 – \$187.25).

10. Revenue

External revenue by reportable operating segment is as follows:

For the (C\$ in millions)	13 weeks ended									
	July 1, 2023					July 2, 2022				
	Retail	Financial Services	CT REIT	Adjustments	Total	Retail	Financial Services	CT REIT	Adjustments	Total
Sale of goods	\$ 3,742.4	\$ —	\$ —	\$ —	\$ 3,742.4	\$ 3,910.9	\$ —	\$ —	\$ —	\$ 3,910.9
Interest income on loans receivable	7.7	303.1	—	(3.6)	307.2	2.6	277.9	—	(1.2)	279.3
Royalties and licence fees	14.9	—	—	—	14.9	16.1	—	—	—	16.1
Services rendered	3.7	48.8	—	(1.3)	51.2	5.3	48.8	—	(1.2)	52.9
Rental income	126.3	—	13.8	—	140.1	130.9	—	13.9	—	144.8
	\$ 3,895.0	\$ 351.9	\$ 13.8	\$ (4.9)	\$ 4,255.8	\$ 4,065.8	\$ 326.7	\$ 13.9	\$ (2.4)	\$ 4,404.0

For the (C\$ in millions)	26 weeks ended									
	July 1, 2023					July 2, 2022				
	Retail	Financial Services	CT REIT	Adjustments	Total	Retail	Financial Services	CT REIT	Adjustments	Total
Sale of goods	\$ 6,927.0	\$ —	\$ —	\$ —	\$ 6,927.0	\$ 7,266.9	\$ —	\$ —	\$ —	\$ 7,266.9
Interest income on loans receivable	14.8	607.2	—	(6.8)	615.2	4.2	551.5	—	(2.1)	553.6
Royalties and licence fees	28.9	—	—	—	28.9	28.4	—	—	—	28.4
Services rendered	7.5	104.3	—	(2.5)	109.3	9.0	96.8	—	(2.2)	103.6
Rental income	253.7	—	28.9	—	282.6	260.7	—	28.2	—	288.9
	\$ 7,231.9	\$ 711.5	\$ 28.9	\$ (9.3)	\$ 7,963.0	\$ 7,569.2	\$ 648.3	\$ 28.2	\$ (4.3)	\$ 8,241.4

Retail revenue breakdown is as follows:

For the (C\$ in millions)	13 weeks ended		26 weeks ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Canadian Tire	\$ 2,394.0	\$ 2,420.7	\$ 4,325.7	\$ 4,567.9
SportChek	461.0	476.1	881.8	884.9
Mark's	353.9	350.9	647.9	628.1
Helly Hansen ¹	135.6	139.6	344.0	309.2
Petroleum	549.0	679.5	1,030.4	1,177.9
Other and intersegment eliminations ¹	1.5	(1.0)	2.1	1.2
	\$ 3,895.0	\$ 4,065.8	\$ 7,231.9	\$ 7,569.2

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		26 weeks ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Inventory cost of sales ¹	\$ 2,645.8	\$ 2,884.5	\$ 4,935.5	\$ 5,315.0
Net impairment loss on loans receivable	118.1	99.7	216.6	162.8
Finance costs	25.2	19.2	47.3	39.3
Other	18.3	17.8	33.3	30.1
	\$ 2,807.4	\$ 3,021.2	\$ 5,232.7	\$ 5,547.2

¹ Inventory cost of sales includes depreciation for the 13 and 26 weeks ended July 1, 2023 of \$6.6 million (July 2, 2022 – \$6.4 million) and \$17.5 million (July 2, 2022 – \$12.1 million), respectively.

Inventory write-downs as a result of net realizable value being lower than cost, recognized in the 13 and 26 weeks ended July 1, 2023 were \$29.3 million (July 2, 2022 – \$16.8 million) and \$74.2 million (July 2, 2022 – \$33.4 million), respectively.

Inventory write-downs recognized in prior periods and reversed in the 13 and 26 weeks ended July 1, 2023 were \$2.5 million (July 2, 2022 – nil) and \$3.6 million (July 2, 2022 – \$7.4 million), respectively. The reversal of write-downs was the result of actual losses being lower than previously estimated.

The write-downs and reversals are included in Inventory cost of sales and Other expense (income).

12. Selling, General and Administrative Expenses

For the (C\$ in millions)	13 weeks ended		26 weeks ended	
	July 1, 2023	July 2, 2022 ¹	July 1, 2023	July 2, 2022 ¹
Personnel expenses	\$ 401.7	\$ 398.6	\$ 812.4	\$ 770.7
Occupancy	135.2	119.9	263.0	243.3
Marketing and advertising	93.4	99.6	176.7	183.5
Information systems	89.0	72.9	175.5	140.8
Other	210.0	171.1	372.9	318.7
	\$ 929.3	\$ 862.1	\$ 1,800.5	\$ 1,657.0

¹ Certain prior-year figures have been restated to conform to the current-year presentation.

13. Depreciation and Amortization

For the (C\$ in millions)	13 weeks ended		26 weeks ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Depreciation of property and equipment and investment property ¹	\$ 71.5	\$ 66.0	\$ 139.9	\$ 129.0
Depreciation of right-of-use assets	86.6	81.9	178.0	159.0
Amortization of intangible assets	30.7	30.9	63.0	59.1
	\$ 188.8	\$ 178.8	\$ 380.9	\$ 347.1

¹ Refer to Note 11 for depreciation included in Cost of producing revenue.

14. Net Finance Costs

For the (C\$ in millions)	13 weeks ended		26 weeks ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Finance income	\$ (7.4)	\$ (2.9)	\$ (13.5)	\$ (5.1)
Finance income on lease receivables ¹	(1.1)	(1.3)	(2.3)	(2.5)
Finance costs	60.5	38.1	114.7	73.7
Finance costs on lease liabilities	25.4	21.0	51.5	43.4
	\$ 77.4	\$ 54.9	\$ 150.4	\$ 109.5

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

15. Income Taxes

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

For the (C\$ in millions)	13 weeks ended		26 weeks ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net fair value (losses) gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment	\$ 13.0	\$ 19.9	\$ 2.2	\$ 40.0
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	(0.8)	(3.5)	0.6	(7.6)
Reclassification of losses to income	0.2	0.7	0.4	1.4
Net fair value (losses) gains on hedging instruments entered into for cash flow hedges subject to basis adjustment	(14.9)	24.3	(13.2)	17.2
	\$ (2.5)	\$ 41.4	\$ (10.0)	\$ 51.0

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, occasionally certain matters are reviewed and challenged by the tax authorities.

There have been no material changes in ongoing income tax audits by tax authorities as disclosed in Note 16 to the 2022 Consolidated Financial Statements and Notes.

The Company regularly reviews the potential for adverse outcomes with respect to tax matters. The Company believes that their ultimate disposition 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.

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

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

(C\$ in millions)		July 1, 2023	July 2, 2022	December 31, 2022
As at				
Cash	\$	250.3	\$ 317.4	\$ 229.1
Cash equivalents		161.7	177.9	84.7
Restricted cash and cash equivalents ¹		20.8	17.3	17.5
Total cash and cash equivalents ²		432.8	512.6	331.3
Bank indebtedness		—	(4.6)	(5.0)
Cash and cash equivalents, net of bank indebtedness	\$	432.8	\$ 508.0	\$ 326.3

¹ Restricted cash and cash equivalents of \$17.6 million (July 2, 2022 – \$14.3 million and December 31, 2022 – \$14.3 million) relates to GCCT and is restricted for the purpose of paying principal and interest to note holders and additional funding costs. \$3.2 million (July 2, 2022 – \$3.0 million and December 31, 2022 – \$3.2 million) represents Helly Hansen's operational items.

² Included in Cash and cash equivalents are amounts held in reserve in support of CTB's liquidity and regulatory requirements.

The total cash outflow for leases during the 13 and 26 weeks ended July 1, 2023 was \$126.3 million (July 2, 2022 – \$103.5 million) and \$283.2 million (July 2, 2022 – \$216.1 million), respectively.

Capital and Other Commitments

As at July 1, 2023, the Company had capital commitments for the acquisition of property and equipment, investment property, and intangible assets for an aggregate cost of approximately \$162.5 million (July 2, 2022 – \$313.0 million).

During the quarter, the Company entered into agreements to spend \$445 million over a period of seven years.

17. Financial Instruments

17.1 Fair Value of Financial Instruments

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

The carrying amounts of the Company's Cash and cash equivalents, Trade and other receivables, Loans receivable, Bank indebtedness, Trade and other payables, Short-term borrowings, and Loans approximate their fair value either due to their short-term nature or because they are derivatives, which are carried at fair value.

The carrying amounts 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 reflect 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 valuator 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 and secondary market-based approaches when considered appropriate, 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 2022 Consolidated Financial Statements and Notes for further information regarding this financial instrument.

17.2 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		July 1, 2023		July 2, 2022		December 31, 2022	
	Category	Level		Level		Level	
Trade and other receivables	FVTPL ¹	2	\$ 36.4	2	\$ 19.9	2	\$ 35.5
Trade and other receivables	Effective hedging instruments	2	103.9	2	93.2	2	154.4
Long-term receivables and other assets	FVTPL ¹	2	—	2	—	2	—
Long-term receivables and other assets	Effective hedging instruments	2	91.0	2	144.1	2	107.9
Trade and other payables	FVTPL ¹	2	10.7	2	27.6	2	73.4
Trade and other payables	Effective hedging instruments	2	32.6	2	0.1	2	1.1
Redeemable financial instrument	FVTPL	3	567.0	3	567.0	3	567.0
Other long-term liabilities	FVTPL ¹	2	0.2	2	6.3	2	3.9
Other long-term liabilities	Effective hedging instruments	2	16.1	2	—	2	0.5

¹ Relates to derivatives not designated as hedging instruments.

There were no transfers in either direction among categories during the 13 and 26 weeks ended July 1, 2023 or the 13 and 26 weeks ended July 2, 2022.

17.3 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 2022 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 (C\$ in millions)	July 1, 2023		July 2, 2022		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments	\$ 178.1	\$ 178.4	\$ 212.0	\$ 211.7	\$ 176.3	\$ 176.8
Long-term investments	62.5	63.0	178.0	174.2	62.6	63.1
Debt	4,203.4	4,050.6	4,378.2	4,223.9	4,257.7	4,085.3
Deposits	3,175.3	3,098.0	3,174.5	3,076.0	2,965.7	2,910.7

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.

18. 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.

Insurance Recoveries

The Company has notified its insurers of a loss caused by the fire at the A.J. Billes Distribution Centre on March 15, 2023. The amount of such loss and damages is currently being evaluated. The amount and timing of recovery is uncertain and will only be recognized when the loss and damages are quantified, and receipt is virtually certain.

19. Subsequent Events

On July 6, 2023, CTC repaid a \$400 million medium-term note, at maturity, bearing an interest rate of 3.167 percent per annum.