

CANADIAN TIRE CORPORATION, LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Q3 2022

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

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Condensed Interim Consolidated Balance Sheets

| As at (C\$ in millions)(unaudited) | October 1, 2022 | October 2, 2021 | January 1, 2022 |
|---|--------------------|--------------------|--------------------|
| ASSETS | | | |
| Cash and cash equivalents (Note 15) | \$ 316.2 | \$ 1,548.3 | \$ 1,751.7 |
| Short-term investments | 173.6 | 580.0 | 606.2 |
| Trade and other receivables | 1,477.0 | 834.9 | 970.4 |
| Loans receivable (Note 6) | 6,107.8 | 5,329.1 | 5,613.2 |
| Merchandise inventories | 3,443.5 | 2,875.2 | 2,480.6 |
| Income taxes recoverable | 80.8 | 24.9 | 1.7 |
| Prepaid expenses and deposits | 193.9 | 220.9 | 216.1 |
| Assets classified as held for sale | 2.8 | 4.3 | 6.7 |
| Total current assets | 11,795.6 | 11,417.6 | 11,646.6 |
| Long-term receivables and other assets | 681.1 | 660.7 | 593.5 |
| Long-term investments | 96.6 | 176.7 | 175.1 |
| Goodwill and intangible assets | 2,270.1 | 2,374.1 | 2,372.2 |
| Investment property | 404.9 | 389.2 | 460.7 |
| Property and equipment | 4,856.9 | 4,439.7 | 4,549.3 |
| Right-of-use assets | 1,960.5 | 1,872.6 | 1,786.1 |
| Deferred income taxes | 145.7 | 230.9 | 218.7 |
| Total assets | \$ 22,211.4 | \$ 21,561.5 | \$ 21,802.2 |
| LIABILITIES | | | |
| Bank indebtedness (Note 15) | \$ 13.3 | \$ 12.9 | \$ — |
| Deposits | 1,337.4 | 2,026.0 | 1,908.4 |
| Trade and other payables | 3,158.0 | 2,572.8 | 2,914.3 |
| Provisions | 178.3 | 176.6 | 195.2 |
| Short-term borrowings | 840.0 | 114.8 | 108.2 |
| Loans | 452.1 | 492.6 | 427.5 |
| Current portion of lease liabilities | 388.4 | 361.0 | 359.0 |
| Income taxes payable | 16.4 | 66.8 | 157.6 |
| Current portion of long-term debt | 640.1 | 719.7 | 719.8 |
| Total current liabilities | 7,024.0 | 6,543.2 | 6,790.0 |
| Long-term provisions | 52.5 | 63.5 | 64.1 |
| Long-term debt (Note 7) | 3,617.0 | 3,547.5 | 3,558.7 |
| Long-term deposits | 1,745.7 | 2,065.5 | 1,985.3 |
| Long-term lease liabilities | 2,033.6 | 2,015.4 | 1,916.8 |
| Deferred income taxes | 121.6 | 123.1 | 125.9 |
| Other long-term liabilities | 790.4 | 844.1 | 850.6 |
| Total liabilities | 15,384.8 | 15,202.3 | 15,291.4 |
| EQUITY | | | |
| Share capital (Note 8) | 599.7 | 607.3 | 593.6 |
| Contributed surplus | 2.9 | 2.9 | 2.9 |
| Accumulated other comprehensive (loss) | (20.4) | (154.6) | (169.2) |
| Retained earnings | 4,815.7 | 4,532.6 | 4,696.5 |
| Equity attributable to shareholders of Canadian Tire Corporation | 5,397.9 | 4,988.2 | 5,123.8 |
| Non-controlling interests | 1,428.7 | 1,371.0 | 1,387.0 |
| Total equity | 6,826.6 | 6,359.2 | 6,510.8 |
| Total liabilities and equity | \$ 22,211.4 | \$ 21,561.5 | \$ 21,802.2 |

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

Condensed Interim Consolidated Statements of Income

| For the (C\$ in millions, except share and per share amounts)(unaudited) | 13 weeks ended | | 39 weeks ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2022 | October 2, 2021 | October 1, 2022 | October 2, 2021 |
| Revenue (Note 10) | \$ 4,228.8 | \$ 3,913.1 | \$ 12,470.2 | \$ 11,154.5 |
| Cost of producing revenue (Note 11) | 2,843.5 | 2,556.0 | 8,390.7 | 7,266.0 |
| Gross margin | 1,385.3 | 1,357.1 | 4,079.5 | 3,888.5 |
| Other expense (income) | 13.8 | (2.7) | 61.4 | (28.7) |
| Selling, general and administrative expenses (Note 12) | 1,017.3 | 935.0 | 3,021.4 | 2,766.9 |
| Net finance costs (Note 13) | 55.6 | 54.9 | 165.1 | 168.4 |
| Income before income taxes | 298.6 | 369.9 | 831.6 | 981.9 |
| Income taxes | 73.6 | 90.4 | 211.4 | 256.9 |
| Net income | \$ 225.0 | \$ 279.5 | \$ 620.2 | \$ 725.0 |
| Net income attributable to: | | | | |
| Shareholders of Canadian Tire Corporation | \$ 184.9 | \$ 243.7 | \$ 512.2 | \$ 619.1 |
| Non-controlling interests | 40.1 | 35.8 | 108.0 | 105.9 |
| | \$ 225.0 | \$ 279.5 | \$ 620.2 | \$ 725.0 |
| Basic earnings per share | \$ 3.15 | \$ 4.01 | \$ 8.65 | \$ 10.18 |
| Diluted earnings per share | \$ 3.14 | \$ 3.97 | \$ 8.59 | \$ 10.08 |
| Weighted average number of Common and Class A Non-Voting Shares outstanding: | | | | |
| Basic | 58,671,402 | 60,807,123 | 59,231,854 | 60,807,859 |
| Diluted | 58,983,396 | 61,337,523 | 59,611,273 | 61,430,301 |

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

Condensed Interim Consolidated Statements of Comprehensive Income

| For the (C\$ in millions)(unaudited) | 13 weeks ended | | 39 weeks ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2022 | October 2, 2021 | October 1, 2022 | October 2, 2021 |
| Net income | \$ 225.0 | \$ 279.5 | \$ 620.2 | \$ 725.0 |
| Other comprehensive income, net of taxes | | | | |
| Items that may be reclassified subsequently to net income: | | | | |
| Net fair value (losses) gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment | (25.5) | 4.3 | 85.3 | 9.5 |
| Deferred cost of hedging not subject to basis adjustment – Changes in fair value of the time value of an option in relation to time-period related hedged items | 33.8 | (3.0) | 12.7 | — |
| Reclassification of losses to income | 1.8 | 2.6 | 5.7 | 11.7 |
| Currency translation adjustment | (7.9) | 23.3 | (97.4) | (12.7) |
| Items that will not be reclassified subsequently to net income: | | | | |
| Net fair value gains on hedging instruments entered into for cash flow hedges subject to basis adjustment | 155.5 | 50.1 | 205.4 | 1.3 |
| Other comprehensive income | \$ 157.7 | \$ 77.3 | \$ 211.7 | \$ 9.8 |
| Other comprehensive income attributable to: | | | | |
| Shareholders of Canadian Tire Corporation | \$ 155.6 | \$ 76.5 | \$ 190.9 | \$ 5.5 |
| Non-controlling interests | 2.1 | 0.8 | 20.8 | 4.3 |
| | \$ 157.7 | \$ 77.3 | \$ 211.7 | \$ 9.8 |
| Comprehensive income | \$ 382.7 | \$ 356.8 | \$ 831.9 | \$ 734.8 |
| Comprehensive income attributable to: | | | | |
| Shareholders of Canadian Tire Corporation | \$ 340.5 | \$ 320.2 | \$ 703.1 | \$ 624.6 |
| Non-controlling interests | 42.2 | 36.6 | 128.8 | 110.2 |
| | \$ 382.7 | \$ 356.8 | \$ 831.9 | \$ 734.8 |

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

Condensed Interim Consolidated Statements of Cash Flows

| For the (C\$ in millions)(unaudited) | 13 weeks ended | | 39 weeks ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2022 | October 2, 2021 | October 1, 2022 | October 2, 2021 |
| Cash (used for) generated from: | | | | |
| Operating activities | | | | |
| Net income | \$ 225.0 | \$ 279.5 | \$ 620.2 | \$ 725.0 |
| Adjustments for: | | | | |
| Depreciation of property and equipment, investment property and right-of-use assets | 158.7 | 146.3 | 458.8 | 433.6 |
| (Reversal of) impairment on property and equipment, investment property and right-of-use assets | — | (0.9) | — | (0.9) |
| Income taxes | 73.6 | 90.4 | 211.4 | 256.9 |
| Net finance costs (Note 13) | 55.6 | 54.9 | 165.1 | 168.4 |
| Amortization of intangible assets | 31.3 | 31.0 | 90.4 | 89.6 |
| Loss (gain) on disposal of property and equipment, investment property, assets held for sale and right-of-use assets | 3.4 | (5.0) | (8.4) | (18.7) |
| Non-cash loss on exit of Helly Hansen operations in Russia | — | — | 20.8 | — |
| Total except as noted below | 547.6 | 596.2 | 1,558.3 | 1,653.9 |
| Interest paid | (76.6) | (67.8) | (187.4) | (189.4) |
| Interest received | 6.8 | 3.3 | 15.2 | 9.6 |
| Income taxes paid | (112.5) | (30.0) | (449.1) | (280.9) |
| Change in loans receivable | (117.9) | (146.7) | (485.7) | (259.9) |
| Change in operating working capital and other | (577.0) | (314.3) | (920.6) | (260.0) |
| Cash (used for) generated from operating activities | (329.6) | 40.7 | (469.3) | 673.3 |
| Investing activities | | | | |
| Additions to property and equipment and investment property | (239.6) | (119.8) | (450.8) | (331.9) |
| Additions to intangible assets | (19.1) | (39.8) | (88.5) | (103.4) |
| Total additions | (258.7) | (159.6) | (539.3) | (435.3) |
| Acquisition of short-term investments | (29.8) | (267.6) | (134.7) | (757.7) |
| Proceeds from maturity and disposition of short-term investments | 149.9 | 332.1 | 649.6 | 855.9 |
| Proceeds on disposition of property and equipment, investment property and assets held for sale | — | 5.2 | 5.7 | 62.1 |
| Lease payments received for finance subleases (principal portion) | 4.2 | 2.7 | 12.6 | 10.6 |
| Acquisition of long-term investments and other | (6.3) | (53.1) | (17.4) | (114.5) |
| Cash used for investing activities | (140.7) | (140.3) | (23.5) | (378.9) |
| Financing activities | | | | |
| Dividends paid | (89.9) | (68.0) | (236.4) | (203.4) |
| Distributions paid to non-controlling interests | (22.7) | (16.1) | (101.2) | (87.1) |
| Total dividends and distributions paid | (112.6) | (84.1) | (337.6) | (290.5) |
| Net issuance (repayment) of short-term borrowings | 744.2 | 27.7 | 731.9 | (50.6) |
| Issuance of loans | 62.5 | 42.5 | 212.4 | 267.8 |
| Repayment of loans | (72.5) | (116.2) | (187.8) | (281.8) |
| Issuance of long-term debt | 450.0 | — | 700.0 | 150.0 |
| Repayment of long-term debt | (569.6) | (0.1) | (720.0) | (150.3) |
| Payment of lease liabilities (principal portion) | (94.1) | (93.4) | (270.3) | (267.9) |
| Payment of transaction costs related to long-term debt | (1.6) | — | (3.1) | (1.0) |
| Purchase of Class A Non-Voting Shares | (78.6) | (3.5) | (297.8) | (11.0) |
| Net receipts (payments) on financial instruments | 30.0 | (7.0) | 30.2 | (29.2) |
| Change in deposits | (92.5) | (70.8) | (813.9) | 578.3 |
| Cash generated from (used for) financing activities | 265.2 | (304.9) | (956.0) | (86.2) |
| Cash (used) generated in the period | (205.1) | (404.5) | (1,448.8) | 208.2 |
| Cash and cash equivalents, net of bank indebtedness, beginning of period | 508.0 | 1,939.9 | 1,751.7 | 1,327.2 |
| Cash and cash equivalents, net of bank indebtedness, end of period | \$ 302.9 | \$ 1,535.4 | \$ 302.9 | \$ 1,535.4 |

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

Condensed Interim Consolidated Statements of Changes in Equity

| (C\$ in millions)(unaudited) | Total accumulated other comprehensive income (loss) | | | | | Retained earnings | Equity attributable to shareholders of Canadian Tire Corporation | Equity attributable to non-controlling interests | Total equity |
|---|---|---------------------|------------------|---------------------------------|---|-------------------|--|--|--------------|
| | Share capital | Contributed surplus | Cash flow hedges | Currency translation adjustment | Total accumulated other comprehensive income (loss) | | | | |
| Balance at January 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 | — | — | — | — | — | 512.2 | 512.2 | 108.0 | 620.2 |
| Other comprehensive income (loss) | — | — | 288.3 | (97.4) | 190.9 | — | 190.9 | 20.8 | 211.7 |
| Total comprehensive income (loss) | — | — | 288.3 | (97.4) | 190.9 | 512.2 | 703.1 | 128.8 | 831.9 |
| Transfers of cash flow hedge (gains) to non-financial assets | — | — | (42.1) | — | (42.1) | — | (42.1) | — | (42.1) |
| Contributions and distributions to shareholders of Canadian Tire Corporation | | | | | | | | | |
| Issuance of Class A Non-Voting Shares (Note 8) | 14.2 | — | — | — | — | — | 14.2 | — | 14.2 |
| Purchase of Class A Non-Voting Shares (Note 8) | (297.8) | — | — | — | — | — | (297.8) | — | (297.8) |
| Accrued liability for automatic share purchase plan commitment (Note 8) | 10.2 | — | — | — | — | 153.0 | 163.2 | — | 163.2 |
| Excess of purchase price over average cost (Note 8) | 279.5 | — | — | — | — | (279.5) | — | — | — |
| Dividends | — | — | — | — | — | (266.5) | (266.5) | — | (266.5) |
| Contributions and distributions to non-controlling interests | | | | | | | | | |
| Issuance of trust units to non-controlling interests, net of transaction costs | — | — | — | — | — | — | — | 14.3 | 14.3 |
| Distributions and dividends to non-controlling interests | — | — | — | — | — | — | — | (101.4) | (101.4) |
| Total contributions and distributions | 6.1 | — | (42.1) | — | (42.1) | (393.0) | (429.0) | (87.1) | (516.1) |
| Balance at October 1, 2022 | \$ 599.7 | \$ 2.9 | \$ 226.3 | \$ (246.7) | \$ (20.4) | \$ 4,815.7 | \$ 5,397.9 | \$ 1,428.7 | \$ 6,826.6 |

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

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

1. The Company and its Operations

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

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

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

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

2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements (“interim financial statements”) for the 13 and 39 weeks ended October 1, 2022 (and comparative results for the 13 and 39 weeks ended October 2, 2021) 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 2021 Consolidated Financial Statements and Notes and have been prepared using the same accounting policies described in Note 3 to the 2021 Consolidated Financial Statements and Notes.

These interim financial statements were authorized for issuance by the Company’s Board of Directors on November 9, 2022.

Basis of Presentation

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

- financial instruments at Fair Value Through Profit or Loss (“FVTPL”);
- derivative financial instruments;
- liabilities for share-based payment plans; and
- initial recognition of assets acquired and liabilities assumed in a business combination.

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

Functional and Presentation Currency

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

Judgments and Estimates

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

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

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

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

There has been minimal impact to the Company in the quarter as a result of the ongoing COVID-19 pandemic with no in-store capacity restrictions and no significant impact on the financial results. The duration and long-term effects of COVID-19, in addition to impacts from macroeconomic conditions on CTC, 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 2021 Consolidated Financial Statements and Notes.

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 31, 2022 and, accordingly, have not been applied in preparing these interim financial statements.

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 – Insurance Contracts ("IFRS 17"), which replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. 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. Early adoption is permitted. The Company is assessing the potential impact of this standard.

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

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

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

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

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

Software as a Service arrangements

In addition, the IFRS Interpretations Committee published a final agenda decision in April 2021, clarifying how to recognize certain configuration and customization expenditures related to implementing Software as a Service arrangements. The Company is in the process of assessing the impact of this decision on its accounting policies.

3. Capital Management

The Company's objectives when managing capital are:

- ensuring sufficient liquidity to meet its financial obligations when due and to execute its operating and strategic plans;
- maintaining healthy liquidity reserves and 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 for its credit ratings.

Canadian Tire Corporation, Limited was in compliance with all financial covenants under its bank credit agreements as at October 1, 2022. Under these covenants, the Company has sufficient flexibility to support business growth.

Helly Hansen is required to comply with covenants established under its bank credit agreements and was in compliance with all financial covenants thereunder as at October 1, 2022.

CT Real Estate Investment Trust ("CT REIT") is required to comply with covenants established under its Declaration of Trust, Trust Indenture and bank credit agreement and was in compliance with all financial covenants thereunder as at October 1, 2022.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB" or the "Bank"), a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain covenants established under its bank credit agreements. As at October 1, 2022, CTB complied with all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI") and all financial covenants under its bank credit agreements.

4. Liquidity and Financing

As at October 1, 2022, the Company had no borrowings on its committed bank lines of credit, \$789.3 million Canadian dollar equivalent of U.S. commercial paper outstanding, a nominal amount outstanding on Financial Services' committed notes purchase facilities and \$50.7 million of Glacier Credit Card Trust ("GCCT") 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 branded credit cards, including Triangle Mastercard, Triangle World Mastercard and Triangle World Elite Mastercard. Financial Services also offers Cash Advantage Mastercard and Gas Advantage Mastercard products, markets insurance products, and provides settlement services to the Company's affiliates. Financial Services includes CTB, a federally regulated Schedule I bank that manages and finances the Company's consumer Mastercard portfolio, as well as an existing block of Canadian Tire branded line of credit loans. CTB also offers High-Interest Savings ("HIS") account deposits, Tax-Free Savings Accounts ("TFSA") and GIC deposits, both directly and through third-party brokers. Financial Services includes GCCT, a structured entity established to purchase co-ownership interests in the Company's credit card loans receivable. GCCT issues debt to third-party investors to fund its purchases.
- CT REIT is an unincorporated, closed-end real estate investment trust. CT REIT holds a geographically-diversified portfolio of properties mainly comprising Canadian Tire banner stores, Canadian Tire anchored retail developments, mixed-use commercial property, and industrial properties.

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

| (C\$ in millions) | 13 weeks ended | | | | | | | | | |
|---|---------------------|-----------------------|---------|------------------------------------|------------|-----------------|-----------------------|---------|------------------------------------|------------|
| | October 1, 2022 | | | | | October 2, 2021 | | | | |
| | Financial Retail | Financial Services | CT REIT | Eliminations and adjustments | Total | Retail | Financial Services | CT REIT | Eliminations and adjustments | Total |
| External revenue | \$ 3,872.4 | \$ 347.1 | \$ 14.5 | \$ (5.2) | \$ 4,228.8 | \$ 3,606.4 | \$ 295.6 | \$ 12.8 | \$ (1.7) | \$ 3,913.1 |
| Intercompany revenue | 1.3 | 13.3 | 118.6 | (133.2) | — | 0.7 | 12.0 | 112.7 | (125.4) | — |
| Total revenue | 3,873.7 | 360.4 | 133.1 | (138.4) | 4,228.8 | 3,607.1 | 307.6 | 125.5 | (127.1) | 3,913.1 |
| Cost of producing revenue | 2,720.4 | 142.3 | — | (19.2) | 2,843.5 | 2,464.0 | 108.1 | — | (16.1) | 2,556.0 |
| Gross margin | 1,153.3 | 218.1 | 133.1 | (119.2) | 1,385.3 | 1,143.1 | 199.5 | 125.5 | (111.0) | 1,357.1 |
| Other (income) expense | (21.9) | 0.7 | — | 35.0 | 13.8 | (36.3) | (0.5) | — | 34.1 | (2.7) |
| Selling, general and administrative expenses | 997.4 | 79.2 | 29.1 | (88.4) | 1,017.3 | 905.6 | 84.1 | 26.8 | (81.5) | 935.0 |
| Net finance costs (income) | 44.8 | (1.4) | 27.6 | (15.4) | 55.6 | 47.3 | (1.8) | 26.3 | (16.9) | 54.9 |
| Fair value (gain) loss on investment properties | — | — | (0.6) | 0.6 | — | — | — | (5.9) | 5.9 | — |
| Income before income taxes | \$ 133.0 | \$ 139.6 | \$ 77.0 | \$ (51.0) | \$ 298.6 | \$ 226.5 | \$ 117.7 | \$ 78.3 | \$ (52.6) | \$ 369.9 |
| Items included in the above: | | | | | | | | | | |
| Depreciation and amortization | \$ 235.0 | \$ 3.4 | \$ — | \$ (48.4) | \$ 190.0 | \$ 221.0 | \$ 3.1 | \$ — | \$ (46.8) | \$ 177.3 |
| Interest income | 24.4 | 300.6 | 0.1 | (18.7) | 306.4 | 19.3 | 258.0 | — | (16.0) | 261.3 |
| Interest expense | 64.8 | 40.2 | 27.7 | (49.3) | 83.4 | 64.8 | 39.1 | 26.3 | (48.2) | 82.0 |

| (C\$ in millions) | 39 weeks ended | | | | | | | | | |
|---|---------------------|-----------------------|----------|------------------------------------|------------|-----------------|-----------------------|----------|------------------------------------|------------|
| | October 1, 2022 | | | | | October 2, 2021 | | | | |
| | Financial Retail | Financial Services | CT REIT | Eliminations and adjustments | Total | Retail | Financial Services | CT REIT | Eliminations and adjustments | Total |
| External revenue | \$11,441.6 | \$ 995.4 | \$ 42.7 | \$ (9.5) | \$12,470.2 | \$10,250.8 | \$ 869.5 | \$ 39.5 | \$ (5.3) | \$11,154.5 |
| Intercompany revenue | 3.8 | 37.1 | 354.9 | (395.8) | — | 2.3 | 31.4 | 345.5 | (379.2) | — |
| Total revenue | 11,445.4 | 1,032.5 | 397.6 | (405.3) | 12,470.2 | 10,253.1 | 900.9 | 385.0 | (384.5) | 11,154.5 |
| Cost of producing revenue | 8,033.1 | 409.0 | — | (51.4) | 8,390.7 | 7,033.0 | 280.7 | — | (47.7) | 7,266.0 |
| Gross margin | 3,412.3 | 623.5 | 397.6 | (353.9) | 4,079.5 | 3,220.1 | 620.2 | 385.0 | (336.8) | 3,888.5 |
| Other (income) expense | (44.7) | 0.9 | — | 105.2 | 61.4 | (132.5) | 3.5 | — | 100.3 | (28.7) |
| Selling, general and administrative expenses | 2,919.9 | 271.2 | 93.7 | (263.4) | 3,021.4 | 2,671.2 | 250.1 | 90.9 | (245.3) | 2,766.9 |
| Net finance costs (income) | 131.5 | (3.4) | 82.7 | (45.7) | 165.1 | 143.8 | (2.8) | 79.3 | (51.9) | 168.4 |
| Fair value (gain) loss on investment properties | — | — | (28.7) | 28.7 | — | — | — | (116.7) | 116.7 | — |
| Income before income taxes | \$ 405.6 | \$ 354.8 | \$ 249.9 | \$ (178.7) | \$ 831.6 | \$ 537.6 | \$ 369.4 | \$ 331.5 | \$ (256.6) | \$ 981.9 |
| Items included in the above: | | | | | | | | | | |
| Depreciation and amortization | \$ 682.6 | \$ 10.1 | \$ — | \$ (143.5) | \$ 549.2 | \$ 651.0 | \$ 9.8 | \$ — | \$ (137.6) | \$ 523.2 |
| Interest income | 63.7 | 854.5 | 0.2 | (50.7) | 867.7 | 58.6 | 748.0 | — | (48.2) | 758.4 |
| Interest expense | 186.7 | 112.0 | 82.9 | (141.8) | 239.8 | 196.9 | 116.1 | 79.3 | (145.2) | 247.1 |

The eliminations and adjustments include the following items:

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

While the Company primarily operates in Canada, it also operates in foreign jurisdictions primarily through Helly Hansen. Foreign revenue earned by Helly Hansen for the 13 and 39 weeks ended October 1, 2022 amounted to \$150.9 million (October 2, 2021 – \$145.0 million) and \$435.8 million (October 2, 2021 – \$367.4 million), respectively. Property and equipment, intangible assets (brand and goodwill) and right-of-use assets located

outside of Canada was \$875.5 million as at October 1, 2022 (October 2, 2021 – \$947.8 million). The Company recognized a \$36.5 million loss in other expense (income) during the second quarter of 2022 related to the exit of Helly Hansen operations in Russia.

Capital expenditures by reportable operating segment are as follows:

| For the | 13 weeks ended | | | | | | | |
|-----------------------------------|-----------------|--------------------|---------|----------|-----------------|--------------------|---------|----------|
| | October 1, 2022 | | | | October 2, 2021 | | | |
| (C\$ in millions) | Retail | Financial Services | CT REIT | Total | Retail | Financial Services | CT REIT | Total |
| Capital expenditures ¹ | \$ 199.7 | \$ 3.5 | \$ 28.5 | \$ 231.7 | \$ 186.1 | \$ 2.7 | \$ 18.1 | \$ 206.9 |

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

| For the | 39 weeks ended | | | | | | | |
|-----------------------------------|-----------------|--------------------|---------|----------|-----------------|--------------------|---------|----------|
| | October 1, 2022 | | | | October 2, 2021 | | | |
| (C\$ in millions) | Retail | Financial Services | CT REIT | Total | Retail | Financial Services | CT REIT | Total |
| Capital expenditures ¹ | \$ 504.6 | \$ 9.4 | \$ 60.2 | \$ 574.2 | \$ 427.9 | \$ 6.7 | \$ 46.2 | \$ 480.8 |

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

| For the | 13 weeks ended | | | | | | | |
|------------------------------|-----------------|--------------------|---------|----------|-----------------|--------------------|---------|----------|
| | October 1, 2022 | | | | October 2, 2021 | | | |
| (C\$ in millions) | Retail | Financial Services | CT REIT | Total | Retail | Financial Services | CT REIT | Total |
| Right-of-use asset additions | \$ 256.4 | \$ — | \$ 19.9 | \$ 276.3 | \$ 171.5 | \$ — | \$ — | \$ 171.5 |

| For the | 39 weeks ended | | | | | | | |
|------------------------------|-----------------|--------------------|---------|----------|-----------------|--------------------|---------|----------|
| | October 1, 2022 | | | | October 2, 2021 | | | |
| (C\$ in millions) | Retail | Financial Services | CT REIT | Total | Retail | Financial Services | CT REIT | Total |
| Right-of-use asset additions | \$ 454.7 | \$ — | \$ 26.9 | \$ 481.6 | \$ 403.5 | \$ — | \$ 3.4 | \$ 406.9 |

Total assets by reportable operating segment are as follows:

| (C\$ in millions) | October 1, 2022 | | October 2, 2021 | January 1, 2022 |
|------------------------------|-----------------|-----------|-----------------|-----------------|
| As at | | | | |
| Retail | \$ | 17,997.1 | \$ 16,419.2 | \$ 16,741.9 |
| Financial Services | | 6,870.3 | 7,832.4 | 7,731.4 |
| CT REIT | | 6,763.6 | 6,365.8 | 6,503.1 |
| Eliminations and adjustments | | (9,419.6) | (9,055.9) | (9,174.2) |
| Total assets ¹ | \$ | 22,211.4 | \$ 21,561.5 | \$ 21,802.2 |

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

Total liabilities by reportable operating segment are as follows:

(C\$ in millions)

| As at | October 1, 2022 | October 2, 2021 | January 1, 2022 |
|--------------------------------------|--------------------|--------------------|--------------------|
| Retail | \$ 10,924.0 | \$ 9,628.1 | \$ 9,876.4 |
| Financial Services | 5,629.4 | 6,722.3 | 6,555.2 |
| CT REIT | 2,965.1 | 2,771.0 | 2,825.0 |
| Eliminations and adjustments | (4,133.7) | (3,919.1) | (3,965.2) |
| Total liabilities¹ | \$ 15,384.8 | \$ 15,202.3 | \$ 15,291.4 |

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

The eliminations and adjustments include the following items:

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

6. Loans Receivable

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

(C\$ in millions)

| As at | Total principal amount of receivables ¹ | | |
|--|--|-------------------|-------------------|
| | October 1, 2022 | October 2, 2021 | January 1, 2022 |
| Credit card loans ² | \$ 6,010.3 | \$ 5,257.8 | \$ 5,549.2 |
| Dealer and other loans ³ | 453.7 | 493.6 | 429.1 |
| Total loans receivable | 6,464.0 | 5,751.4 | 5,978.3 |
| Less: long-term portion ⁴ | 356.2 | 422.3 | 365.1 |
| Current portion of loans receivable | \$ 6,107.8 | \$ 5,329.1 | \$ 5,613.2 |

¹ Amounts shown are net of allowances for loans receivable.

² Includes line of credit loans.

³ Dealer loans of \$452.1 million (October 2, 2021 – \$492.6 million and January 1, 2022 – \$427.5 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 \$354.6 million (October 2, 2021 – \$421.3 million and January 1, 2022 – \$363.4 million).

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

| (C\$ in millions) | 2022 | | | |
|---------------------------------------|------------------------|--|--|-----------------|
| | 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 | (6.6) | (16.8) | (277.8) | (301.2) |
| Recoveries | — | — | 63.4 | 63.4 |
| New loans originated | 18.1 | — | — | 18.1 |
| Transfers | | | | |
| to Stage 1 | 62.8 | (29.6) | (33.2) | — |
| to Stage 2 | (19.6) | 24.0 | (4.4) | — |
| to Stage 3 | (20.1) | (21.9) | 42.0 | — |
| Net remeasurements | (60.0) | 69.1 | 237.8 | 246.9 |
| Balance at October 1, 2022 | \$ 410.5 | \$ 199.1 | \$ 259.1 | \$ 868.7 |

2021

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

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

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

| (C\$ in millions) | October 1, 2022 | | | |
|-----------------------------|-----------------|----------|----------|------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Low risk | \$ 2,975.1 | \$ 57.0 | \$ — | \$ 3,032.1 |
| Moderate risk | 2,081.7 | 107.2 | — | 2,188.9 |
| High risk | 892.1 | 250.8 | 515.1 | 1,658.0 |
| Total gross carrying amount | 5,948.9 | 415.0 | 515.1 | 6,879.0 |
| ECL allowance | 410.5 | 199.1 | 259.1 | 868.7 |
| Net carrying amount | \$ 5,538.4 | \$ 215.9 | \$ 256.0 | \$ 6,010.3 |

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

| (C\$ in millions) | January 1, 2022 | | | |
|-----------------------------|-----------------|----------|----------|------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Low risk | \$ 2,830.3 | \$ 57.5 | \$ — | \$ 2,887.8 |
| Moderate risk | 1,961.8 | 100.5 | — | 2,062.3 |
| High risk | 779.1 | 170.0 | 491.5 | 1,440.6 |
| Total gross carrying amount | 5,571.2 | 328.0 | 491.5 | 6,390.7 |
| ECL allowance | 435.9 | 174.3 | 231.3 | 841.5 |
| Net carrying amount | \$ 5,135.3 | \$ 153.7 | \$ 260.2 | \$ 5,549.2 |

During the 13 and 39 weeks ended October 1, 2022, the amount of cash received from interest earned on credit cards and loans was \$273.2 million (October 2, 2021 – \$235.7 million) and \$788.2 million (October 2, 2021 – \$701.5 million), respectively.

7. Long-Term Debt

On February 3, 2022 CT REIT issued \$250.0 million of Series H senior unsecured debentures. The debentures have a coupon rate of 3.029 percent and a maturity date of February 5, 2029.

On February 11, 2022, CT REIT early redeemed the entire outstanding principal amount of \$150.0 million Series A senior unsecured debentures.

On September 20, 2022, GCCT repaid \$560 million of Series 2017-1 asset-backed term notes consisting of \$523.6 million of senior term notes, which bore an interest rate of 2.048 percent per annum, as well as \$36.4 million of subordinated term notes, which bore an interest rate of 3.298 percent per annum.

On September 27, 2022, GCCT issued \$450 million of Series 2022-1 asset-backed term notes that have an expected repayment date of September 20, 2027, consisting of \$420.75 million of senior term notes bearing an interest rate of 4.958 percent per annum and \$29.25 million of subordinated term notes bearing an interest rate of 6.108 percent per annum.

8. Share Capital

Share capital consists of the following:

(C\$ in millions)

| As at | October 1, 2022 | October 2, 2021 | January 1, 2022 |
|---|-----------------|-----------------|-----------------|
| Authorized | | | |
| 3,423,366 Common Shares | | | |
| 100,000,000 Class A Non-Voting Shares | | | |
| Issued | | | |
| 3,423,366 Common Shares (October 2, 2021 – 3,423,366; January 1, 2022 – 3,423,366) | \$ 0.2 | \$ 0.2 | \$ 0.2 |
| 55,096,998 Class A Non-Voting Shares (October 2, 2021 – 57,383,757; January 1, 2022 – 56,723,758) | 599.5 | 607.1 | 593.4 |
| | \$ 599.7 | \$ 607.3 | \$ 593.6 |

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 three quarters of 2022 and fiscal 2021, the Company issued and purchased Class A Non-Voting Shares. The Company's Class A Non-Voting Shares were purchased under its normal course issuer bid ("NCIB"), in connection with its anti-dilutive policy and announced share purchase intention.

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

| For the (C\$ in millions) | 13 Weeks Ended | | | | 39 Weeks Ended | | | |
|---|-----------------|----------|-----------------|----------|-----------------|----------|-----------------|----------|
| | October 1, 2022 | | October 2, 2021 | | October 1, 2022 | | October 2, 2021 | |
| | Number | \$ | Number | \$ | Number | \$ | Number | \$ |
| Shares outstanding at beginning of the period | 55,537,813 | \$ 595.6 | 57,383,758 | \$ 603.9 | 56,723,758 | \$ 593.4 | 57,383,758 | \$ 596.8 |
| Issued under the dividend reinvestment plan and stock option plan | 35,103 | 5.6 | 17,813 | 3.4 | 83,474 | 14.2 | 59,658 | 10.9 |
| Purchased ¹ | (475,918) | (78.6) | (17,814) | (3.4) | (1,710,234) | (297.8) | (59,659) | (11.0) |
| Reversal of accrued liability for ASPP commitment | — | 3.4 | — | — | — | 10.2 | — | — |
| Excess of purchase price over average cost | — | 73.5 | — | 3.2 | — | 279.5 | — | 10.4 |
| Shares outstanding at end of the period | 55,096,998 | \$ 599.5 | 57,383,757 | \$ 607.1 | 55,096,998 | \$ 599.5 | 57,383,757 | \$ 607.1 |

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 October 1, 2022, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of \$95.1 million (October 2, 2021 – \$71.4 million) at a rate of \$1.6250 per share (October 2, 2021 – \$1.1750 per share).

On November 9, 2022, the Company's Board of Directors declared dividends at a rate of \$1.725 per share payable on March 1, 2023 to shareholders of record as of January 31, 2023.

9. Share-Based Payments

During the 39 weeks ended October 1, 2022, the Company granted the following share-based payment awards:

Stock options

The Company granted 226,744 (October 2, 2021 – 225,011) 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 \$187.25 (October 2, 2021 – \$173.14 and \$207.09).

10. Revenue

Revenue by reportable operating segment is as follows:

| (C\$ in millions) | 13 weeks ended | | | | | | | | | |
|-------------------------------------|-------------------|--------------------|----------------|-----------------|-------------------|-------------------|--------------------|----------------|-----------------|-------------------|
| | October 1, 2022 | | | | | October 2, 2021 | | | | |
| | Retail | Financial Services | CT REIT | Adjustments | Total | Retail | Financial Services | CT REIT | Adjustments | Total |
| Sale of goods | \$ 3,729.4 | \$ — | \$ — | \$ — | \$ 3,729.4 | \$ 3,460.5 | \$ — | \$ — | \$ — | \$ 3,460.5 |
| Interest income on loans receivable | 4.3 | 299.2 | — | (4.1) | 299.4 | 1.8 | 256.0 | — | (0.9) | 256.9 |
| Royalties and licence fees | 17.8 | — | — | — | 17.8 | 16.1 | — | — | — | 16.1 |
| Services rendered | 4.6 | 47.9 | — | (1.1) | 51.4 | 4.7 | 39.6 | — | (0.8) | 43.5 |
| Rental income | 116.3 | — | 14.5 | — | 130.8 | 123.3 | — | 12.8 | — | 136.1 |
| | \$ 3,872.4 | \$ 347.1 | \$ 14.5 | \$ (5.2) | \$ 4,228.8 | \$ 3,606.4 | \$ 295.6 | \$ 12.8 | \$ (1.7) | \$ 3,913.1 |

| (C\$ in millions) | 39 weeks ended | | | | | | | | | |
|-------------------------------------|-------------------|--------------------|----------------|-----------------|-------------------|-------------------|--------------------|----------------|-----------------|-------------------|
| | October 1, 2022 | | | | | October 2, 2021 | | | | |
| | Retail | Financial Services | CT REIT | Adjustments | Total | Retail | Financial Services | CT REIT | Adjustments | Total |
| Sale of goods | \$10,996.3 | \$ — | \$ — | \$ — | \$10,996.3 | \$ 9,824.0 | \$ — | \$ — | \$ — | \$ 9,824.0 |
| Interest income on loans receivable | 8.5 | 850.7 | — | (6.2) | 853.0 | 5.5 | 744.6 | — | (2.5) | 747.6 |
| Royalties and licence fees | 46.2 | — | — | — | 46.2 | 41.5 | — | — | — | 41.5 |
| Services rendered | 13.6 | 144.7 | — | (3.3) | 155.0 | 13.6 | 124.9 | — | (2.8) | 135.7 |
| Rental income | 377.0 | — | 42.7 | — | 419.7 | 366.2 | — | 39.5 | — | 405.7 |
| | \$11,441.6 | \$ 995.4 | \$ 42.7 | \$ (9.5) | \$12,470.2 | \$10,250.8 | \$ 869.5 | \$ 39.5 | \$ (5.3) | \$11,154.5 |

Retail revenue breakdown is as follows:

| (C\$ in millions) | 13 weeks ended | | 39 weeks ended | |
|--|-------------------|-------------------|--------------------|--------------------|
| | October 1, 2022 | October 2, 2021 | October 1, 2022 | October 2, 2021 |
| | Canadian Tire | \$ 2,179.7 | \$ 2,067.4 | \$ 6,747.6 |
| SportChek | 576.4 | 560.6 | 1,461.3 | 1,410.7 |
| Mark's | 324.9 | 307.3 | 953.0 | 842.3 |
| Helly Hansen ¹ | 170.9 | 157.6 | 480.1 | 394.5 |
| Petroleum | 614.6 | 503.5 | 1,792.5 | 1,247.5 |
| Other and intersegment eliminations ¹ | 5.9 | 10.0 | 7.1 | 26.1 |
| | \$ 3,872.4 | \$ 3,606.4 | \$ 11,441.6 | \$ 10,250.8 |

¹ Helly Hansen revenue represents external revenue only.

Major customers

The Company does not rely on any one customer.

11. Cost of Producing Revenue

| For the (C\$ in millions) | 13 weeks ended | | 39 weeks ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2022 | October 2, 2021 | October 1, 2022 | October 2, 2021 |
| Inventory cost of sales ¹ | \$ 2,715.1 | \$ 2,460.4 | \$ 8,030.1 | \$ 7,032.7 |
| Net impairment loss on loans receivable | 85.7 | 54.9 | 248.5 | 122.5 |
| Finance costs | 20.7 | 22.7 | 60.0 | 67.8 |
| Other | 22.0 | 18.0 | 52.1 | 43.0 |
| | \$ 2,843.5 | \$ 2,556.0 | \$ 8,390.7 | \$ 7,266.0 |

¹ Inventory cost of sales includes depreciation for the 13 and 39 weeks ended October 1, 2022 of \$6.2 million (October 2, 2021 – \$4.6 million) and \$18.3 million (October 2, 2021 – \$12.6 million), respectively.

Inventory write-downs as a result of net realizable value being lower than cost, recognized in the 13 and 39 weeks ended October 1, 2022 were \$19.0 million (October 2, 2021– \$25.7 million) and \$50.6 million (October 2, 2021– \$87.1 million), respectively.

Inventory write-downs recognized in prior periods and reversed in the 13 and 39 weeks ended October 1, 2022 were \$2.5 million (October 2, 2021 – \$2.9 million) and \$8.2 million (October 2, 2021 – \$8.0 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.

12. Selling, General and Administrative Expenses

| For the (C\$ in millions) | 13 weeks ended | | 39 weeks ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2022 | October 2, 2021 | October 1, 2022 | October 2, 2021 |
| Personnel expenses | \$ 374.6 | \$ 377.7 | \$ 1,145.3 | \$ 1,113.8 |
| Occupancy | 117.1 | 109.6 | 360.4 | 340.9 |
| Marketing and advertising | 83.8 | 77.8 | 267.3 | 217.0 |
| Depreciation of property and equipment and investment property ¹ | 67.2 | 67.4 | 196.2 | 203.4 |
| Depreciation of right-of-use assets | 85.3 | 74.3 | 244.3 | 217.6 |
| Amortization of intangible assets | 31.3 | 31.0 | 90.4 | 89.6 |
| Information systems | 74.0 | 66.6 | 214.8 | 182.9 |
| Other | 184.0 | 130.6 | 502.7 | 401.7 |
| | \$ 1,017.3 | \$ 935.0 | \$ 3,021.4 | \$ 2,766.9 |

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

13. Net Finance Costs

| For the (C\$ in millions) | 13 weeks ended | | 39 weeks ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2022 | October 2, 2021 | October 1, 2022 | October 2, 2021 |
| Finance income | \$ (5.9) | \$ (3.2) | \$ (11.0) | \$ (7.1) |
| Finance income on lease receivables ¹ | (1.2) | (1.2) | (3.7) | (3.8) |
| Finance costs | 41.0 | 37.4 | 114.7 | 111.3 |
| Finance costs on lease liabilities | 21.7 | 21.9 | 65.1 | 68.0 |
| | \$ 55.6 | \$ 54.9 | \$ 165.1 | \$ 168.4 |

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

14. Income Taxes

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

| For the (C\$ in millions) | 13 weeks ended | | 39 weeks ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2022 | October 2, 2021 | October 1, 2022 | October 2, 2021 |
| Net fair value (losses) gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment | \$ (9.2) | \$ 1.5 | \$ 30.8 | \$ 3.4 |
| 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 | 12.2 | (1.1) | 4.6 | — |
| Reclassification of losses to income | 0.7 | 0.9 | 2.1 | 4.2 |
| Net fair value gains on hedging instruments entered into for cash flow hedges subject to basis adjustment | 54.4 | 17.8 | 71.6 | 3.1 |
| | \$ 58.1 | \$ 19.1 | \$ 109.1 | \$ 10.7 |

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

There have been no material changes in ongoing audits by tax authorities as disclosed in Note 16 to the 2021 Consolidated Financial Statements and Notes.

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

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

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

| (C\$ in millions) | October 1, 2022 | October 2, 2021 | January 1, 2022 |
|---|-----------------|-----------------|-----------------|
| As at | | | |
| Cash | \$ 258.4 | \$ 719.8 | \$ 1,043.4 |
| Cash equivalents | 49.5 | 814.2 | 691.6 |
| Restricted cash and cash equivalents ¹ | 8.3 | 14.3 | 16.7 |
| Total cash and cash equivalents ² | 316.2 | 1,548.3 | 1,751.7 |
| Bank indebtedness | (13.3) | (12.9) | — |
| Cash and cash equivalents, net of bank indebtedness | \$ 302.9 | \$ 1,535.4 | \$ 1,751.7 |

¹ Restricted cash and cash equivalents of \$5.8 million (October 2, 2021 – \$5.4 million and January 1, 2022 – \$11.5 million) relates to GCCT and is restricted for the purpose of paying principal and interest to note holders and additional funding costs. \$2.5 million (October 2, 2021 – \$8.9 million and January 1, 2022 – \$5.2 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 39 weeks ended October 1, 2022 was \$117.0 million (October 2, 2021 – \$120.1 million) and \$333.1 million (October 2, 2021 – \$344.1 million), respectively.

Capital Commitments

As at October 1, 2022, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately \$265.1 million (October 2, 2021 – \$167.7 million).

16. Financial Instruments

16.1 Fair Value of Financial Instruments

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

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

The carrying 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 reflects the estimated amounts the Company would receive or pay if it were to settle the contracts at the measurement date and is determined by an external 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, 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 2021 Consolidated Financial Statements and Notes for further information regarding this financial instrument.

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

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

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

(C\$ in millions)

| As at | | October 1, 2022 | October 2, 2021 | January 1, 2022 |
|--|-------------------------------|-----------------|-----------------|-----------------|
| | Category | Level | Level | Level |
| Trade and other receivables | FVTPL ¹ | 2 \$ 79.8 | 2 \$ 61.7 | 2 \$ 50.2 |
| Trade and other receivables | Effective hedging instruments | 2 228.9 | 2 31.4 | 2 36.6 |
| Long-term receivables and other assets | FVTPL ¹ | 2 1.5 | 2 2.1 | 2 3.5 |
| Long-term receivables and other assets | Effective hedging instruments | 2 144.8 | 2 53.3 | 2 49.1 |
| Trade and other payables | FVTPL ¹ | 2 61.1 | 2 18.8 | 2 8.9 |
| Trade and other payables | Effective hedging instruments | 2 0.5 | 2 19.0 | 2 6.6 |
| Redeemable financial instrument | FVTPL | 3 567.0 | 3 567.0 | 3 567.0 |
| Other long-term liabilities | FVTPL ¹ | 2 7.2 | 2 8.0 | 2 7.4 |
| Other long-term liabilities | Effective hedging instruments | 2 — | 2 1.3 | 2 3.1 |

¹ Relates to derivatives not designated as hedging instruments.

There were no transfers in either direction among categories during the 13 and 39 weeks ended October 1, 2022 or the 13 and 39 weeks ended October 2, 2021.

16.3 Fair Value Measurement of Investments, Debt and Deposits

The fair value measurement of investments, debt, and deposits is categorized within Level 2 of the fair value hierarchy described in Note 33.2 to the Company's 2021 Consolidated Financial Statements and Notes. The fair values of the Company's investments, debt and deposits compared to the carrying amounts are as follows:

| As at | October 1, 2022 | | October 2, 2021 | | January 1, 2022 | |
|------------------------|-----------------|------------|-----------------|------------|-----------------|------------|
| (C\$ in millions) | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Short-term investments | \$ 173.6 | \$ 173.7 | \$ 580.0 | \$ 579.7 | \$ 606.2 | \$ 605.6 |
| Long-term investments | 96.6 | 93.8 | 176.7 | 176.2 | 175.1 | 174.5 |
| Debt | 4,257.1 | 4,079.4 | 4,267.2 | 4,500.5 | 4,278.5 | 4,475.4 |
| Deposits | 3,083.1 | 2,989.9 | 4,091.5 | 4,122.3 | 3,893.7 | 3,915.0 |

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

17. Contingencies

Legal Matters

The Company is party to a number of legal and regulatory proceedings, 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.