Management's Discussion and Analysis

Canadian Tire Corporation, Limited

First Quarter 2016

1.0 Preface

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

The financial results for the Retail segment are delivered by the businesses operated by the Company under the Company's retail banners, which include Canadian Tire, PartSource, Petroleum, Mark's, Sport Chek, Sports Experts, Atmosphere, and Pro Hockey Life ("PHL").

In this document:

"Canadian Tire" refers to the general merchandise retail and services businesses carried on under the "Canadian Tire" and "PartSource" 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) respectively, operated under the "Canadian Tire" and "Gas+" names and trademarks.

"PartSource stores" refers to stores operated under the "PartSource" name and trademarks.

"Petroleum" refers to the retail petroleum business carried out 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, including Canadian Tire Bank ("CTB" or "the Bank").

"FGL Sports" refers to the retail business carried on by FGL Sports Ltd., and "FGL Sports stores" which includes stores operated under the "Sport Chek", "Sports Experts", "Atmosphere", "Pro Hockey Life", and "National Sports" names and trademarks.

"Mark's" refers to the retail business carried on by Mark's Work Wearhouse Ltd., and "Mark's stores" which includes stores operated under the "Mark's", "Mark's Work Wearhouse", and "L'Équipeur" names and trademarks.

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

1.2 Forward-looking statements
This Management's Discussion and Analysis ("MD&A") contains statements that are forward-looking. Actual results or events may differ materially from those forecast and from statements of the Company's plans or aspirations that are made in this MD&A because of the risks and uncertainties associated with the Corporation's business and the general economic environment. The Company cannot provide any assurance that any forecast financial or operational performance, plans, or financial aspirations 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 statements.

1.3 Review and approval by the Board of Directors
The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on May 11, 2016.

1.4 Quarterly and annual comparisons in the MD&A
Unless otherwise indicated, all comparisons of results for Q1 2016 (13 weeks ended April 2, 2016) are compared against results for Q1 2015 (13 weeks ended April 4, 2015).

1.5 Accounting framework

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"). The Company prepared the interim financial statements in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*, using the accounting policies described in Note 2 of the condensed interim consolidated financial statements.

1.6 Accounting estimates and assumptions

The preparation of condensed interim consolidated financial statements that conform to IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 9.1 in this MD&A for further information.

1.7 Key operating performance measures and additional GAAP and non-GAAP financial measures

The Company has identified several key operating performance measures and non-GAAP financial measures which Management believes are useful in assessing the performance of the Company; however, readers are cautioned that some of these measures may not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies.

Retail sales is one of these key operating performance measures and refers to the Point of Sale ("POS" i.e. cash register) value of all goods and services sold to retail customers at stores operated by Canadian Tire Associate Dealers ("Dealers"), Mark's and FGL Sports franchisees, and Petroleum retailers, at corporately owned stores across all retail banners, of services provided as part of the Home Services offering, and of goods sold through the Company's online sales channels, and in aggregate does not form part of the Company's condensed interim consolidated financial statements. Management believes that retail sales and related year-over-year comparisons provide meaningful information to investors and are expected and valued by them to help assess the size and financial health of the retail network of stores. These measures also serve as an indicator of the strength of the Company's brand, which ultimately impacts its consolidated financial performance. Refer to section 9.3.1 for additional information on retail sales.

Revenue, as reported in the Company's condensed interim consolidated financial statements, comprises primarily the sale of goods to Dealers and to franchisees of Mark's and FGL Sports, the sale of gasoline through Petroleum retailers, the sale of goods to retail customers by stores that are corporately owned under the Mark's, PartSource, and FGL Sports banners, the sale of services through the Home Services business, the sale of goods to customers through INA International Ltd. ("INA"), a business-to-business operation of FGL Sports, and through the Company's online sales channels, as well as revenue generated from interest, service charges, interchange and other fees, and from insurance products sold to credit card holders in the Financial Services segment, and rent paid by third-party tenants in the CT REIT segment.

The Company also evaluates performance based on the effective utilization of its assets. The primary metric used to evaluate the performance of core retail assets is average sales per square foot. Comparison of sales per square foot over several periods will identify whether existing assets are being made more productive by the retail businesses' introduction of new store layouts and merchandising strategies. In addition, Management believes that return on invested capital ("ROIC"), analyzed on a rolling 12-month basis, reflects how well the Company is allocating capital toward profitable retail investments. Retail ROIC can be compared to CTC's cost of capital to determine whether invested capital was used effectively. Refer to section 9.3.1 for additional information on Retail ROIC.

Management calculates and analyzes certain measures to assess the size, profitability, and quality of Financial Services' total-managed portfolio of receivables. Growth in the total-managed portfolio of receivables is measured by growth in the average number of accounts and growth in the average account balance. A key profitability measure the Company tracks is the return on the average total-managed portfolio (also referred to as "return on receivables" or "ROR"). Refer to section 9.3.1 for a definition of ROR.

Aspirations with respect to retail sales, Retail ROIC, and ROR have been included in our financial aspirations for the three years ending in 2017. Refer to section 3.0 in this MD&A for the financial aspirations, assumptions, and related risks.

Additionally, the Company considers earnings before interest, tax, depreciation and amortization, and the change in fair value of the redeemable financial instrument ("adjusted EBITDA") to be an effective measure of CTC's profitability on an operational basis. Adjusted EBITDA is a non-GAAP financial metric and is commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses. Refer to section 9.3.2 for a schedule showing the relationship of the Company's consolidated adjusted EBITDA to the most comparable GAAP measure.

In the CT REIT segment, certain income and expense measurements that are recognized under GAAP are supplemented by Management's use of certain non-GAAP key operating performance measures when analyzing operating performance. Management believes the non-GAAP financial key operating performance measures provide useful information to both Management and investors in measuring the financial performance and financial condition of CT REIT. These measures include funds from operations ("FFO"), adjusted funds from operations ("AFFO"), and net operating income ("NOI"). Refer to section 9.3.2 for further information and for a reconciliation of these measures to the nearest GAAP measure.

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 the year-over-year percentage changes are based on fractional amounts.

2.0 Company and industry overview

For an overview of the business, a full description of the Company's Retail, CT REIT, and Financial Services operating segments, and a discussion of the competitive landscape affecting the Company, refer to section 2.0 of the MD&A contained in the Company's 2015 Report to Shareholders, available on the Company's website (www.corp.canadiantire.ca/en/investors), and SEDAR (www.sedar.com).

3.0 Three-Year (2015 to 2017) financial aspirations

Financial aspirations: 2015 to 2017

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

The Company announced its three-year growth strategy and financial aspirations for fiscal years 2015 to 2017 in October 2014. The Company aims to achieve these aspirations within the stated three-year period and it is expected that performance in individual fiscal years within that period will vary. On a quarterly basis, Management reviews the significant risks and key underlying assumptions that might impact the achievement of its aspirational targets over the three-year period. Annually, the Company reports on the progress toward achievement of the stated aspirations. The financial aspirations are outlined below:

Financial Measure	Annual Aspiration
Canadian Tire retail sales annual growth	3%+
Mark's retail sales annual growth	5%+
FGL Sports retail sales annual growth	9%+
Financial Services return on receivables (ROR)	6%+

While the Company strives to achieve its annual retail sales growth aspiration of 5+ percent at Mark's for fiscal 2015 to 2017, the economic downturn in Alberta, which has resulted in lower industrial wear and industrial footwear sales, continues to challenge the achievement of this annual aspiration for 2016, as it did in 2015.

Financial Measure	Aspiration over 3-year period 2015 to 2017
Average diluted EPS growth[1]	8% to 10%
Retail return on invested capital (Retail ROIC)	9%+

1 Average diluted EPS growth is calculated using normalized diluted EPS.

Economic conditions that affect the Company's performance have changed since the Retail ROIC aspiration was announced. The deterioration of the Alberta economy resulting from the decline in oil prices, and the decline in the value of the Canadian dollar as compared to the United States ("U.S.") dollar, has resulted in challenges to deliver the growth in earnings required to achieve the Retail ROIC aspiration. Notwithstanding these challenges, Retail ROIC continues to be a focus for the Company.

There have been no other material changes to the key assumptions and significant risks that support the Company's financial aspirations. Based on its assessment as at the date of this MD&A, Management's current view of these key assumptions and significant risks that support the Company's financial aspirations are outlined below:

1. Annual retail sales growth of 3+ percent at Canadian Tire, 5+ percent at Mark's, and 9+ percent at FGL Sports
Key assumptions: • Strong and consistent same-store sales growth across core retail businesses • Retail square footage growth at Canadian Tire and Mark's in line with recent years • Continued Sport Chek network expansion • Growth in eCommerce sales across all retail banners • Positive customer response to brand-focused marketing, in-store merchandising, category specific tactical growth initiatives, and digital initiatives • Effective use of loyalty program customer shopping data to create targeted customer offerings and enhance in-store experience
Significant risks: • Limitations on availability of preferred retail locations due to continued competition and demand for retail space in Canada • Increased competition due to expanding and new U.S. retailers, new and existing online competitors, or a significant change in the Canadian retail landscape • Decline in economic growth, consumer confidence, and household spending • The competitiveness of the Company's loyalty programs • Customers' willingness to participate in and the relative attractiveness of the Company's marketing offers • Impact of commodity prices and other factors on the economic condition of various geographic or customer segments
2. Average diluted EPS growth of 8 to 10 percent over the three-year period
Key assumptions: • Realization of aspirations for retail sales growth • Increasing bottom-line earnings across all businesses through strong margin management, operating expense growth in line with revenue growth, and growth in gross average accounts receivable ("GAAR") in the Financial Services segment • Realization of cost savings and benefits from initiatives aimed at improving gross margin and operating expenses, including Dealer contract initiatives and enterprise-wide productivity initiative
Significant risks: • Revenue growth not achieved; refer to significant risks associated with retail sales aspirations described above • Increased costs relating to foreign exchange and global sourcing of key products impacting the Company's ability to maintain or reduce operating, supply chain, and/or product costs • Inability to achieve enhanced purchasing efficiencies and a reduction of overhead expenses • Short-term effect on EPS from the Company's capital-allocation initiatives including the potential impact of organic and inorganic growth initiatives designed to create long-term growth • GAAR growth could be challenged by new regulations and adverse economic conditions
3. Financial Services return on receivables of 6+ percent annually
Key assumptions: • Continued GAAR growth • Customers respond positively to new marketing initiatives, including enhanced loyalty program and in-store financing at the retail banners • Continued prudent expense management
Significant risks: • Decline in economic growth, consumer confidence, and household spending • Higher credit or default risk resulting in incremental allowance for future write-offs • GAAR growth could be challenged by new regulations and adverse economic conditions
4. Retail return on invested capital of 9+ percent by the end of 2017
Key assumptions: • Growth in retail earnings due to sales growth and successful execution of productivity initiatives that preserve retail gross margin and reduce operating expense as a percent of revenue • Continued successful investments in businesses to achieve organic growth and in projects and initiatives to improve returns • Average annual operating capital expenditures of $600 million to $625 million over the three-year period
Significant risks: • Earnings growth not achieved; refer to significant risks associated with retail sales and EPS growth aspirations described above

4.0 2016 Strategic imperatives

As outlined in Section 6.0 of the MD&A contained in the Company's 2015 Report to Shareholders, for 2016, the Company will pursue the following strategic imperatives and key initiatives, which are aligned with its vision to ultimately become the most innovative retailer in the world, and support the achievement of the three year (2015 - 2017) financial aspirations.

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

1. Strengthen brands and enhance customer experiences (connections)

The Company is committed to being a "brand-led" organization and being the conduit between target customers and the best portfolio of retail brands. Management believes that the strength and value of the Company's brands are directly correlated to the strength of its business results. Successful achievement of the initiatives within this strategic imperative will ensure that the Company's brands are supported and enhanced in the eyes of its customers and other key stakeholders.

2016 Initiatives
• Continue to keep the Company's brands relevant through innovative marketing campaigns and through opportunities to highlight innovation and digital capabilities to its target customers • Continue to build customer connections across all banners by offering unparalleled shopping experiences both in-store and online • Activate sports and community partnerships to keep the Company's brand in the minds of Canadians • Grow customer-loyalty program through in-store acquisition and through mobile app and other digital channels • Continue to create and offer high-quality, innovative private-label assortments across the Company's retail banners that will drive customer loyalty and increase brand awareness

2. Transition to the new world of omni-retail where digital complements the physical

In order to compete on a global basis and continue to be relevant and engaged with its customers, the Company must invest in the future of digital retailing to both enhance its physical store networks and eCommerce capabilities. The "digitization of retail" requires significant investment in foundational technological platforms in order to continue successfully transitioning the Company from traditional bricks-and-mortar to omni-channel retailing.

2016 Initiatives
• Create world-class digital experiences through digital marketing, in-store technology, eCommerce, and integrated loyalty programs that complement physical retail stores • Utilize customer data and shopping insights to personalize and enhance offers, communication and content, and to achieve efficiencies

3. Drive growth and productivity in core businesses

The Company continues to focus on driving organic growth and productivity within its four core banners: Canadian Tire, FGL Sports, Mark's, and Financial Services. It will also pursue inorganic opportunities, including eCommerce and new world omni-retail capabilities to create new growth platforms and bring required competencies to the Canadian Tire family of companies.

2016 Initiatives
• Continue to drive sales and revenue across all banners through on-going category management, innovative marketing campaigns, new product assortments, and enhanced in-store and digital experiences • Achieve sustainable and profitable growth through productivity initiatives that target the operating expense structure and gross margins • Continue to increase the retail footprint by adding flagship stores at FGL Sports and building new or expanding Canadian Tire and Mark's stores • Pursue selective acquisitions that strengthen and grow our existing portfolio of brands and bring new-world capabilities • Allocate capital through a balanced approach to maximize growth and long-term shareholder returns • Re-invigorate GAAR growth by investing in in-store financing programs that drive sales at Canadian Tire

4. Create an agile and high-performing corporate culture

The success of any great organization is directly attributable to the quality of its leadership. The Company is committed to attracting, developing, and retaining world-class talent that will drive growth in the business. The Company believes that meeting its financial aspirations is dependent on having the right team and the right corporate culture. The Company will continue to develop or acquire talent in key areas such as digital retailing, marketing, and data analytics in order to drive growth in its core businesses.

2016 Initiatives
• Attract and develop talent to ensure required capabilities and expertise to bring Company into the new world of retail • Engage employees to stimulate innovation and growth • Deepen connections in communities across the country • Develop and share capabilities by collaborating across the businesses

5.0 Financial performance

5.1 Consolidated financial performance

For a review of consolidated financial results, including earnings, retail sales, and revenue, refer to section 5.1.2.

Non-operational items

The results of operations in the current and previous quarter ended April 2, 2016 and April 4, 2015 did not include material non-operational items, and therefore the Company has not included a measure of "normalized" earnings or "normalized" diluted EPS in this MD&A.

5.1.1 Consolidated key operating performance measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information.

(C$ in millions)	**Q1 2016**	Q1 2015	Change
Adjusted EBITDA[1]	**$ 247.6**	$ 245.3	0.9%
Selling, general and administrative expenses (excluding depreciation and amortization) as a % of revenue[2]	**26.2%**	25.7%	56 bps
Adjusted EBITDA[1] as a % of revenue	**9.7%**	9.8%	(8) bps

[1] Adjusted EBITDA is a non-GAAP measure; refer to section 9.3.2 in this MD&A for additional information.
[2] Selling, general and administrative expenses exclude depreciation and amortization of $105.9 million in Q1 2016 (2015 - $95.2 million).

Adjusted EBITDA and adjusted EBITDA as a percentage of revenue remained relatively flat compared to prior year.

Selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue increased compared to the prior quarter. During 2016 and 2015, this metric has been negatively impacted by the significant decline in Petroleum revenue due to lower gas prices. Excluding the decline in Petroleum revenue, selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue decreased 10 basis points year-over-year. Higher revenue at Canadian Tire, FGL Sports, and Mark's, and a decline in variable compensation expense across the Company more than offset the impact of increased selling, general and administrative expenses to support Company initiatives relating to productivity, information technology ("IT"), marketing, digital, and loyalty.

5.1.2 Consolidated financial results

(C$ in millions, except where noted)		Q1 2016		Q1 2015	Change
Retail sales[1]	$	2,482.2	$	2,462.7	0.8 %
Revenue	$	2,559.4	$	2,514.9	1.8 %
Gross margin dollars	$	914.0	$	882.1	3.6 %
Gross margin as a % of revenue		35.7%		35.1%	64 bps
Other (income)	$	(3.1)	$	(6.8)	(54.4)%
Selling, general and administrative expenses		777.4		741.0	4.9 %
Net finance costs		20.9		23.6	(11.2)%
Income before income taxes	$	118.8	$	124.3	(4.4)%
Income taxes		33.2		36.0	(7.7)%
Effective tax rate		28.0%		29.0%	
Net income	$	85.6	$	88.3	(3.1)%
Net income attributable to:					
Shareholders of Canadian Tire Corporation	$	66.5	$	68.5	(2.9)%
Non-controlling interests		19.1		19.8	(3.7)%
	$	85.6	$	88.3	(3.1)%
Basic EPS	$	0.90	$	0.88	2.1 %
Diluted EPS	$	0.90	$	0.88	2.6 %
Weighted average number of Common and Class A Non-Voting Shares outstanding:					
Basic		73,573,273		77,369,566	NM[2]
Diluted		73,745,209		77,904,538	NM[2]

[1] Key operating performance measure. Refer to section 9.3.1 in this MD&A for additional information.
[2] Not meaningful.

Non-controlling interests

The following table outlines the net income attributable to the Company's non-controlling interests. For additional details, refer to Note 17 of the consolidated financial statements contained in the Company's 2015 Report to Shareholders.

(C$ in millions)		Q1 2016		Q1 2015
Financial Services Non-controlling interest percentage 20.0% (2015 - 20.0%)	$	13.4	$	14.5
CT REIT Non-controlling interest percentage 16.0% (2015 - 16.4%)		5.2		4.9
Retail segment subsidiary Non-controlling interest percentage 50.0% (2015 - 50.0%)		0.5		0.4
Net income attributable to non-controlling interests	$	19.1	$	19.8

Consolidated first quarter 2016 versus first quarter 2015

Earnings Summary

Diluted EPS was $0.90 in the quarter, an increase of $0.02 per share, or 2.6 percent, over the prior year. The earnings performance reflects strong revenue growth and gross margin contribution from Canadian Tire and higher sales at FGL Sports; partially offset by a reduction in gross margin contribution from Mark's and Financial Services and an increase in selling, general and administrative expenses primarily to support increased investment in the Retail network and Company initiatives relating to productivity, IT, marketing, digital, and loyalty. The year-over-year increase to diluted EPS also reflects the favourable impact of a reduction in the weighted average number of shares outstanding due to share repurchases.

Retail sales

Consolidated retail sales increased $19.5 million or 0.8 percent; however this includes a 9.0 percent decline in Petroleum retail sales due to lower gas prices and gas volumes. Excluding Petroleum, consolidated retail sales increased 3.0 percent reflecting increased sales across the Canadian Tire, FGL Sports, and Mark's banners. Refer to sections 5.2.3 for further information regarding Retail segment sales in the quarter.

Revenue
Consolidated revenue increased $44.5 million, or 1.8 percent, which includes a $47.4 million decline in Petroleum revenue resulting from lower gas prices and lower gas volume. Excluding Petroleum, consolidated revenue increased $91.9 million, or 4.3 percent, primarily due to higher shipments at Canadian Tire and increased sales at FGL Sports and Mark's; partially offset by decreased revenue at Financial Services. Refer to sections 5.2.3 and 5.4.2 for further information regarding Retail and Financial Services segment revenue.

Gross margin
Consolidated gross margin dollars increased $31.9 million, or 3.6 percent, and the gross margin rate increased 64 basis points. Excluding Petroleum, the consolidated gross margin rate decreased 5 basis points as the rate improvement at Canadian Tire was more than offset by lower gross margin rates in the Financial Services segment, and to a lesser extent, lower gross margin rates at Mark's. Refer to sections 5.2.3 and 5.4.2 for further information regarding Retail and Financial Services segment gross margin.

Selling, general and administrative expenses
Consolidated selling, general and administrative expenses increased $36.4 million, or 4.9 percent, primarily due to:
- increased depreciation and amortization relating to increased capital spending on IT initiatives and increased investment in the Retail network;
- increased consulting fees to support productivity initiatives;
- increased personnel and operating costs to support IT, marketing, digital, and loyalty initiatives; and
- increased marketing and advertising in the Retail segment;

partially offset by:
- lower variable compensation expense; and
- lower occupancy costs driven by lower maintenance and utility expenses that more than offset increased rent paid to third parties in the Retail segment.

Net finance costs
Consolidated net finance costs decreased $2.7 million primarily due to an increase in interest capitalized on qualifying IT and real estate projects**.**

Income taxes
The effective tax rate decreased to 28.0 percent from 29.0 percent in the prior year, primarily due to lower non-deductible stock option expense and adjustments to tax estimates in the quarter. Refer to Tax Matters in section 8.0 of this MD&A for further details.

5.1.3 Seasonal trend analysis
Quarterly operating net income and revenue are affected by seasonality. The fourth quarter typically generates the greatest contribution to revenues and earnings, and the first quarter the least, largely due to the seasonal nature of some merchandise and the timing of marketing programs in the retail businesses. The following table shows the financial performance of the Company by quarter for the last two years. The trend quarter over quarter could be impacted by non-operational items identified during these quarters.

(C$ in millions, except per share amounts)	**Q1 2016**	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014[1]	Q3 2014	Q2 2014
Revenue	**$ 2,559.4**	$ 3,380.2	$ 3,126.8	$ 3,257.7	$ 2,514.9	$ 3,653.8	$ 3,069.9	$ 3,166.1
Net income	**85.6**	241.5	219.9	186.2	88.3	206.6	178.2	178.9
Basic EPS	**0.90**	3.02	2.63	2.16	0.88	2.46	2.19	2.14
Diluted EPS	**0.90**	3.01	2.62	2.15	0.88	2.44	2.17	2.12

[1] Q4 2014 included one additional week of retail operations compared to Q4 2015.

5.2 Retail segment performance

5.2.1 Retail segment key operating performance measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information on performance measures.

(Year-over-year percentage change, C$ in millions, except as noted)	Q1 2016	Q1 2015	Change
Retail segment - total			
Retail sales growth	**0.8 %**	0.1 %	
Consolidated same-store sales growth[1]	**2.4 %**	5.6 %	
Revenue[2]	**$ 2,254.1**	$ 2,207.3	2.1 %
Retail ROIC[3]	**8.10 %**	7.94 %	
EBITDA[4]	**$ 96.8**	$ 89.0	8.8 %
Retail segment - by banner			
Canadian Tire			
Retail sales growth[5]	**2.2 %**	4.5 %	
Same-store sales growth[1, 5]	**1.0 %**	4.7 %	
Sales per square foot[6] (whole $)	**$ 400**	$ 400	0.4 %
Revenue[2, 7]	**$ 1,258.8**	$ 1,217.9	3.4 %
FGL Sports			
Retail sales growth[8]	**7.2 %**	8.6 %	
Same-store sales growth[1, 8]	**7.6 %**	8.6 %	
Sales per square foot[9] (whole $)	**$ 292**	$ 292	0.2 %
Revenue[2]	**$ 472.4**	$ 405.0	16.6 %
Mark's			
Retail sales growth[10]	**0.2 %**	4.4 %	
Same-store sales growth[1, 10]	**0.8 %**	5.5 %	
Sales per square foot[11] (whole $)	**$ 323**	$ 337	(4.0)%
Revenue[2, 12]	**$ 212.7**	$ 209.6	1.5 %
Petroleum			
Gasoline volume growth in litres	**(3.5)%**	2.4 %	
Same-store gasoline volume growth in litres[1]	**(3.9)%**	1.9 %	
Retail sales growth	**(9.0)%**	(18.0)%	
Revenue[2]	**$ 347.4**	$ 394.8	(12.0)%
Gross margin dollars	**$ 38.2**	$ 41.6	(8.0)%

1 Refer to section 9.3.1 in this MD&A for additional information on same-store sales growth.
2 Inter-segment revenue within the retail banners of $37.2 million in the first quarter (2015 - $20.0 million) has been eliminated at the Retail segment level. Revenue reported for Canadian Tire, FGL Sports, Mark's, and Petroleum includes inter-segment revenue.
3 Retail ROIC is calculated on a rolling 12-month basis. Refer to section 9.3.1 in this MD&A for additional information.
4 EBITDA is a non-GAAP measure. Refer to section 9.3.2 in this MD&A for additional information.
5 Retail sales growth includes sales from Canadian Tire stores, PartSource stores, and the labour portion of Canadian Tire's auto service sales.
6 Sales per square foot figures are calculated on a rolling 12-month basis and exclude PartSource stores. Retail space does not include seasonal outdoor garden centres, auto service bays, or warehouse and administrative space.
7 Revenue includes revenue from Canadian Tire, PartSource, and Franchise Trust.
8 Retail sales growth include sales from both corporate and franchise stores.
9 Sales per square foot figures are calculated on a rolling 12-month basis, include both corporate and franchise stores and warehouse and administrative space.
10 Retail sales growth includes retail sales from Mark's corporate and franchise stores and ancillary revenue relating to embroidery and alteration services.
11 Sales per square foot figures are calculated on a rolling 12-month basis, include sales from both corporate and franchise stores and exclude ancillary revenue. Sales per square foot do not include warehouse and administrative space.
12 Revenue includes sale of goods to Mark's franchise stores, retail sales from Mark's corporate stores, and includes ancillary revenue relating to embroidery and alteration services.

5.2.2 Retail banner network at a glance

Number of stores and retail square footage	April 2, 2016	April 4, 2015	January 2, 2016
Consolidated store count			
Canadian Tire stores[1]			
Smart stores	**387**	340	385
Updated and expanded stores	**49**	94	50
Traditional stores	**35**	35	35
Small Market stores	**25**	22	25
Other	**3**	2	3
Total Canadian Tire stores	**499**	493	498
PartSource stores	**91**	91	91
FGL Sports stores			
Sport Chek	**190**	188	190
Sports Experts	**74**	73	74
Atmosphere	**69**	66	69
Other	**99**	107	100
Total FGL Sports stores	**432**	434	433
Mark's stores[1]			
Mark's	**324**	303	323
Mark's Work Wearhouse	**12**	34	12
L'Équipeur	**45**	44	45
Total Mark's stores	**381**	381	380
Canadian Tire gas bar locations	**296**	295	296
Total stores	**1,699**	1,694	1,698
Consolidated retail square footage[2] (in millions)			
Canadian Tire	**21.1**	20.5	20.9
PartSource	**0.3**	0.3	0.3
FGL Sports	**7.3**	7.2	7.3
Mark's	**3.5**	3.5	3.5
Total retail square footage[2]	**32.2**	31.5	32.0

[1] Store count numbers reflect individual selling locations. Both Canadian Tire and Mark's totals include stores that are co-located.
[2] The retail square footage excludes Petroleum's convenience store rental space.

5.2.3 Retail segment financial results

(C$ in millions)	Q1 2016	Q1 2015	Change
Retail sales[1]	**$ 2,482.2**	$ 2,462.7	0.8 %
Revenue	**$ 2,254.1**	$ 2,207.3	2.1 %
Gross margin dollars	**$ 715.4**	$ 677.0	5.7 %
Gross margin as a % of revenue	**31.7%**	30.7%	107 bps
Other (income)	**$ (30.3)**	$ (33.5)	(9.8)%
Selling, general and administrative expenses	**737.7**	699.8	5.4 %
Net finance (income)	**(12.6)**	(9.0)	40.2 %
Income before income taxes	**$ 20.6**	$ 19.7	4.8 %

[1] Retail sales is a key operating performance measure. Refer to section 9.3.1 in this MD&A for additional information.

Retail segment first quarter 2016 versus first quarter 2015

Earnings Summary

Income before income taxes increased $0.9 million, or 4.8 percent, compared to prior year. This increase is primarily attributable to an increase in revenue at Canadian Tire, FGL Sports, and Mark's and increased gross margin rate at Canadian Tire; partially offset by a decrease in the gross margin rate at Mark's and increased selling, general and administrative expenses.

Retail sales

Canadian Tire retail sales increased 2.2 percent (same-store sales increased 1.0 percent). The increase in retail sales reflects strong non-seasonal sales driven by Kitchen, Cleaning, and Home Decor categories; and a shift in sales mix to higher priced items which more than offset the impact of mild winter weather in February throughout Ontario and Quebec, Management's decision to refocus the Home Services business to support products that are sold exclusively within Canadian Tire stores, and the downturn in the Alberta economy.

FGL Sports retail sales increased 7.2 percent (same-store sales increased 7.6 percent). The sales increase was driven by key categories including athletic and casual clothing, footwear, electronics, non-seasonal sporting goods, and licensed clothing and team sports. Increased sales in these categories and an increase in eCommerce sales, due to the new on-line platform launched in Q2 2015, more than offset the negative impacts to retail sales during the quarter from milder winter temperatures across the country and a weak Alberta economy.

Retail sales at Mark's increased by 0.2 percent (same-store sales increased 0.8 percent). Key casual wear categories including denim, casual footwear, and outerwear continued to generate strong sales during the first quarter, offset by the adverse impacts that the slowdown in the Alberta economy had on industrial wear and industrial footwear sales.

Petroleum retail sales decreased 9.0 percent resulting from a year-over-year decline in gas prices and lower gas volumes; partially offset by higher non-gas sales.

Revenue

Revenue increased $46.8 million, or 2.1 percent. Excluding the impact of Petroleum, which decreased 12.0 percent year over year due to a decline in gas prices and lower gas volume, Retail revenue increased 5.2 percent primarily driven by increased product shipments to Dealers, the opening of five former Target locations (one net new store), increased retail sales at FGL Sports and Mark's, as well as increased shipments to franchisees at Mark's.

Gross margin

Gross margin dollars increased $38.4 million, or 5.7 percent reflecting increased revenue at Canadian Tire, FGL Sports, and Mark's; partially offset by reduced Petroleum sales. The gross margin rate increased 107 basis points. Excluding Petroleum, the gross margin rate increased 46 basis points primarily due to productivity initiatives focused on optimizing assortments, improving sales mix, and reducing product costs at Canadian Tire which more than offset the impact of a weaker Canadian dollar and the decline in gross margin rate at Mark's. The gross margin rate declined at Mark's due to a shift in mix from higher margin industrial wear to lower margin casual wear products, primarily related to the economic downturn in Alberta, the impact on product costs of a weaker Canadian dollar, and clearance of winter-related merchandise.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $37.9 million, or 5.4 percent, primarily due to:

- increased depreciation and amortization related to increased capital spending on IT initiatives and increased investment in the Retail network;
- increased consulting fees to support productivity initiatives;
- higher personnel and operating costs to support IT, marketing, digital, and loyalty initiatives;
- increased marketing and advertising at Canadian Tire, FGL Sports, and Mark's; and
- higher occupancy costs primarily due to an increase in market rent paid on retail properties owned by CT REIT as a result of acquisitions made in 2015;

partially offset by:

- lower variable compensation expense.

Net finance income
Net finance income increased $3.6 million primarily due to lower interest expense on debt as a result of the maturity of the Company's medium-term notes in Q2 2015 and an increase in interest capitalized on qualifying IT and real estate projects; partially offset by lower income earned on inter-segment debt, specifically CT REIT Series 1 Class C LP Units which were redeemed in May 2015.

5.2.4 Retail segment business risks
The Retail segment is exposed to a number of risks in the normal course of business that have the potential to affect its operating performance. These include, but are not limited to, supply chain disruption, seasonality, environmental, and global sourcing risks. Refer to section 7.2.4 of the MD&A contained in the Company's 2015 Report to Shareholders for a discussion of these business-specific risks. Also refer to section 12.2 of the MD&A contained in the Company's 2015 Report to Shareholders for a discussion of other industry-wide and company-wide risks affecting the business.

5.3 CT REIT segment performance

5.3.1 CT REIT segment key operating performance measures
Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information on performance measures.

(C$ in millions)	Q1 2016	Q1 2015	Change
Net operating income[1]	$ 69.1	$ 64.5	7.2%
Funds from operations[1]	49.6	47.4	4.6%
Adjusted funds from operations[1]	39.4	36.9	6.8%

[1] Non-GAAP measures, refer to section 9.3.2 in this MD&A for additional information.

5.3.2 CT REIT segment financial results

(C$ in millions)	Q1 2016	Q1 2015	Change
Property revenue	$ 98.5	$ 92.4	6.5%
Property expense	23.5	21.6	9.1%
General and administrative expense	3.4	2.4	37.2%
Net finance costs	22.3	21.5	3.7%
Fair value (gain) adjustment	(11.9)	(8.6)	39.0%
Income before income taxes	$ 61.2	$ 55.5	10.1%

CT REIT segment first quarter 2016 versus first quarter 2015

Earnings summary
Income before income taxes in CT REIT increased $5.7 million, or 10.1 percent, in the quarter, primarily due to properties acquired during 2016 and 2015 and an increase of $3.3 million in the fair market value adjustment over the prior year.

Property revenue
Property revenue consists of base rent, operating cost, and property tax recoveries. Property revenue increased by $6.1 million, or 6.5 percent, compared to the prior year primarily due to higher base rent relating to properties acquired and intensification activities completed during 2016 and 2015.

$94.1 million of the $98.5 million in property revenue was received from CTC. The rent revenue received from CTC is 6.4 percent higher than the $88.4 million received in the prior year.

Property expense
Property expense for the quarter was $23.5 million, of which the majority of the costs are recoverable from tenants, with CT REIT absorbing these expenses for vacant properties. Property expense consists primarily of property taxes and costs incurred pursuant to the Property Management Agreement between CT REIT and CTC.

Property expense increased by $1.9 million compared to the prior year largely due to property acquisitions.

General and administrative expense
General and administrative expenses are primarily related to personnel costs, ongoing operational costs associated with the public entity, and outsourced costs which are largely related to the services provided by CTC pursuant to the Services Agreement between CT REIT and CTC.

General and administrative expenses were higher by $1.0 million compared to the prior year primarily due to increased transfer agency and filing fees and land transfer tax expense.

Net finance costs
Net finance costs consists of distributions on the Class C LP Units held by CTC, mortgage and debenture interest, bank credit facility interest expense, and the amortization of financing costs. Net finance costs increased $0.8 million compared to the prior year primarily due to interest expense on debentures issued in June 2015 partially offset by lower expense on the Series 1 Class C LP Units which were redeemed in May 2015.

Net operating income
For the 13 weeks ended April 2, 2016, NOI was $69.1 million, an increase of $4.6 million, or 7.2 percent, primarily due to property acquisitions completed in 2016 and 2015. NOI is a non-GAAP measure; refer to section 9.3.2 for additional information.

Funds from operations and adjusted funds from operations
FFO and AFFO for the quarter were $49.6 million and $39.4 million, respectively. FFO and AFFO were higher compared to the prior year by $2.2 million and $2.5 million, respectively, primarily due to property acquisitions completed in 2016 and 2015. FFO and AFFO are non-GAAP measures; refer to section 9.3.2 for additional information.

5.3.3 CT REIT segment business risks
CT REIT is exposed to a number of risks in the normal course of business that have the potential to affect its operating performance. These include, but are not limited to, financial risks, real property ownership and tenant risks, and tax-related risks. Refer to section 7.3.3 of the MD&A contained in the Company's 2015 Report to Shareholders for a discussion of these business-specific risks and to section 12.2 of the MD&A contained in the Company's 2015 Report to Shareholders for a discussion of industry-wide and company-wide risks affecting the business. Also refer to section 4 in CT REIT's Annual Information Form and Part 10 - Enterprise Risk Management in CT REIT's Management's Discussion and Analysis for the year ended December 31, 2015, which are not incorporated herein by reference, for further discussion of risks that affect CT REIT's operations.

5.4 Financial Services segment performance

5.4.1 Financial Services segment key operating performance measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information on performance measures.

(C$ in millions)		Q1 2016		Q1 2015	Change
Credit card sales growth[1]		**1.4%**		0.2%	
Gross average accounts receivable (GAAR)	**$**	**4,824.4**	$	4,852.2	(0.6)%
Revenue[2] (as a % of GAAR)		**22.78%**		23.00%	
Average number of accounts with a balance[3] (thousands)		**1,802**		1,827	(1.3)%
Average account balance[3] (whole $)	**$**	**2,674**	$	2,654	0.8 %
Net credit card write-off rate[2, 3]		**6.21%**		6.03%	
Past due credit card receivables[3, 4] (PD2+)		**3.21%**		3.28%	
Allowance rate[5]		**2.42%**		2.42%	
Operating expenses[2] (as a % of GAAR)		**5.71%**		6.27%	
Return on receivables[2]		**7.60%**		7.63%	

1 Credit card sales growth excludes balance transfers.
2 Figures are calculated on a rolling 12-month basis.
3 Credit card portfolio only.
4 Credit card receivables more than 30 days past due as a percentage of total ending credit card receivables.
5 The allowance rate was calculated based on the total-managed portfolio of loans receivable.

5.4.2 Financial Services segment financial results

(C$ in millions)		Q1 2016		Q1 2015	Change
Revenue	**$**	**281.5**	$	284.5	(1.0)%
Gross margin dollars		**162.1**		169.0	(4.0)%
Gross margin (% of revenue)		**57.6%**		59.4%	(179) bps
Other (income) expense		**(0.1)**		1.2	(108.4)%
Selling, general and administrative expenses		**68.9**		67.5	2.0 %
Net finance (income)		**(0.3)**		(0.6)	(53.3)%
Income before income taxes	**$**	**93.6**	$	100.9	(7.1)%

Financial Services segment first quarter 2016 versus first quarter 2015

Earnings summary

Income before income taxes of $93.6 million decreased $7.3 million, or 7.1 percent, primarily due to lower revenue and a higher cost of producing revenue. In addition, GAAR decreased 0.6 percent driven by a reduction in active accounts as a result of the conservative approach to new account acquisition taken in 2014 and early 2015, partially offset by increased average account balances. The reduction in GAAR growth negatively impacted the net credit card write-off rate and was partially offset by a change in Management's estimate of future recoveries from insolvency proposals.

Revenue

Revenue decreased $3.0 million, or 1.0 percent, primarily due to lower interchange revenue, resulting from new industry standards adopted in Q2 2015, and lower insurance revenues. This reduction in revenue was partially offset by increased credit card charges, as a result of a stronger yield which more than offset a reduction in GAAR, and a change in Management's estimate of the amortization period for loan acquisition costs.

Gross margin

Gross margin dollars decreased 4.0 percent and the gross margin rate decreased 179 basis points during the quarter primarily due to decreased revenue, an increase in insurance loss reserves, an increase in the volume of insolvency write-offs, largely due to the economic downturn in Alberta, and a higher allowance for future write-offs of the credit card portfolio. Partially offsetting these negative impacts, was an improvement to gross margin due to a change in Management's estimate of future recoveries from insolvency proposals.

Selling, general and administrative expenses
Selling, general and administrative expenses increased $1.4 million, or 2.0 percent, primarily due to increased processing fees and slightly higher expenses related to credit card operations.

5.4.3 Financial Services segment business risks
The Financial Services segment is exposed to a number of risks in the normal course of business that have the potential to affect its operating performance. These include, but are not limited to, consumer credit risk, securitization funding risk, interest rate, and regulatory risk. Refer to sections 7.4.3 of the MD&A contained in the Company's 2015 Report to Shareholders for a discussion of these business-specific risks. Also refer to section 12.2 in the MD&A contained in the Company's 2015 Report to Shareholders for a discussion of additional industry-wide and company-wide risks.

6.0 Balance sheet analysis, liquidity, and capital resources

6.1 Selected balance sheet highlights
Selected line items from the Company's assets, liabilities, and shareholders' equity as at April 2, 2016, April 4, 2015, and January 2, 2016 are noted below:

(C$ in millions)	**April 2, 2016**	April 4, 2015	January 2, 2016
Assets			
Cash and cash equivalents	**$ 312.2**	$ 291.3	$ 900.6
Short-term investments	**349.2**	249.9	96.1
Trade and other receivables	**849.3**	1,105.4	915.0
Loans receivable	**4,681.2**	4,700.5	4,875.5
Merchandise inventories	**2,073.2**	1,891.1	1,764.5
Property and equipment	**4,010.4**	3,780.7	3,978.2
Total assets	**$ 14,888.6**	$ 14,534.0	$ 14,987.8
Liabilities			
Trade and other payables	**$ 1,827.9**	$ 1,896.6	$ 1,957.1
Short-term borrowings	**328.6**	197.0	88.6
Loans payable	**680.1**	623.6	655.5
Current portion of long-term debt	**23.8**	587.4	24.3
Long-term debt	**2,966.3**	2,130.4	2,971.4
Total liabilities	**$ 9,352.9**	$ 8,869.2	$ 9,198.1

The year-over-year increase in total assets of $354.6 million was primarily due to:

- an increase in merchandise inventories of $182.1 million primarily due to higher inventory at FGL Sports and, to a lesser extent, at Mark's. The increase at FGL Sports is due to the early receipt of spring merchandise, higher inventory to support sales growth and new stores in the network, as well as higher levels of winter merchandise due to the unseasonable weather this winter and Management's related decision to conserve margin and not to liquidate inventory at clearance pricing. Inventory at Mark's was higher than last year, in part, due to higher costs as a result of the weaker Canadian dollar, higher levels to support improved footwear and denim shops, and higher industrial wear and footwear inventory due to the decline in sales in Alberta;
- an increase in short-term investments of $99.3 million primarily due to the investment of excess cash in the Financial Services segment; and
- an increase in property and equipment of $229.7 million as a result of capital expenditures, including increased spend related to construction of the Bolton distribution centre ("DC"), investment in the Retail segment, and capital spending on IT initiatives;

partially offset by;

- a decrease in trade and other receivables of $256.1 million due to a decrease in derivative assets arising from less favourable valuation of the foreign exchange and equity hedge portfolios combined with a decrease in trade accounts receivable due to timing of shipments to Canadian Tire Dealers.

The year-over-year increase in total liabilities of $483.7 million was primarily due to:

- a net increase in debt (current portion of long-term debt and long-term debt) of $272.3 million primarily due to debt issuances of $500 million by Glacier Credit Card Trust ("GCCT" or "Glacier") and $350 million by CT REIT in June 2015, partially offset by the maturity of $300 million in CTC medium-term notes during June 2015 and $264.6 million in Glacier notes during November 2015;
- an increase in short-term borrowings of $131.6 million to support current cash requirements in the Retail segment; and
- an increase in loans payable of $56.5 million due to the number of Dealers that are participating in the Franchise Trust Dealer loan program, following the changes to the Dealer contract effective January 1, 2014;

partially offset by;

- a decrease in trade and other payables of $68.7 million mainly driven by a decrease in share-based payment accruals and non-merchandise payables.

Total assets decreased $99.2 million compared to January 2, 2016, primarily due to:

- a decrease in cash and cash equivalents of $588.4 million (for details refer to Summary cash flows in section 6.2 of this MD&A); and
- a decrease in loans receivable of $194.3 million largely at Financial Services due to normal seasonality patterns; customer payments were greater than sales in the quarter, leading to an overall decline in credit card receivables;

partially offset by;

- an increase in merchandise inventories by $308.7 million, mostly attributable to Canadian Tire and FGL Sports and caused by seasonality as stores continue to build up for the upcoming spring and summer seasons;
- an increase in short-term investments of $253.1 million. The lower credit card receivables at Financial Services resulted in excess funding which was invested in short-term investments; and
- an increase in property and equipment of $32.2 million due to spend related to the Bolton DC.

Total liabilities increased $154.8 million compared to January 2, 2016, primarily due to:

- an increase in short-term borrowings of $240.0 million due to seasonal cash requirements in the Retail segment;

partially offset by;

- a decrease in trade and other payable of $129.2 million primarily at FGL Sports and Mark's due to timing of when invoices were paid as well as a decrease in accruals.

For the complete balance sheet, refer to the Condensed Consolidated Balance Sheets included in the condensed interim consolidated financial statements for the first quarter of 2016.

6.2 Summary cash flows

The Company's cash and cash equivalents position, net of bank indebtedness, was $286.0 million as at April 2, 2016.

The Company's Condensed Consolidated Statements of Cash Flows for the quarters ended April 2, 2016 and April 4, 2015 are noted below:

(C$ in millions)	**Q1 2016**	Q1 2015	Change
Cash generated from operating activities before the undernoted items	**$ 109.6**	$ 136.5	$ (26.9)
Change in operating working capital and other	**(565.0)**	(502.2)	(62.8)
Change in loans receivable	**166.7**	180.7	(14.0)
Cash (used for) operating activities	**(288.7)**	(185.0)	(103.7)
Change in investments, long-term receivables, and other	**(271.4)**	39.1	(310.5)
Additions to property and equipment, investment property, and intangibles	**(167.5)**	(123.2)	(44.3)
Proceeds on disposition of property and equipment and assets held for sale	**3.7**	9.3	(5.6)
Cash (used for) investing activities	**(435.2)**	(74.8)	(360.4)
Change in short-term borrowings, long-term debt, and loans payable	**259.1**	10.1	249.0
Dividends paid and distributions to non-controlling interests	**(64.1)**	(61.1)	(3.0)
Repurchase of share capital	**(106.0)**	(48.6)	(57.4)
Change in deposits	**20.3**	(6.9)	27.2
Cash generated from (used for) financing activities	**109.3**	(106.5)	215.8
Cash (used) in the period	**$ (614.6)**	$ (366.3)	$ (248.3)

The Company's cash used in the quarter increased to $614.6 million from $366.3 million in Q1 2015. The $248.3 million increase in cash used was primarily due to:

- an increase in short-term investments primarily due to excess cash in the Financial Services segment;
- higher investment in working capital requirements mainly due to the increase in inventory levels across retail banners to support same-store sales growth, new or expanded assortments, and more stores in the network;
- an increase in payments for share buybacks in connection with the Company's previously communicated share repurchase plan; and
- an increase in capital expenditures related to increased spending on distribution capacity and timing of payments on major projects;

partially offset by:

- an increase in cash from short term borrowings to support current cash requirements in the Retail segment.

6.3 Capital management

In order to support its growth agenda and pursue its strategic imperatives, the Company actively manages its capital.

6.3.1 Capital management objectives

The Company's objectives when managing capital are:

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

The current economic environment has not caused Management to change the Company's objectives in managing capital.

6.3.2 Capital under management

The definition of capital varies from company to company, from industry to industry, and for different purposes. The Company's definition of capital is the same as that detailed in Note 4 of the consolidated financial statements contained in the Company's 2015 Report to Shareholders, which includes Glacier indebtedness but excludes Franchise Trust indebtedness.

The Company monitors its capital structure through measuring debt-to-earnings ratios and ensures its ability to service debt and meet other fixed obligations by tracking its interest and other coverage ratios. As part of this process, Management calculates and monitors its consolidated adjusted net debt metric. A reconciliation of the Company's adjusted net debt as at April 2, 2016 to reported GAAP measures is provided in section 9.3.2 of this MD&A.

The Company manages its capital structure over the long term to optimize the balance among capital efficiency, financial flexibility, and risk mitigation. Management calculates its ratios to approximate the methodology of debt-rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, Management monitors these ratios against targeted ranges.

The Company was in compliance with all covenants as at April 2, 2016 and April 4, 2015. Under these covenants, the Company currently has sufficient flexibility to fund business growth and maintain or amend dividend rates within its existing dividend policy. In addition, the Company was in compliance with all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions of Canada and its Internal Capital Adequacy Assessment Process associated with the operations of CTB, a federally chartered bank.

6.4 Capital expenditures

The Company's capital expenditures for the periods ended April 2, 2016 and April 4, 2015 were as follows:

(C$ in millions)		Q1 2016		Q1 2015
Real estate[1]	$	**40.2**	$	44.4
Information technology		**39.6**		36.4
Other operating		**6.7**		8.9
Operating capital expenditures		**86.5**		89.7
CT REIT acquisitions and developments excluding vend-ins from CTC[1,2]		**1.3**		1.3
Distribution capacity		**47.1**		26.4
Total capital expenditures[3]	**$**	**134.9**	$	117.4

1 Beginning in Q3 2015, the definition of CT REIT acquisitions and developments (excluding vend-ins from CTC) was changed to exclude capital expenditures relating to the Canadian Tire banner. The prior year balance has been restated to reflect a $13.4 million reclassification of expenditures from CT REIT to Real estate.
2 Included in CT REIT capital expenditures is $nil for the construction of stores under Mark's and FGL Sports banners (2015 – $nil).
3 Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions relating to business combinations and intellectual properties.

The $17.5 million increase in total capital expenditures compared to prior year was primarily due to increased spending on distribution capacity relating to the Bolton DC and increased spending on IT initiatives including the Company's digital strategy. The $4.2 million decrease in capital expenditures in Real estate was primarily due to lower development costs for Canadian Tire stores; partially offset by increased spending relating to the conversion of five former Target locations to Canadian Tire stores.

Capital commitments

The Company has commitments of approximately $97.4 million as at April 2, 2016 (2015 – $127.1 million) for the acquisition of tangible and intangible assets.

Capital expenditure update

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

Operating capital expenditures

As previously disclosed in Q2 2015, the Company expects its three-year average annual operating capital expenditures between fiscal 2015 and 2017 to be between $600 million and $625 million, including continued investment in the Company's store network, capital spending related to the acquisition of 12 former Target locations in Q2 2015, and significant new investments in digital technology. The average annual operating capital expenditures do not include spending related to distribution capacity or properties CT REIT acquired from third parties.

As previously disclosed, for fiscal 2016, the Company expects average annual operating capital expenditures to be within the range of $625 million to $650 million.

Distribution capacity capital expenditures

As previously disclosed, for fiscal 2016, the Company expects capital expenditures required for distribution capacity to be in the range of $150 million to $175 million.

6.5 Liquidity and financing

The Company is in a strong liquidity position with the ability to access multiple funding sources. A number of alternative financing sources are available to the Company, CT REIT, and CTB to ensure that the appropriate level of liquidity is available to meet the Company's strategic imperatives.

Bank lines of credit totaling $1.5 billion are available to the Corporation through a four-year $1.2 billion syndicated credit facility expiring in July 2019 and $300 million in bilateral credit agreements expiring in March 2017. As at April 2, 2016, the Company had $240 million of borrowings outstanding under its bank lines of credit and GCCT had $88.9 million of commercial paper outstanding.

Bank lines of credit totaling $200 million are available to CT REIT under a five-year syndicated revolving credit maturing in July 2020. In addition, CTB has a bank line of credit totaling $250 million and a $2 billion note purchase facility available for the purchase of Senior and Subordinated Notes issued by GCCT, both expiring in October 2017. As at April 2, 2016, CT REIT and CT Bank had no borrowings outstanding under its bank lines of credit.

Additional details on the Company's sources of funding, credit ratings, and a description of credit market conditions were provided in section 8.5 of the MD&A contained in the Company's 2015 Report to Shareholders.

6.6 Contractual obligations, guarantees, and commitments

The Company funds capital expenditures, working capital needs, dividend payments, and other financing needs, such as debt repayments and Class A Non-Voting Share purchases under a normal course issuer bid ("NCIB") program, from a combination of sources. In addition, the Company has a number of obligations relating to finance leases, operating leases, and purchase obligations. For a description of contractual obligations as at January 2, 2016, refer to section 8.5.1.1 of the MD&A contained in the Company's 2015 Report to Shareholders. 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 sufficient liquidity available to meet its contractual obligations as at April 2, 2016.

In the normal course of business, the Company enters into numerous agreements that may contain features that meet the definition of a guarantee and provides other additional indemnification commitments to counterparties in various transactions that require the Company to compensate the counterparties for certain amounts and costs incurred. For a discussion of the Company's significant guarantees and commitments, refer to Note 37 of the consolidated financial statements contained in the Company's 2015 Report to Shareholders. The Company's maximum exposure to credit risk with respect to such guarantees and commitments is provided in Note 5 to the consolidated financial statements contained in the Company's 2015 Report to Shareholders. There were no significant changes in guarantees and commitments identified at year end, other than those discussed in this document.

7.0 Equity

7.1 Shares outstanding

(C$ in millions)	April 2, 2016	April 4, 2015	January 2, 2016
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (April 4, 2015 - 3,423,366; January 2, 2016 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
69,725,101 Class A Non-Voting Shares (April 4, 2015 - 73,602,606; January 2, 2016 - 70,637,987)	**664.6**	693.1	671.0
	$ 664.8	$ 693.3	$ 671.2

Each year, the Company files an NCIB which allows it to purchase shares in the open market.

On November 12, 2015, the Company announced its intention to repurchase $550 million of its Class A Non-Voting Shares by the end of 2016, in excess of the amount of shares to be purchased for anti-dilutive purposes. On February 18, 2016, the TSX accepted the Company's notice of intention to make an NCIB to purchase up to 6.0 million Class A Non-Voting Shares during the period March 2, 2016 through March 1, 2017. The following table summarizes the Company's purchases made related to the November 12, 2015 announcement:

(C$ in millions)	
Share buy-back intention announced on November 12, 2015	**$ 550.0**
Shares repurchased from November 13, 2015 through January 2, 2016	**110.0**
Shares repurchased from January 3, 2016 through April 2, 2016	**110.0**
Shares remaining to be repurchased in 2016 under the November 12, 2015 announcement	**$ 330.0**

7.2 Dividends

The Company has declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of $0.575 per share payable on September 1, 2016 to shareholders of record as of July 31, 2016. The dividend is considered an "eligible dividend" for tax purposes.

7.3 Equity derivative contracts

The Company enters into equity derivative contracts to partially offset its exposure to fluctuations in stock option and performance share unit plan expense. Equity derivatives commonly used by the Company include floating-rate equity forwards and fixed-rate equity forwards.

During the quarter, equity forwards which had hedged 145,000 stock option and performance share units settled and resulted in a payment to the Company of $7.4 million. No new equity derivative contracts were entered into during the quarter.

8.0 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 10.0 in the MD&A contained in the Company's 2015 Report to Shareholders.

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 April 2, 2016 decreased to $33.2 million (2015 - $36.0 million). The effective tax rate for the 13 weeks ended April 2, 2016 decreased to 28.0 percent (2015 - 29.0 percent) primarily due to lower non-deductible stock option expense and adjustments to tax estimates in the quarter.

9.0 Accounting policies, estimates, and non-GAAP measures

9.1 Critical accounting estimates

The Company estimates certain amounts reflected in its condensed interim consolidated financial statements using detailed financial models based on historical experience, current trends, and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. In Management's judgment, the accounting policies and estimates detailed in Note 2 and Note 3 of the consolidated financial statements contained in the Company's 2015 Report to Shareholders do not require Management to make assumptions about matters that are highly uncertain and, accordingly, none of the estimates are considered a "critical accounting estimate" as defined in Form 51-102F1 published by the Ontario Securities Commission except as noted below.

In the Company's view, the allowance for loan impairment in Financial Services is considered to be a "critical accounting estimate". Losses for impaired loans are recognized when there is objective evidence that the impairment of the loan portfolio has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. All individually significant loans receivable are assessed for specific impairment. Loans receivable that are not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics. The Company uses a roll-rate methodology, which employs statistical analysis of historical data, economic indicators, and experience of delinquency and default to estimate the amount of loans that will eventually be written off. Future customer behaviour may be affected by a number of factors, including changes in interest and unemployment rates and program design changes. The estimated loss is the difference between the present value of the expected future cash flows, discounted at the original effective interest rate of the portfolio and the carrying amount of the portfolio. Default rates, loss rates, and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

9.2 Changes in accounting policies
Standards, amendments, and interpretations issued and adopted

Disclosure initiative (IAS 1)

In December 2014, the International Accounting Standard Board ("IASB") issued *Disclosure Initiative Amendments to IAS 1* as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments did not impact the Company's condensed interim consolidated financial statements and the Company is currently assessing the impact to its annual disclosure.

Standards, amendments, and interpretations issued but not yet adopted

The following new standards, amendments, and interpretations have been issued and are expected to impact the Company, but are not effective for the fiscal year ending December 31, 2016 and, accordingly, have not been applied in preparing the condensed interim consolidated financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment, and hedge accounting phases of the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15"), which replaces IAS 11 - *Construction Contracts*, IAS 18 - *Revenue,* and International Financial Reporting Interpretations Committee 13 - *Customer Loyalty Programmes* ("IFRIC 13"), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Disclosure initiative (IAS 7)

In January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 also as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

These amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. The Company is currently assessing the potential impact of these amendments.

Leases

In January 2016, the IASB issued IFRS 16 - *Leases* ("IFRS 16"), which replaces IAS 17 - *Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. The Company is assessing the potential impact of this standard.

Income taxes

In January 2016, the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* as an amendment to IAS 12 – *Income Taxes*. These amendments address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

These amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. The Company is assessing the potential impact of these amendments.

9.3 Key operating performance measures and non-GAAP financial measures

The Company uses certain key operating performance measures and non-GAAP financial measures and believes that they provide useful information to both Management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Some of these measures do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly-titled measures presented by other publicly traded companies. They should not be construed as an alternative to other financial measures determined in accordance with GAAP.

9.3.1 Key operating performance measures

Retail sales

Retail sales refers to the POS (i.e. cash register) value of all goods and services sold to retail customers at stores operated by Dealers, Mark's and FGL Sports franchisees, and Petroleum retailers, at corporately-owned stores across all retail banners, of services provided as part of the Home Services offering, and of goods sold through the Company's online sales channels, and in aggregate does not form part of the Company's condensed interim consolidated financial statements. An aspiration with respect to retail sales has been included as one of the Company's financial aspirations.

Revenue, as reported in the Company's condensed interim consolidated financial statements, comprises primarily the sale of goods to Dealers and to franchisees of Mark's and FGL Sports, the sale of gasoline through Petroleum retailers, the sale of goods to retail customers by stores that are corporately-owned under the Mark's, PartSource, and FGL Sports banners, the sale of services through the Home Services business, the sale of goods to customers through INA, a business-to-business operation of FGL Sports, and through the Company's online sales channels, as well as revenue generated from interest, service charges, interchange and other fees and from insurance products sold to credit card holders in the Financial Services segment, and rent paid by third-party tenants in the CT REIT segment.

Sales definitions for the Retail banners can be found in the footnotes to the table contained within section 5.2.1 of this MD&A.

Management believes that retail sales and related year-over-year comparisons provide meaningful information to investors and are expected and valued by them to help assess the size and financial health of the retail network of stores. These measures also serve as an indicator of the strength of the Company's brand, which ultimately impacts its consolidated financial performance.

Same-store sales

Same-store sales is a metric used by Management and is also commonly used in the retail industry to identify sales growth generated by a Company's existing store network and removes the effect of opening and closing stores in the period. For Canadian Tire stores, the calculation also excludes stores that have been retrofitted, replaced, or expanded where the percentage change in square footage exceeds 25 percent of the original store size, and includes sales from all stores that have been open for a minimum of one year and one week as well as eCommerce sales. For Mark's and FGL Sports, same-store sales include sales from all stores that have been open since at least the beginning of the comparative month in the prior year and includes eCommerce sales. In Q2 2015, to better reflect how the Company manages operations, the same-store sales definition at Mark's and FGL Sports was refined to reflect stores opening at the beginning of the comparative month versus the beginning of the comparative quarter. Prior period same-store sales growth was not restated as the impact was not material. The Company also reviews consolidated same-store sales which includes same-store sales at Canadian Tire (including PartSource), FGL Sports, and Mark's and excludes same-store sales at Petroleum. Additional information on same-store sales and retail sales growth definitions for Canadian Tire, Mark's, and FGL Sports can be found in section 5.2.1 of this MD&A.

Sales per square foot

Management and investors use comparisons of sales per square foot metrics over several periods to help identify whether existing assets are being made more productive by the Company's introduction of new store layouts and merchandising strategies. Sales per square foot definitions for Canadian Tire, Mark's, and FGL Sports can be found in section 5.2.1 of this MD&A and in the glossary contained in the Company's 2015 Report to Shareholders.

Retail return on invested capital

The Company believes that Retail ROIC is useful in assessing the return on capital invested in its retail assets. Retail ROIC is calculated as the rolling 12-months retail earnings divided by average invested retail capital. Retail earnings are defined as Retail segment after-tax earnings excluding interest expense, inter-segment earnings, minimum lease payments and non-controlling interests. Average invested capital is defined as Retail segment total assets, including operating leases capitalized at a factor of eight, less Retail segment current liabilities and inter-segment balances for the current and prior year. An aspiration with respect to Retail ROIC has been included as one of the Company's financial aspirations.

Return on receivables

ROR is used by Management to assess the profitability of the Financial Services total portfolio of receivables. ROR is calculated by dividing income before income tax and gains/losses on disposal of property and equipment by the average total-managed portfolio over a 12-month period. An aspiration with respect to ROR has been included as one of the Company's financial aspirations.

9.3.2 Non-GAAP financial measures

Adjusted EBITDA

The following table reconciles consolidated income before income taxes, net finance costs, depreciation and amortization, and change in fair value of redeemable financial instrument, or adjusted EBITDA, to net income which is a GAAP measure reported in the condensed interim consolidated financial statements for the periods ended April 2, 2016 and April 4, 2015. Management uses adjusted EBITDA as a supplementary measure when assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital expenditures.

(C$ in millions)		**Q1 2016**		Q1 2015
Adjusted EBITDA	**$**	**247.6**	$	245.3
Change in fair value of redeemable financial instrument		**—**		—
EBITDA	**$**	**247.6**	$	245.3
Less:				
Depreciation and amortization[1]		**107.9**		97.4
Net finance costs		**20.9**		23.6
Income before income taxes	**$**	**118.8**	$	124.3
Income taxes		**33.2**		36.0
Effective tax rate		**28.0%**		29.0%
Net income	**$**	**85.6**	$	88.3

[1] Includes $2.0 million reported in cost of producing revenue in the quarter (2015 - $2.2 million).

Retail segment EBITDA

The following table reconciles Retail segment income before income taxes, net finance costs, and depreciation and amortization, or EBITDA, to income before income taxes which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended April 2, 2016 and April 4, 2015.

(C$ in millions)	Q1 2016	Q1 2015
EBITDA	$ 96.8	$ 89.0
Less:		
Depreciation and amortization[1]	88.8	78.3
Net finance (income)	(12.6)	(9.0)
Income before income taxes	$ 20.6	$ 19.7

[1] Includes $2.0 million reported in cost of producing revenue in the quarter (2015 - $2.2 million).

Adjusted net debt

The following table reconciles adjusted net debt to GAAP measures reported as at the periods ended as indicated. The Company believes that adjusted net debt is relevant in assessing the amount of financial leverage employed.

The Company calculates debt as the sum of short-term debt, long-term debt, short-term deposits, long-term deposits, and certain other short-term borrowings. The Company calculates adjusted debt as debt less inter-company debt and liquid assets.

As at April 2, 2016 (C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ 26.2	$ 18.4	$ —	$ 7.8
Short-term deposits	917.1	—	—	917.1
Long-term deposits	1,357.0	—	—	1,357.0
Short-term borrowings	328.6	239.7	—	88.9
Current portion of long-term debt	23.8	19.3	4.1	0.4
Long-term debt	2,966.3	668.5	403.2	1,894.6
Debt	5,619.0	945.9	407.3	4,265.8
Liquid assets[1]	(835.8)	(206.2)	(30.9)	(598.7)
Net debt (cash)	4,783.2	739.7	376.4	3,667.1
Inter-company debt	—	(1,752.2)	1,705.5	46.7
Adjusted net debt (cash)	$ 4,783.2	$ (1,012.5)	$ 2,081.9	$ 3,713.8

[1] Liquid assets include cash, short-term investments, and long-term investments. Effective Q1 2016, the definition of liquid assets in the Financial Services segment was expanded to consider all forms of required capital for regulatory purposes.

As at April 4, 2015 (C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ 9.8	$ 9.8	$ —	$ —
Short-term deposits	869.6	—	—	869.6
Long-term deposits	1,361.3	—	—	1,361.3
Short-term borrowings	197.0	—	74.9	122.1
Current portion of long-term debt	587.4	321.6	1.2	264.6
Long-term debt	2,130.4	679.0	56.9	1,394.5
Debt	5,155.5	1,010.4	133.0	4,012.1
Liquid assets[1]	(717.2)	(266.9)	(4.1)	(446.2)
Net debt (cash)	4,438.3	743.5	128.9	3,565.9
Inter-company debt	—	(2,045.5)	1,851.1	194.4
Adjusted net debt (cash)	$ 4,438.3	$ (1,302.0)	$ 1,980.0	$ 3,760.3

[1] Liquid assets include cash, short-term investments, and long-term investments. Effective Q1 2016, the definition of liquid assets in the Financial Services segment was expanded to consider all forms of required capital for regulatory purposes and, as a result, liquid assets in the Financial Services and Retail segments were restated by $91.7 million.

CT REIT Non-GAAP financial measures

Net operating income

NOI is defined as cash rental revenue from investment properties less property operating costs. NOI is used as a key indicator of performance as it represents a measure over which Management has control.

CT REIT evaluates its performance by comparing the performance of the portfolio adjusted for the effects of non-operational items and current-year acquisitions.

The following table shows the relationship of NOI to GAAP property revenue and property expense in the Condensed Consolidated Statements of Income and the Condensed Consolidated Statements of Comprehensive Income:

(C$ in millions)		**Q1 2016**		Q1 2015
Property revenue	**$**	**98.5**	$	92.4
Less:				
Property expense		**23.5**		21.6
Straight-line rent adjustment		**5.9**		6.4
Add:				
Straight-line land lease expense adjustment		**—**		0.1
Net operating income	**$**	**69.1**	$	64.5

Funds from operations

CT REIT calculates its FFO in accordance with the Real Property Association of Canada White Paper on FFO for IFRS issued in April 2014. The purpose of the White Paper is to provide reporting issuers and investors with greater guidance on the definition of FFO and promote more consistent disclosure from reporting issuers.

Management believes that FFO provides an operating performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and property taxes, acquisition activities and interest costs, and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO adds back to net income items 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 supplemental measure of operating performance widely used in the real estate industry to assess an entity's ability to pay distributions. Management believes that AFFO is an effective measure of the cash generated from operations, after providing for operating capital requirements which are referred to as "productive capacity maintenance expenditures".

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 for a reserve to maintain productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly over the fiscal year. The property capital reserve in the AFFO calculation is intended to reflect an average annual spending level.

The following table reconciles FFO and AFFO to GAAP Income before income taxes as reported in CT REIT's Condensed Interim Consolidated Statements of Income and the Condensed Interim Consolidated Statements of Comprehensive Income:

(C$ in millions)	**Q1 2016**	Q1 2015
Income before income taxes	**$ 61.2**	$ 55.5
Fair value (gain) adjustment	**(11.9)**	(8.6)
Deferred taxes	**0.1**	0.4
Fair value of equity awards	**0.2**	0.1
Funds from operations	**49.6**	47.4
Properties straight-line rent adjustment	**(5.9)**	(6.4)
Straight-line land lease expense adjustment	**—**	0.1
Capital expenditure reserve	**(4.3)**	(4.2)
Adjusted funds from operations	**$ 39.4**	$ 36.9

10.0 Enterprise risk management

To preserve and enhance shareholder value, the Company approaches the management of risk strategically through its enterprise risk management program ("ERM Program"). The Company's ERM Program supports the development of risk identification, quantification, monitoring, and reporting capabilities as well as the integration of these capabilities into management processes.

The ERM Program is described in detail in sections 12.0 and 12.2, respectively, in the MD&A contained in the Company's 2015 Report to Shareholders.

The Company continues to evolve the ERM Program in the normal course of its activities with a focus on key risks to the Company's strategy, and the execution of that strategy, as well as on the continuing development of the underlying processes and tools supporting the program.

11.0 Controls and procedures

Details relating to disclosure controls and procedures and internal controls over financial reporting are disclosed in section 13.0 of the MD&A contained in the Company's 2015 Report to Shareholders.

Changes in internal control over financial reporting

During the quarter ended April 2, 2016, 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 Social and environmental responsibility

12.1 Overview

The Company integrates responsible, sustainable business practices into its values, operations, and strategy. The following sections include information regarding selected social and environmental programs, initiatives, and policies relating to the Company's business operations.

12.2 Social responsibility: Corporate philanthropy

CTC supports a variety of social causes but the largest single beneficiary is Canadian Tire Jumpstart Charities. This charity is an independent organization committed to assisting financially challenged families in communities across Canada by funding costs associated with children participating in organized sport and physical activity. Additional information regarding Jumpstart is available on their website at: http://jumpstart.canadiantire.ca.

12.3 Social responsibility: Community building

Helping Canadians enjoy life in Canada has always been at the centre of the Company's activities. The Canadian Tire family of companies is proud to support local initiatives across all its banners through community and organizational support, including support of amateur sport, injury prevention programs, and disaster relief.

12.4 Social responsibility: Responsible sourcing practices

As one of Canada's most trusted companies, Canadian Tire goes to great lengths so that the practices of employees, Directors, independent contractors, and suppliers are completed with honesty, integrity and respect. Details on Canadian Tire's Responsible Sourcing policies and activities are available on the Company's website at: http://corp.canadiantire.ca/en/corporatecitizenship/responsiblesourcing/pages/default.aspx.

12.5 Environmental responsibility

The Company's sustainability strategy supports its corporate strategic imperatives. The strategy aims to achieve productivity gains and economic benefits from enhanced environmental and social outcomes by integrating sustainability into business operations. Through its sustainability strategy, the Company aims to serve its customers, communities, employees, and shareholders, both now and in the future.

The Company's sustainability strategy has four imperatives:

- optimize productivity: drive product and operations value-chain improvements;
- develop innovation: create and reinvent better processes, products, and services;
- enhance the brand: protect and enhance banner brands and corporate reputation; and
- drive company engagement: engage employees through integration of sustainability practices into everyday business operations.

The Company's next report on benefits from sustainability initiatives and its annual environmental footprint will be in its 2016 Report to Shareholders.

For further details, please refer to section 14.2 in the MD&A contained in the Company's 2015 Report to Shareholders or our Business Sustainability Performance Reports at:
http://corp.canadiantire.ca/en/corporatecitizenship/environmentalsustainability/pages/ourprogressreports.aspx.

13.0 Forward-looking statements and other investor communication

Caution regarding forward-looking statements

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

- the Company's financial aspirations for fiscal years 2015 to 2017 in section 3.0;
- 2016 strategic imperatives in section 4.0;
- capital management objectives in subsection 6.3.1;
- capital expenditures in subsection 6.4;
- liquidity and availability of financing in section 6.5;
- contractual obligations, guarantees, and commitments in subsection 6.6;
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in section 7.1; and
- tax matters in section 8.0.

Forward-looking statements provide information about Management's current expectations and plans, and allow investors and others to get a better understanding of 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.

All statements other than statements of historical facts included in this document may constitute forward-looking statements, including but not limited to, statements concerning Management's current expectations relating to possible or assumed future prospects and results, the Company's strategic goals and priorities, its actions and the results of those actions and the economic and business outlook for the Company. Often, but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "believe", "estimate", "plan", "can", "could", "should", "would", "outlook", "forecast", "anticipate", "aspire", "foresee", "continue", "ongoing" or the negative of these terms or variations of them or similar terminology. Forward-looking statements are based on the reasonable assumptions, estimates, analyses, beliefs and opinions of Management, made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that Management believes to be relevant and reasonable at the date that such statements are made.

By their very nature, forward-looking statements require Management to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that the Company's assumptions, estimates, analyses, beliefs and opinions may not be correct and that the Company's expectations and plans will not be achieved. Examples of Management's beliefs, which may prove to be incorrect, include, but are not limited to, beliefs about the effectiveness of certain performance measures, beliefs about current and future competitive conditions and the Company's position in the competitive environment, beliefs about the Company's core capabilities and beliefs regarding the availability of sufficient liquidity to meet the Company's contractual obligations. Although the Company believes that the forward-looking statements in this document are based on information, assumptions and beliefs that are current, reasonable and complete, these statements are necessarily subject to a number of factors that could cause actual results to differ materially from Management's expectations and plans as set forth in such forward-looking statements. Some of the factors, many of which are beyond the Company's control and the effects of which can be difficult to predict, include: (a) credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates; (b) the ability of the Company to attract and retain high quality employees for all of its businesses, Dealers, Canadian Tire Petroleum retailers and Mark's and FGL Sports 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 its financial products and services; (d) the Company's margins and sales and those of its competitors; (e) the changing consumer preferences toward eCommerce, online retailing and the introduction of new technologies; (f) risks and uncertainties relating to information management, technology, cyber threats, property management and development, environmental liabilities, supply chain management, product safety, changes in law, regulation, competition, seasonality, weather patterns, commodity prices and business disruption, the Company's relationships with suppliers, manufacturers, partners and other third parties, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by the Company and the cost of store network expansion and retrofits and; (g) the Company's capital structure, funding strategy, cost management programs and share price. Management cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, please refer to sections 7.2.4 (Retail segment business risks), 7.3.3 (CT REIT segment business risks), 7.4.3 (Financial Services segment business risks) and 12.0 (Enterprise risk management) and all subsections thereunder contained in the Company's 2015 Report to Shareholders. Please also refer to section 2.10 (Risk Factors) of the Company's Annual Information Form for fiscal 2015, as well as the Company's other public filings, available on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com and at www.corp.canadiantire.ca.

Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Company's business. For example, they do not include the effect of any dispositions, acquisitions, asset writedowns, or other charges announced or occurring after such statements are made.

The forward-looking statements and information contained herein are based on certain factors and assumptions as of the date hereof. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as 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.

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: http://corp.canadiantire.ca/en/investors, includes the following documents and information of interest to investors:

- the Report to Shareholders;
- the Annual Information Form;
- the Management Information Circular;
- quarterly reports;
- quarterly fact sheets and other supplementary information;
- reference materials on the Company's reporting changes; and
- conference call webcasts (archived for one year).

The Company's Report to Shareholders, Annual Information Form, Management Information Circular and quarterly reports are also available at www.sedar.com.

If you would like to contact the Investor Relations department directly, call Lisa Greatrix at (416) 480-8725 or email investor.relations@cantire.com.

May 11, 2016

CANADIAN TIRE CORPORATION, LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Q1 2016

Condensed Consolidated Balance Sheets (Unaudited)

(C$ in millions) As at	**April 2, 2016**	April 4, 2015	January 2, 2016
ASSETS			
Cash and cash equivalents (Note 14)	**$ 312.2**	$ 291.3	$ 900.6
Short-term investments	**349.2**	249.9	96.1
Trade and other receivables	**849.3**	1,105.4	915.0
Loans receivable (Note 6)	**4,681.2**	4,700.5	4,875.5
Merchandise inventories	**2,073.2**	1,891.1	1,764.5
Income taxes recoverable	**77.6**	55.6	42.2
Prepaid expenses and deposits	**150.6**	150.6	96.1
Assets classified as held for sale	**1.5**	8.2	2.3
Total current assets	**8,494.8**	8,452.6	8,692.3
Long-term receivables and other assets	**729.9**	701.7	731.2
Long-term investments	**174.4**	176.0	153.4
Goodwill and intangible assets	**1,249.0**	1,242.4	1,246.8
Investment property	**137.0**	136.1	137.8
Property and equipment	**4,010.4**	3,780.7	3,978.2
Deferred income taxes	**93.1**	44.5	48.1
Total assets	**$ 14,888.6**	$ 14,534.0	$ 14,987.8
LIABILITIES			
Bank indebtedness (Note 14)	**$ 26.2**	$ 9.8	$ —
Deposits	**917.1**	869.6	880.7
Trade and other payables	**1,827.9**	1,896.6	1,957.1
Provisions	**221.2**	211.1	216.1
Short-term borrowings	**328.6**	197.0	88.6
Loans payable	**680.1**	623.6	655.5
Income taxes payable	**38.9**	39.1	61.5
Current portion of long-term debt	**23.8**	587.4	24.3
Total current liabilities	**4,063.8**	4,434.2	3,883.8
Long-term provisions	**44.1**	46.9	45.7
Long-term debt	**2,966.3**	2,130.4	2,971.4
Long-term deposits	**1,357.0**	1,361.3	1,372.2
Deferred income taxes	**86.5**	107.6	111.1
Other long-term liabilities	**835.2**	788.8	813.9
Total liabilities	**9,352.9**	8,869.2	9,198.1
EQUITY			
Share capital (Note 7)	**664.8**	693.3	671.2
Contributed surplus	**2.9**	2.9	2.9
Accumulated other comprehensive (loss) income	**(12.2)**	144.8	148.1
Retained earnings	**4,092.9**	4,050.8	4,172.0
Equity attributable to shareholders of Canadian Tire Corporation	**4,748.4**	4,891.8	4,994.2
Non-controlling interests	**787.3**	773.0	795.5
Total equity	**5,535.7**	5,664.8	5,789.7
Total liabilities and equity	**$ 14,888.6**	$ 14,534.0	$ 14,987.8

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

Condensed Consolidated Statements of Income (Unaudited)

For the	13 weeks ended	
(C$ in millions, except per share amounts)	**April 2, 2016**	April 4, 2015
Revenue (Note 9)	**$ 2,559.4**	$ 2,514.9
Cost of producing revenue (Note 10)	**1,645.4**	1,632.8
Gross margin	**914.0**	882.1
Other (income)	**(3.1)**	(6.8)
Selling, general and administrative expenses (Note 11)	**777.4**	741.0
Net finance costs (Note 12)	**20.9**	23.6
Income before income taxes	**118.8**	124.3
Income taxes	**33.2**	36.0
Net income	**$ 85.6**	$ 88.3
Net income attributable to:		
Shareholders of Canadian Tire Corporation	**$ 66.5**	$ 68.5
Non-controlling interests	**19.1**	19.8
	$ 85.6	$ 88.3
Basic EPS	**$ 0.90**	$ 0.88
Diluted EPS	**$ 0.90**	$ 0.88
Weighted average number of Common and Class A Non-Voting Shares outstanding:		
Basic	**73,573,273**	77,369,566
Diluted	**73,745,209**	77,904,538

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

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

For the (C$ in millions)	13 weeks ended April 2, 2016	 April 4, 2015
Net income	**$ 85.6**	$ 88.3
Other comprehensive (loss) income		
Items that may be reclassified subsequently to net income:		
Cash flow hedges:		
(Losses) gains	**(120.7)**	109.4
Reclassification of gains to non-financial assets	**(41.6)**	(45.5)
Reclassification of gains to income	**(0.9)**	(0.8)
Available-for-sale financial assets:		
(Losses)	**(0.2)**	—
Other comprehensive (loss) income	**(163.4)**	63.1
Other comprehensive (loss) income attributable to:		
Shareholders of Canadian Tire Corporation	**$ (160.3)**	$ 62.8
Non-controlling interests	**(3.1)**	0.3
	$ (163.4)	$ 63.1
Comprehensive (loss) income	**$ (77.8)**	$ 151.4
Comprehensive (loss) income attributable to:		
Shareholders of Canadian Tire Corporation	**$ (93.8)**	$ 131.3
Non-controlling interests	**16.0**	20.1
	$ (77.8)	$ 151.4

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

Condensed Consolidated Statements of Cash Flows (Unaudited)

For the (C$ in millions)	13 weeks ended **April 2, 2016**	 April 4, 2015
Cash generated from (used for):		
Operating activities		
Net income	**$ 85.6**	$ 88.3
Adjustments for:		
Depreciation of property and equipment and investment property (Notes 10 and 11)	**77.0**	71.7
Income tax expense	**33.2**	36.0
Net finance costs (Note 12)	**20.9**	23.6
Amortization of intangible assets (Note 11)	**30.9**	25.7
Changes in fair value of derivative instruments	**(4.4)**	1.5
(Gain) on disposal of property and equipment and assets held for sale	**(2.8)**	(2.6)
Interest paid	**(27.6)**	(21.7)
Interest received	**1.5**	1.9
Income taxes paid	**(101.5)**	(89.5)
Other	**(3.2)**	1.6
	109.6	136.5
Change in operating working capital and other (Note 14)	**(565.0)**	(502.2)
Change in loans receivable	**166.7**	180.7
Cash (used for) operating activities	**(288.7)**	(185.0)
Investing activities		
Additions to property and equipment and investment property	**(133.5)**	(96.8)
Additions to intangible assets	**(34.0)**	(26.4)
	(167.5)	(123.2)
Acquisition of short-term investments	**(301.4)**	(60.5)
Proceeds from the maturity and disposition of short-term investments	**48.5**	110.1
Acquisition of long-term investments	**(21.4)**	(10.1)
Proceeds on disposition of property and equipment and assets held for sale	**3.7**	9.3
Long-term receivables and other assets	**3.1**	(0.4)
Other	**(0.2)**	—
	(267.7)	48.4
Cash (used for) investing activities	**(435.2)**	(74.8)
Financing activities		
Dividends paid	**(39.9)**	(38.7)
Distributions paid to non-controlling interests	**(24.2)**	(22.4)
	(64.1)	(61.1)
Net issuance (repayment) of short-term borrowings	**239.9**	(2.8)
Issuance of loans payable	**94.6**	45.4
Repayment of loans payable	**(69.9)**	(26.1)
Issuance of long-term debt	**—**	1.1
Repayment of long-term debt and finance lease liabilities	**(5.5)**	(5.6)
Payment of transaction costs related to long-term debt	**—**	(1.9)
	259.1	10.1
Repurchase of share capital	**(106.0)**	(48.6)
Change in deposits	**20.3**	(6.9)
Cash generated from (used for) financing activities	**109.3**	(106.5)
Cash (used) in the period	**(614.6)**	(366.3)
Cash and cash equivalents, net of bank indebtedness, beginning of period	**900.6**	647.8
Cash and cash equivalents, net of bank indebtedness, end of period (Note 14)	**$ 286.0**	$ 281.5

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

Condensed Consolidated Statements of Changes in Equity (Unaudited)

			Total accumulated other comprehensive income						
(C$ in millions)	Share capital	Contributed surplus	Cashflow hedges	Fair value changes in available-for-sale financial assets	Total accumulated other comprehensive income	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
Balance at January 2, 2016	**$ 671.2**	**$ 2.9**	**$ 148.4**	**$ (0.3)**	**$ 148.1**	**$ 4,172.0**	**$ 4,994.2**	**$ 795.5**	**$ 5,789.7**
Net income	**—**	**—**	**—**	**—**	**—**	**66.5**	**66.5**	**19.1**	**85.6**
Other comprehensive loss	**—**	**—**	**(160.1)**	**(0.2)**	**(160.3)**	**—**	**(160.3)**	**(3.1)**	**(163.4)**
Total comprehensive income (loss)	**—**	**—**	**(160.1)**	**(0.2)**	**(160.3)**	**66.5**	**(93.8)**	**16.0**	**(77.8)**
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 7)	**2.5**	**—**	**—**	**—**	**—**	**—**	**2.5**	**—**	**2.5**
Repurchase of Class A Non-Voting Shares (Note 7)	**(112.6)**	**—**	**—**	**—**	**—**	**—**	**(112.6)**	**—**	**(112.6)**
Excess of purchase price over average cost (Note 7)	**103.7**	**—**	**—**	**—**	**—**	**(103.7)**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**—**	**—**	**(41.9)**	**(41.9)**	**—**	**(41.9)**
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.6**	**0.6**
Distributions and dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(24.8)**	**(24.8)**
Total contributions and distributions	**(6.4)**	**—**	**—**	**—**	**—**	**(145.6)**	**(152.0)**	**(24.2)**	**(176.2)**
Balance at April 2, 2016	**$ 664.8**	**$ 2.9**	**$ (11.7)**	**$ (0.5)**	**$ (12.2)**	**$ 4,092.9**	**$ 4,748.4**	**$ 787.3**	**$ 5,535.7**

			Total accumulated other comprehensive income						
(C$ in millions)	Share capital	Contributed surplus	Cashflow hedges	Fair value changes in available-for-sale financial assets	Total accumulated other comprehensive income	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
Balance at January 3, 2015	$ 695.5	$ 2.9	$ 81.8	$ 0.2	$ 82.0	$ 4,075.1	$ 4,855.5	$ 775.3	$ 5,630.8
Net income	—	—	—	—	—	68.5	$ 68.5	19.8	88.3
Other comprehensive income	—	—	62.8	—	62.8	—	62.8	0.3	63.1
Total comprehensive income	—	—	62.8	—	62.8	68.5	131.3	20.1	151.4
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 7)	1.9	—	—	—	—	—	1.9	—	1.9
Repurchase of Class A Non-Voting Shares (Note 7)	(56.5)	—	—	—	—	—	(56.5)	—	(56.5)
Excess of purchase price over average cost (Note 7)	52.4	—	—	—	—	(52.4)	—	—	—
Dividends	—	—	—	—	—	(40.4)	(40.4)	—	(40.4)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	0.5	0.5
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(22.9)	(22.9)
Total contributions and distributions	(2.2)	—	—	—	—	(92.8)	(95.0)	(22.4)	(117.4)
Balance at April 4, 2015	$ 693.3	$ 2.9	$ 144.6	$ 0.2	$ 144.8	$ 4,050.8	$ 4,891.8	$ 773.0	$ 5,664.8

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

1. The Company and its operations

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

The Company comprises three main business operations, which offer a range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum, financial services including a bank, and real estate operations. Details of its three reportable operating segments are provided in Note 4.

Due to the seasonal nature of some merchandise and the timing of marketing programs in the retail businesses, the fourth quarter typically generates the greatest contribution to revenues and earnings, and the first quarter the least.

2. Basis of preparation

Statement of compliance
These condensed interim consolidated financial statements (“interim financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company prepared these interim financial statements for the 13 weeks ended April 2, 2016 (and comparative results for the 13 weeks ended April 4, 2015) in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting.* These interim financial statements should be read in conjunction with the consolidated financial statements contained in the Company’s 2015 Report to Shareholders. They have been prepared using the same accounting policies described in Note 3 to the consolidated financial statements contained in the Company’s 2015 Report to Shareholders.

These interim financial statements were authorized for issuance by the Company’s Board of Directors on May 11, 2016.

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;
- available-for-sale financial assets;
- 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.

Judgments and estimates
The preparation of these interim financial statements in accordance with IFRS 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 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 ensure they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 2 to the consolidated financial statements contained in the Company's 2015 Report to Shareholders.

Standards, amendments, and interpretations issued and adopted
Disclosure initiative (IAS 1)
In December 2014, the International Accounting Standard Board ("IASB") issued *Disclosure Initiative Amendments to IAS 1* as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments did not impact the Company's interim financial statements and the Company is currently assessing the impact to its annual disclosure.

Standards, amendments, and interpretations issued but not yet adopted
The following new standards, amendments, and interpretations have been issued and are expected to impact the Company, but are not effective for the fiscal year ending December 31, 2016 and, accordingly, have not been applied in preparing the interim financial statements.

Financial instruments
In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment, and hedge accounting phases of the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Revenue from contracts with customers
In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15"), which replaces IAS 11 - *Construction Contracts*, IAS 18 - *Revenue,* and International Financial Reporting Interpretations Committee 13 - *Customer Loyalty Programmes* ("IFRIC 13"), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Disclosure initiative (IAS 7)
In January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 also as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

These amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. The Company is currently assessing the potential impact of these amendments.

Leases
In January 2016, the IASB issued IFRS 16 - *Leases* ("IFRS 16"), which replaces IAS 17 - *Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. The Company is assessing the potential impact of this standard.

Income taxes
In January 2016, the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* as an amendment to IAS 12 – *Income Taxes*. These amendments address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

These amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. The Company is assessing the potential impact of these amendments.

3. Capital management

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

The definition of capital varies from company to company, industry to industry, and for different purposes. The Company's definition of capital is the same as that detailed in Note 4 to the consolidated financial statements contained in the Company's 2015 Report to Shareholders, which includes Glacier Credit Card Trust ("GCCT") indebtedness but excludes Franchise Trust indebtedness.

The Company manages its capital structure over the long term to optimize the balance among capital efficiency, financial flexibility, and risk mitigation. Management calculates its ratios to approximate the methodology of debt-rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, Management monitors these ratios against targeted ranges.

The Company was in compliance with all covenants under its existing debt agreements as at April 2, 2016. Under these covenants, the Company currently has sufficient flexibility to fund business growth and maintain or amend dividend rates within its existing dividend policy.

Canadian Tire REIT ("CT REIT") is required to comply with financial covenants established under its Trust Indenture, Bank Credit Agreements, and the Declaration of Trust and was in compliance with the key covenants thereunder as at April 2, 2016.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB"), a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain financial covenants established under its unsecured revolving credit facility. As at April 2, 2016, CTB complied with all regulatory capital requirements and the financial covenants of its credit facility.

4. Operating segments

The Company has three reportable operating segments: Retail, CT REIT, and Financial Services. The reportable operating segments are strategic business units offering different products and services. They are separately managed due to their distinct nature. The following summary describes the operations in each of the Company's reportable segments:

- The retail business is conducted through a number of banners including Canadian Tire, Canadian Tire Gas ("Petroleum"), Mark's, PartSource, and various FGL Sports banners. Retail also includes the Dealer Loan Program (the portion [silo] of Franchise Trust that issues loans to Dealers). Non-CT REIT real estate is included in Retail.

- CT REIT is an unincorporated, closed-end real estate investment trust. CT REIT holds a geographically-diversified portfolio of properties comprised largely of Canadian Tire banner stores, Canadian Tire anchored retail developments, mixed-use commercial property, and distribution centres.

- Financial Services markets a range of Canadian Tire-branded credit cards including Canadian Tire Options MasterCard, Cash Advantage MasterCard, Gas Advantage MasterCard, and Sport Chek MasterCard. Financial Services also markets insurance and warranty products and processes credit card transactions with respect to purchases made in Canadian Tire associate stores and Petroleum outlets. Financial Services includes CTB, a federally regulated financial institution that manages and finances the Company's consumer MasterCard, Visa, and retail credit card portfolios, as well as an existing block of Canadian Tire-branded line of credit portfolios. The Bank also offers high-interest savings deposit accounts, tax free savings accounts and GIC deposits, both directly and through third-party brokers. Financial Services also includes GCCT, a financing program established to purchase co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases.

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

For the	13 weeks ended									
	April 2, 2016					April 4, 2015				
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$ 2,252.8**	**$ 4.4**	**$ 278.8**	**$ 23.4**	**$ 2,559.4**	$ 2,205.9	$ 4.0	$ 281.6	$ 23.4	$ 2,514.9
Intercompany revenue	**1.3**	**94.1**	**2.7**	**(98.1)**	**—**	1.4	88.4	2.9	(92.7)	—
Total revenue	**2,254.1**	**98.5**	**281.5**	**(74.7)**	**2,559.4**	2,207.3	92.4	284.5	(69.3)	2,514.9
Cost of producing revenue	**1,538.7**	**—**	**119.4**	**(12.7)**	**1,645.4**	1,530.3	—	115.5	(13.0)	1,632.8
Gross margin	**715.4**	**98.5**	**162.1**	**(62.0)**	**914.0**	677.0	92.4	169.0	(56.3)	882.1
Other (income) expense	**(30.3)**	**—**	**(0.1)**	**27.3**	**(3.1)**	(33.5)	—	1.2	25.5	(6.8)
Selling, general and administrative expenses	**737.7**	**26.9**	**68.9**	**(56.1)**	**777.4**	699.8	24.0	67.5	(50.3)	741.0
Net finance (income) costs	**(12.6)**	**22.3**	**(0.3)**	**11.5**	**20.9**	(9.0)	21.5	(0.6)	11.7	23.6
Fair value (gain) loss on investment properties	**—**	**(11.9)**	**—**	**11.9**	**—**	—	(8.6)	—	8.6	—
Income before income taxes	**$ 20.6**	**$ 61.2**	**$ 93.6**	**$ (56.6)**	**$ 118.8**	$ 19.7	$ 55.5	$ 100.9	$ (51.8)	$ 124.3
Items included in the above:										
Depreciation and amortization	**$ 88.8**	**$ —**	**$ 1.9**	**$ 17.2**	**$ 107.9**	$ 78.3	$ —	$ 1.9	$ 17.2	$ 97.4
Interest income	**23.3**	**—**	**221.7**	**(18.9)**	**226.1**	27.2	—	215.6	(21.8)	221.0
Interest expense	**7.6**	**22.4**	**26.0**	**(19.1)**	**36.9**	14.8	21.5	26.7	(22.0)	41.0

The eliminations and adjustments include the following items:
- reclassifications of certain revenues and costs in the Financial Services segment to net finance costs;
- reclassifications of revenues and operating expenses to reflect loyalty program accounting in accordance with IFRIC 13 for the Company's Canadian Tire Money programs;
- conversion from CT REIT's fair value investment property valuation policy to the Company's cost model, including the recording of depreciation; and
- inter-segment eliminations and adjustments including intercompany rent, property management fees, and credit card processing fees.

Capital expenditures by reportable operating segment are as follows:

For the	13 weeks ended							
	April 2, 2016				April 4, 2015			
(C$ in millions)	**Retail**	**CT REIT[2]**	**Financial Services**	**Total**	Retail[3]	CT REIT[2,3]	Financial Services	Total
Capital expenditures[1]	**$ 131.5**	**$ 1.3**	**$ 2.1**	**$ 134.9**	$ 114.9	$ 1.3	$ 1.2	$ 117.4

[1] Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions relating to business combinations and intellectual properties.
[2] Included in CT REIT capital expenditures is $nil for the construction of stores under Mark's and FGL Sports banners (2015 – $nil).
[3] Beginning in Q3 2015, the definition of CT REIT acquisitions and developments (excluding vend-ins from CTC) was changed to exclude capital expenditures relating to the Canadian Tire banner. The prior year balance has been restated to reflect a $13.4 million reclassification of expenditures from CT REIT to Retail.

Total assets by reporting operating segment are as follows:

(C$ in millions) As at	**April 2, 2016**	April 4, 2015	January 2, 2016
Retail	**$ 10,940.9**	$ 11,274.9	$ 11,128.0
CT REIT	**4,433.1**	4,113.3	4,350.9
Financial Services	**5,517.2**	5,517.8	5,520.3
Eliminations and adjustments	**(6,002.6)**	(6,372.0)	(6,011.4)
Total assets[1]	**$ 14,888.6**	$ 14,534.0	$ 14,987.8

[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 reporting operating segment are as follows:

(C$ in millions) As at	**April 2, 2016**	April 4, 2015	January 2, 2016
Retail	**$ 3,945.7**	$ 4,200.2	$ 3,899.1
CT REIT	**2,163.6**	2,023.8	2,137.5
Financial Services	**4,591.2**	4,595.9	4,588.4
Eliminations and adjustments	**(1,347.6)**	(1,950.7)	(1,426.9)
Total liabilities[1]	**$ 9,352.9**	$ 8,869.2	$ 9,198.1

[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;
- fair value measurement of the redeemable financial instrument; and
- inter-segment eliminations.

5. Business combinations

On April 1, 2016, the Company acquired one FGL Sports franchise business, which operated five stores in the Ottawa region.

6. Loans receivable

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

(C$ in millions)	Total principal amount of receivables[1]			Average balance[1]	
As at	April 2, 2016	April 4, 2015	January 2, 2016	April 2, 2016	April 4, 2015
Credit card loans	$ 4,646.9	$ 4,663.4	$ 4,839.4	$ 4,706.0	$ 4,730.0
Line of credit loans	4.6	5.6	4.9	4.7	5.7
Total Financial Services' loans receivable	$ 4,651.5	$ 4,669.0	$ 4,844.3	$ 4,710.7	$ 4,735.7
Dealer loans[2]	680.1	623.6	655.5		
Other loans	5.6	5.3	4.1		
Total loans receivable	5,337.2	5,297.9	5,503.9		
Less: long-term portion[3]	656.0	597.4	628.4		
Current portion of loans receivable	$ 4,681.2	$ 4,700.5	$ 4,875.5		

[1] Amounts shown are net of allowance for loan impairment.
[2] Dealer loans issued by Franchise Trust.
[3] The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer Loans of $650.8 million (April 4, 2015 – $592.3 million and January 2, 2016 – $624.9 million).

The gross impairment loss on loans receivable for the 13 weeks ended April 2, 2016 was $96.4 million (2015 – $93.2 million). Recoveries of bad debts for the 13 weeks ended April 2, 2016 was $16.4 million (2015 – $16.1 million).

During the 13 weeks ended April 2, 2016, the amount of cash received from interest earned on credit cards and loans was $206.8 million (2015 – $196.7 million).

7. Share capital

Share capital consists of the following:

(C$ in millions) As at	April 2, 2016	April 4, 2015	January 2, 2016
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (April 4, 2015 - 3,423,366; January 2, 2016 - 3,423,366)	$ 0.2	$ 0.2	$ 0.2
69,725,101 Class A Non-Voting Shares (April 4, 2015 - 73,602,606; January 2, 2016 - 70,637,987)	664.6	693.1	671.0
	$ 664.8	$ 693.3	$ 671.2

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 2015 and 2016, the Company issued and repurchased Class A Non-Voting Shares. Share repurchases are charged to share capital at the average cost per share outstanding and the excess between the repurchase price and the average cost is first allocated to contributed surplus, with any remainder allocated to retained earnings.

The following transactions occurred with respect to Class A Non-Voting Shares during 2016 and 2015:

For the	13 Weeks Ended			
	April 2, 2016		April 4, 2015	
(C$ in millions)	**Number**	**$**	Number	$
Shares outstanding at beginning of the year	**70,637,987**	**$ 671.0**	74,023,208	$ 695.3
Issued under the dividend reinvestment plan	**19,495**	**2.5**	15,098	1.9
Repurchased[1]	**(932,381)**	**(112.6)**	(435,700)	(56.5)
Excess of repurchase price over average cost	**—**	**103.7**	—	52.4
Shares outstanding at end of the period	**69,725,101**	**$ 664.6**	73,602,606	$ 693.1

[1] Repurchased shares have been restored to the status of authorized but unissued shares. The Company records shares repurchased on a transaction date basis.

As of April 2, 2016, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $42.1 million (2015 – $40.4 million) at a rate of $0.575 per share (2015 – $0.525 per share).

On May 11, 2016, the Company's Board of Directors declared a dividend of $0.575 per share payable on September 1, 2016 to shareholders of record as of July 31, 2016.

8. Share-based payments

During the 13 weeks ended April 2, 2016, the Company granted the following share-based payment awards:

Stock options
The Company granted 404,439 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 $129.92.

Performance share unit and performance unit plans
The Company granted performance share units ("PSUs") to certain of its employees. PSUs granted in 2016 entitle the participant to receive a cash payment equal to the weighted-average price at which Class A Non-Voting Shares of the Company trade on the Toronto Stock Exchange during the 10-calendar day period immediately preceding the date for determining the value of the PSU payment, multiplied by a factor determined by specific performance-based criteria and a relative total shareholder return modifier, as set out in the award notice and performance share unit plan. The performance period of each PSU award is three years from the date of issuance.

CT REIT granted performance units ("PUs") to its executives. Each PU entitles the executive to receive a cash payment equal to the weighted average price of Units of CT REIT traded on the Toronto Stock Exchange during the 10-calendar day period commencing on the first business day following the end of the performance period, multiplied by a factor determined by specific performance-based criteria, as set out in the performance unit plan. The performance period of each PU award is approximately three years from the date of issuance.

9. Revenue

For the	13 weeks ended	
(C$ in millions)	**April 2, 2016**	April 4, 2015
Sale of goods	**$ 2,143.8**	$ 2,105.5
Interest income on loans receivable	**223.5**	217.3
Royalties and licence fees	**97.6**	91.2
Services rendered	**79.2**	85.6
Rental income	**15.3**	15.3
	$ 2,559.4	$ 2,514.9

Major customers
The Company does not rely on any one customer.

10. Cost of producing revenue

For the	13 weeks ended	
(C$ in millions)	**April 2, 2016**	April 4, 2015
Inventory cost of sales[1]	**$ 1,540.0**	$ 1,530.7
Net impairment loss on loans receivable	**77.7**	75.8
Finance costs on deposits	**13.4**	13.7
Other	**14.3**	12.6
	$ 1,645.4	$ 1,632.8

[1] Inventory cost of sales includes depreciation for the 13 weeks ended April 2, 2016 of $2.0 million (2015 – $2.2 million).

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 weeks ended April 2, 2016 were $15.9 million (2015 – $10.8 million).

Inventory writedowns recognized in prior periods and reversed in the 13 weeks ended April 2, 2016 were $0.1 million (2015 – $0.4 million). The reversal of writedowns was the result of actual losses being lower than previously estimated.

The writedowns and reversals are included in inventory cost of sales.

11. Selling, general and administrative expenses

For the	13 weeks ended	
(C$ in millions)	**April 2, 2016**	April 4, 2015
Personnel expenses	**$ 276.9**	$ 280.8
Occupancy	**164.5**	166.3
Marketing and advertising	**80.1**	76.1
Depreciation of property and equipment and investment property[1]	**75.0**	69.5
Amortization of intangible assets	**30.9**	25.7
Other	**150.0**	122.6
	$ 777.4	$ 741.0

[1] Refer to Note 10 for depreciation included in cost of producing revenue.

12. Net finance costs

For the	13 weeks ended	
(C$ in millions)	**April 2, 2016**	April 4, 2015
Finance (income)	**$ (2.6)**	$ (3.7)
Finance costs	**23.5**	27.3
	$ 20.9	$ 23.6

13. Income taxes

Income tax expense (benefit) recognized in Other Comprehensive Income is as follows:

For the	13 weeks ended	
(C$ in millions)	**April 2, 2016**	April 4, 2015
(Losses) gains on derivatives designated as cash flow hedges	**$ (43.8)**	$ 39.4
Reclassification of gains to non-financial assets on derivatives designated as cash flow hedges	**(15.1)**	(16.4)
Reclassification of gains to income on derivatives designated as cash flow hedges	**(0.3)**	(0.3)
	$ (59.2)	$ 22.7

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 18 to the consolidated financial statements contained in the Company's 2015 Report to Shareholders.

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

14. Notes to the condensed consolidated statements of cash flows

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

(C$ in millions) As at	**April 2, 2016**	April 4, 2015	January 2, 2016
Cash	**$ 101.6**	$ 127.3	$ 192.2
Cash equivalents	**202.0**	155.0	698.6
Restricted cash and cash equivalents[1]	**8.6**	9.0	9.8
Total cash and cash equivalents[2]	**312.2**	291.3	900.6
Bank indebtedness	**(26.2)**	(9.8)	—
Cash and cash equivalents, net of bank indebtedness	**$ 286.0**	$ 281.5	$ 900.6

[1] Relates to GCCT and is restricted for the purpose of paying out note holders and additional funding costs.
[2] Included in cash and cash equivalents are amounts held in reserve in support of Financial Services' liquidity and regulatory requirements.

Change in operating working capital and other comprise the following:

For the	**13 weeks ended**	
(C$ in millions)	**April 2, 2016**	April 4, 2015
Change in operating working capital		
Trade and other receivables	**$ (80.6)**	$ (113.7)
Merchandise inventories	**(300.4)**	(285.4)
Income taxes	**(0.2)**	(0.3)
Prepaid expenses and deposits	**(54.4)**	(46.2)
Trade and other payables	**(120.7)**	(65.5)
Total	**(556.3)**	(511.1)
Change in other		
Provisions	**6.0**	8.3
Long-term provisions	**(2.1)**	0.4
Other long-term liabilities	**(12.6)**	0.2
Total	**(8.7)**	8.9
Change in operating working capital and other	**$ (565.0)**	$ (502.2)

Capital commitments

As at April 2, 2016, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately $97.4 million (2015 – $127.1 million).

15. Financial instruments

15.1 Fair value of financial instruments

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

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

The carrying amount of the Company's long-term receivables and other assets approximate their fair value either because the interest rates applied to measure their carrying amount approximate current market interest 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 equity and debt securities

The fair values of financial assets at FVTPL, held-to-maturity investments and available-for-sale financial assets that are 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. The fair values of loans and receivables and held-to-maturity investments are determined for disclosure purposes only.

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 is based on counterparty confirmations tested for reasonableness by discounting estimated future cash flows derived from the terms and maturity of each contract, using market interest rates for a similar instrument at the measurement date.

The fair value of equity derivatives is determined by reference to share price movement adjusted for interest using market interest rates specific to the terms of the underlying derivative contracts.

Redeemable financial instrument

The fair value of the redeemable financial instrument is calculated based on a discounted cash flow model using normalized earnings attributable to the Financial Services business, adjusted for any undistributed earnings and Scotiabank's proportionate interest in the Financial Services business. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy. Refer to Note 3 and Note 35 to the consolidated financial statements contained in the Company's 2015 Report to Shareholders for further information regarding this financial instrument.

15.2 Fair value measurement of debt and deposits

The fair value measurement of debt and deposits is categorized within Level 2 of the fair value hierarchy as described in Note 35.4 to the consolidated financial statements contained in the Company's 2015 Report to Shareholders. The fair values of the Company's debt and deposits compared to the carrying amounts are as follows:

As at	**April 2, 2016**		April 4, 2015		January 2, 2016	
(C$ in millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities carried at amortized cost						
Debt	**$ 2,990.1**	**$ 3,176.7**	$ 2,717.8	$ 2,959.9	$ 2,995.7	$ 3,161.1
Deposits	**$ 2,274.1**	**$ 2,295.7**	$ 2,230.9	$ 2,259.0	$ 2,252.9	$ 2,276.1

The difference between the fair values and the carrying amounts (excluding transaction costs, which are included in the carrying amount of debt) is due to decreases 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.

15.3 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 million)							
As at			**April 2, 2016**		April 4, 2015		January 2, 2016
Balance sheet line	**Category**	**Level**		Level		Level	
Short-term investments	FVTPL	**2**	**$ —**	2	$ 30.0	2	$ —
Short-term investments	Available for sale	**2**	**349.2**	2	219.9	2	96.1
Long-term investments	Available for sale	**2**	**174.4**	2	176.0	2	153.4
Trade and other receivables	FVTPL[1]	**2**	**54.7**	2	33.2	2	27.3
Trade and other receivables	Effective hedging instruments	**2**	**39.4**	2	220.0	2	214.1
Long-term receivables and other assets	FVTPL[1]	**2**	**23.9**	2	51.1	2	25.4
Long-term receivables and other assets	Effective hedging instruments	**2**	**0.1**	2	—	2	24.8
Trade and other payables	FVTPL[1]	**2**	**4.9**	2	0.1	2	0.7
Trade and other payables	Effective hedging instruments	**2**	**16.8**	2	—	2	—
Redeemable financial instrument	FVTPL	**3**	**517.0**	3	517.0	3	517.0
Other long-term liabilities	Effective hedging instruments	**2**	**44.9**	2	—	2	12.9

[1] Includes derivatives that are classified as held for trading.

There were no transfers in either direction between categories during the 13 weeks ended April 2, 2016 or 13 weeks ended April 4, 2015.

16. Legal matters

The Company is party to a number of legal and regulatory proceedings. The Company has determined that each such proceeding constitutes a routine matter incidental to the business conducted by the Company and that the ultimate disposition of the proceedings will not have a material effect on its consolidated net income, cash flows, or financial position.