Management's Discussion and Analysis

Canadian Tire Corporation, Limited

Third Quarter 2015

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”) and the activities of Glacier Credit Card Trust (“GCCT” or “Glacier”).

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

“Mark’s” refers to the retail business carried on by Mark’s Work Wearhouse Ltd.; and “Mark’s stores” 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 price of the Company’s shares. Refer to section 12.0 in this MD&A for a more detailed discussion of the Company’s use of forward-looking statements.

1.3 Review and approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on November 11, 2015.

1.4 Quarterly and annual comparisons in the MD&A

Unless otherwise indicated, results for Q3 2015 (13 and 39 weeks ended October 3, 2015) are compared against results for Q3 2014 (13 and 39 weeks ended September 27, 2014).

1.5 Accounting framework

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 2 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 8.1 in this MD&A for further information.

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

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

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, for services provided as part of the Home Services offering, and 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 8.3.1 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 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. ROIC can be compared to CTC's cost of capital to determine whether invested capital was used effectively. Refer to section 8.3.1 for a description of changes made to the definition of this metric in Q4 2014.

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 8.3.1 for a definition of ROR.

Aspirations with respect to retail sales, 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 specific objectives, 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 instruments ("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 8.3.2 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 financial 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 8.3.2 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 2014 Annual Report, available on the Company's website (corp.canadiantire.ca/en/investors) and SEDAR (www.SEDAR.com).

3.0 Financial aspirations and strategic objectives

3.1 Financial aspirations

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

The Company's three-year growth strategy, announced in 2014, includes investment in digital technology and store upgrades, with a renewed focus on target customers within each of its core businesses.

The Company's financial aspirations for its businesses for fiscal years 2015 to 2017, including a discussion of the key assumptions and risks underlying each, are outlined in the table below. These financial aspirations reflect the Company's aspirations over the life of the plan period and it is expected that performance in individual fiscal years within that period will vary. The Company reports on its progress toward achievement of these financial aspirations annually. In addition, 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.

1. Annualized 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 of 2 million square feet of retail space • Growth in eCommerce sales across all retail banners • Positive customer response to brand-focused marketing, in-store merchandising, category specific tactical growth initiatives, digital strategy execution • 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

2. Average diluted EPS growth of 8 to 10 percent over the three-year period
Key assumptions: • Increasing bottom line earnings across all businesses through strong margin management and operating expense growth in line with revenue growth • Realization of cost savings and benefits aimed at improving gross margin and operating expenses, including Dealer contract initiatives and enterprise-wide productivity initiatives • Successful integration of sourcing processes across INA and Mark’s businesses • Reflects financial impact of Financial Services transaction and announced share buybacks (until the end of 2015)
Significant risks: • Revenue growth not achieved, see significant risks associated with retail sales aspirations described above • Increased costs relating to foreign exchange and global sourcing processes impacting the Company’s ability to hold or reduce operating and/or supply chain costs • Ability to achieve enhanced purchasing efficiencies and reduce overhead expenses
3. Financial Services return on receivables of 6+ percent annually
Key assumptions: • Continued gross average accounts receivable growth • Customers respond positively to new marketing initiatives including enhanced loyalty program and strategic partnerships • Higher incremental allowance for future write-offs of the credit card portfolio • Continued prudent expense management
Significant risks: • Decline in economic growth, consumer confidence and household spending • Higher credit or default risk impacts expected incremental allowance for future write-offs
4. Retail return on invested capital of 9 percent by the end of 2017
Key assumptions: • Improvement in retail earnings including operating expense growth, in line with revenue growth • Continued investments in businesses to achieve organic growth and in projects and initiatives to improve returns • Average annual operating capital expenditures of $575 million over the three-year period (In Q2 2015 the Company's guidance with respect to average annual operating capital expenditures was increased from $575 million to between $600 million and $625 million over the three-year period. This change is not expected to impact the stated aspiration.)
Significant risks: • Revenue growth not achieved, see 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 and/or supply chain costs • Ability to achieve enhanced purchasing efficiencies and reduce overhead expenses

Management continues to aspire to achieve the above aspirations within the stated three-year period.

While the Company strives to achieve annual retail sales growth of 5+ percent at Mark's for fiscal years 2015 to 2017, the economic downturn in Alberta, which is causing a reduction in industrial wear sales, will likely result in this aspiration not being achieved in 2015.

Based on Management's assessment as at the date of this MD&A, there have been no further material changes to the above risks and underlying assumptions relating to our financial aspirations.

3.2 Strategic imperatives and objectives

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

The success of any great organization is directly attributable to the quality of its leadership. Underlying the strategic imperatives, identified on the following page, is the Company’s commitment to attracting 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 in place. Over the three-year strategic plan period, the Company intends to 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.

Q3 2015 objectives update

The Company reports on achievement of its objectives annually. In addition, on a quarterly basis, Management reviews the significant risks and key underlying assumptions that might impact the achievement of those objectives. Based on Management's assessment as at the date of this MD&A, there have been no material changes to such risks and underlying assumptions. The Company remains on track to achieve its 2015 objectives as stated below.

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

The five strategic imperatives framing the Company's growth strategy and the 2015 strategic objectives are outlined below:

1) Achieve financial aspirations

The Company is committed to achieving its three-year financial aspirations as outlined in section 3.1. This will include executing on enterprise-wide productivity initiatives.

2015 Objectives
• Execute strategy for Retail business growth including innovative marketing campaigns, banner network expansion, focusing on core customer segments at Canadian Tire, FGL Sports and Mark's, and continuing with a Canadian Tire product category focus on specialty retail operations • Improve supply chain efficiencies and capabilities with construction of new Canadian Tire distribution capacity and replenishment time and in-stock position in Western Canada by integrating FGL Sports and Mark's supply chain and fulfillment to Western Canadian stores with the conversion to the new distribution centre ("DC") in Calgary • Focus on margin management across Retail businesses including transition of Mark's overseas buying operations to INA's wholesale division • Continue to grow Financial Services through offering new and innovative products and services, integrating with Retail businesses, enhancing loyalty proposition and through new account acquisition • Continue to support CT REIT's growth agenda
Key assumptions: • Consumers will respond positively to Canadian Tire's marketing campaigns and brand messaging • Core customers at Canadian Tire, FGL Sports, and Mark's will respond positively to new assortments and improved merchandising • Ability to identify processes within the business that can be redesigned to create a more efficient process and reduce future costs • Construction of new Canadian Tire distribution capacity will continue to progress as planned and successful transition of supply chain operations for FGL Sports and Mark's in Calgary as planned
Significant risks: • Increased costs relating to foreign exchange global sourcing impacting the Company's ability to hold or reduce operating and/or supply chain costs • Ability to achieve enhanced purchasing efficiencies and reduce overhead expenses

2) Make measured capital allocation decisions

The Company is in a strong liquidity position with multiple sources of funding and financial flexibility. In order to support its growth agenda, the Company must actively manage its capital and make wise capital allocation decisions that support the achievement of its financial aspirations, while balancing its objective of returning value to shareholders.

2015 Objectives
• Complete share repurchases during 2015 in order to reach a total of $400 million of Class A Non-Voting Shares repurchased, in excess of the amount required for anti-dilutive purposes, for the period from November 7, 2014 through to the end of fiscal 2015, subject to regulatory approval • Maintain operating capital expenditures within $600 million and $625 million and capital expenditures for additional distribution capacity within $175 million and $200 million • CT REIT to gain access to capital markets and demonstrate its ability to raise equity and debt independently
Key assumptions: • Ability of CT REIT to access capital markets • Continued positive cash flow to support capital expenditures and share repurchases
Significant risks: • Allocation of capital

3) Drive growth in core businesses

The Company will focus on driving growth from within its four core businesses: Canadian Tire, FGL Sports, Mark's, and Financial Services. Growth from within the core businesses, both inorganic and organic, will primarily come from the key heritage categories.

2015 Objectives
• Continue to roll out and evolve current Canadian Tire store concepts • Continue to test and develop a new Canadian Tire store concept • Continue to remain relevant to target customers, including active families, and reinforce Canadian Tire's place as *Canada's store* • Continue to rebrand Mark's Work Wearhouse stores to the Mark's format and begin to rejuvenate L'Équipeur stores in Quebec • Continue to expand FGL Sports' retail footprint with the addition of flagship stores • Launch the Sport Chek Hero store concept that incorporates digital aspects of flagship stores in select existing Sport Chek stores • Further integrate Financial Services with Retail businesses by offering additional products and services to customers in-store and online, supporting enhanced loyalty propositions and identifying new growth opportunities as part of the Scotiabank partnership
Key assumptions: • Retail marketplace conditions are assumed to be within normal parameters with respect to pricing, margins, product availability and supplier agreements for major product offerings
Significant risks: • Allocation of capital • Required municipal approvals and construction permits • Limitations on availability of preferred retail space • Ensuring that the evolution and rollout of key retail strategies are in keeping with competitive forces in the market and resource allocation

4) Transition from old-world retailing to the new (digitization of retail)

In order to compete on a global basis and continue to be relevant and engaged with its customers, the Company will invest in the future of retailing. The future of retailing, also referred to as the "digitization of retail", requires significant investment in foundational technological platforms in order to successfully transition the Company from the old-world to the new.

2015 Objectives
• Continue to grow and enhance the My Canadian Tire 'Money' loyalty program • Improve the digital experience across each of the Company's major retail banners, including eCommerce • Commence deployment of a new POS system at Mark's and initiate planning for future deployment of new POS system at FGL Sports • Launch the first phase of a mobile wallet pilot
Key assumptions: • Loyal customers will continue to respond favourably to eCommerce and digital offerings under CTC's major retail banners
Significant risks: • Overcoming the complexity of evolving a relevant and fully integrated loyalty program • Ability of each banner to develop targeted digital offerings relevant to their customers • Effectiveness of customer and employee-facing devices during pilot phase • Small and developing pool of talent in the digital retail field, due to cutting-edge nature of the Company's initiatives • Overcoming the complexity of rolling out a new POS system across Mark's retail store network

5) Strengthen the brands

The Company is committed to being a "brand-led" organization. It believes that the strength and value of its brands are directly correlated to the strength of its business results.

2015 Objectives
• Continue to focus on being a brand-led organization, with continued investment in key brand building assets, including: Olympic and sports partnerships; community programs; and Canadian Tire Jumpstart Charities ("Canadian Tire Jumpstart" or "the Charity") • Continue to build high-quality private-label and exclusive brands • Continue to grow assortment of top national brands at FGL Sports and Mark's • Develop cross-banner co-marketing initiatives internally and under the Company's strategic partnership with Scotiabank
Key assumptions: • The Company's major brand-building initiatives will resonate with customers, who will continue to respond favourably and embrace the Company's brands • The Company will continue to attract, retain, and develop the key talent required to drive business results through effective brand management
Significant risks: • Unforeseen events due to external factors resulting in a loss of consumer confidence in the Company's brands • Ability to develop and market private-label brands that compete with national brands and competitors' private brands • Availability of premium national brands to sell at FGL Sports banners and Mark's stores

4.0 Financial performance

4.1 Consolidated financial performance

For a review of consolidated financial results, including earnings, retail sales, and revenue, refer to section 4.1.2.

Non-operational items

Prior year-to-date results of operations include a non-operational item relating to the premium paid on early redemption of the Company's medium-term notes in the second quarter of 2014. The table below outlines the pre-tax amount for the non-operational item included in Q3 2014 year-to-date results.

(C$ in millions)	**Q3 2015**	Q3 2014	**YTD Q3 2015**	YTD Q3 2014
Financial Statement line item:				
Net finance costs	**$ —**	$ —	**$ —**	$ (15.0)

Where indicated, we have provided prior year-to-date financial results normalized for the early redemption premium. References to "normalized" earnings and "normalized" diluted EPS attributable to owners of the Company are made throughout the financial results discussion and reflect the results of operations excluding the above items. Normalized results are non-GAAP measures and do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. For further information and reconciliation to GAAP measures, refer to section 8.3.2 in this MD&A.

4.1.1 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 8.3 in this MD&A and to section 9.3 in the MD&A contained in the Company's 2014 Annual Report for definitions and further information on performance measures.

(C$ in millions)	Q3 2015	Q3 2014	Change	YTD Q3 2015	YTD Q3 2014	Change
Adjusted EBITDA[1]	**$ 415.1**	$ 351.9	18.0%	**$ 1,044.8**	$ 938.9	11.3%
Selling, general and administrative expenses (excluding depreciation and amortization) as a % of revenue[2]	**20.6%**	20.7%	(3) bps	**22.1%**	21.7%	40 bps
Adjusted EBITDA[1] as a % of revenue	**13.3%**	11.5%	181 bps	**11.7%**	10.7%	108 bps

[1] Adjusted EBITDA is a non-GAAP measure; refer to section 8.3.2 in this MD&A for additional information.
[2] Selling, general and administrative expenses exclude depreciation and amortization of $103.8 million in Q3 2015 ($94.2 million in Q3 2014) and $301.8 million Q3 YTD 2015 ($263.6 million in Q3 YTD 2014).

Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue have increased compared to prior year largely due to strong performance in the retail segment and a $29.2 million gain on the sale of a surplus property during the quarter.

Selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue was flat compared to the prior year. During 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 as a percentage of revenue decreased 86 basis points during the quarter, compared to Q3 2014, and 48 basis points year-to-date, compared to Q3 year-to-date, reflecting higher revenue and the Company's increased focus on cost control and productivity despite higher activity levels across the businesses.

4.1.2 Consolidated financial results

(C$ in millions, except where noted)	Q3 2015	Q3 2014	Change	YTD Q3 2015	YTD Q3 2014	Change
Retail sales[1]	**$ 3,406.1**	$ 3,403.8	0.1%	**$ 9,731.0**	$ 9,585.9	1.5 %
Revenue	**$ 3,126.8**	$ 3,069.9	1.9%	**$ 8,899.4**	$ 8,809.1	1.0 %
Gross margin dollars	**$ 1,023.9**	$ 984.6	4.0%	**$ 2,957.7**	$ 2,832.8	4.4 %
Gross margin as a % of revenue	**32.7%**	32.1%	67 bps	**33.2%**	32.2%	108 bps
Other (income)	**$ (34.2)**	$ 0.0	NM[2]	**$ (51.0)**	$ (16.6)	207.6 %
Selling, general and administrative expenses	**749.0**	728.7	2.8%	**2,272.3**	2,179.1	4.3 %
Net finance costs	**24.2**	21.4	12.8%	**70.5**	85.5	(17.6)%
Income before income taxes	**$ 284.9**	$ 234.5	21.5%	**$ 665.9**	$ 584.8	13.9 %
Income taxes	**65.0**	56.3	15.6%	**171.5**	152.1	12.9 %
Effective tax rate	**22.8%**	24.0%		**25.8%**	26.0%	
Net income	**$ 219.9**	$ 178.2	23.4%	**$ 494.4**	$ 432.7	14.2 %
Net income attributable to:						
Owners of Canadian Tire Corporation	**$ 199.7**	$ 172.2	15.9%	**$ 434.2**	$ 412.7	5.2 %
Non-controlling interests	**20.2**	6.0	236.3%	**60.2**	20.0	201.3 %
	$ 219.9	$ 178.2	23.4%	**$ 494.4**	$ 432.7	14.2 %
Basic EPS attributable to owners of Canadian Tire Corporation	**$ 2.63**	$ 2.19	20.3%	**$ 5.66**	$ 5.20	8.9 %
Diluted EPS attributable to owners of Canadian Tire Corporation	**$ 2.62**	$ 2.17	20.5%	**$ 5.62**	$ 5.16	9.0 %
Weighted average number of Common and Class A Non-Voting Shares outstanding:						
Basic	**75,796,157**	78,666,832	NM[2]	**76,655,613**	79,365,588	NM[2]
Diluted	**76,224,768**	79,213,430	NM[2]	**77,192,526**	79,972,994	NM[2]

[1] Key operating performance measure. Refer to section 8.3.1 in this MD&A for additional information.
[2] Not meaningful.

Non-controlling interests

The following table outlines the net income attributable to the Company's non-controlling interests. For additional details, refer to Note 17 to the annual consolidated financial statements contained in the Company's 2014 Annual Report.

(C$ in millions)	**Q3 2015**	Q3 2014	**YTD Q3 2015**	YTD Q3 2014
Financial Services Non-controlling interest percentage 20% (2014 - n/a)	**$ 13.8**	$ —	**$ 42.4**	$ —
CT REIT Non-controlling interest percentage 16.4% (2014 - 16.8%)	**5.2**	5.1	**15.4**	14.9
Retail segment subsidiary Non-controlling interest percentage 50.0% (2014 - 50.0%)	**1.2**	0.9	**2.4**	5.1
Net income attributable to non-controlling interests	**$ 20.2**	$ 6.0	**$ 60.2**	$ 20.0

Consolidated third quarter 2015 versus third quarter 2014

Earnings Summary

Diluted EPS attributable to owners of CTC was $2.62 in the quarter, an increase of $0.45 per share, or 20.5 percent, over the prior year. Earnings reflect the impact of the sale of 20 percent of the Financial Services business in Q4 2014 which reduced earnings attributable to owners of CTC by $13.8 million, or $0.18 per share, and the impact of a gain on the sale of a surplus property which increased earnings attributable to owners of CTC by $25.4 million, or $0.33 per share. The remaining increase in earnings is due to strong performance in the retail segment.

Retail sales

Consolidated retail sales were relatively flat compared to prior year; however, this includes an 11.1 percent decline in Petroleum retail sales due to a decline in gas prices (down 16.7 percent year-over-year). Excluding Petroleum, consolidated retail sales increased 2.5 percent reflecting higher sales across the Canadian Tire, FGL Sports, and Mark's banners. Refer to sections 4.2.3 for further information regarding Retail segment sales growth in the quarter.

Revenue

Consolidated revenue increased $56.9 million, or 1.9 percent, which includes a $76.3 million decline in Petroleum revenue resulting from lower gas prices. Excluding Petroleum, consolidated revenue increased $133.2 million, or 5.3 percent, primarily due to higher shipments at Canadian Tire and increased sales at FGL Sports and Mark's; partially offset by marginally lower revenue at Financial Services. Refer to sections 4.2.3 and 4.4.2 for further information regarding Retail and Financial Services segment revenue.

Gross margin

Consolidated gross margin dollars increased $39.3 million, or 4 percent. The gross margin rate increase of 67 basis points was primarily driven by Petroleum, reflecting the impact of higher per litre gas margins. Excluding Petroleum, the consolidated gross margin rate decreased 57 basis points due to lower gross margin rates in the Retail and Financial Services segments. Refer to sections 4.2.3 and 4.4.2 for further information regarding Retail and Financial Services segment gross margin.

Other income

Consolidated other income increased $34.2 million, primarily due to a $29.2 million gain on the sale of a surplus property during the quarter.

Selling, general and administrative expenses

Consolidated selling, general and administrative expenses increased $20.3 million, or 2.8 percent, primarily due to:

- higher planned personnel costs to support information technology ("IT") initiatives, including the Company's digital strategy;
- higher personnel costs due to higher shipment volumes at Canadian Tire;
- higher occupancy costs due, in part, to new Sport Chek and Atmosphere stores at FGL Sports; and
- increased depreciation and amortization relating to increased capital spending on IT initiatives and increased investment in the Retail network;

partially offset by:

- lower marketing and advertising spend in the Financial Services and Retail segments.

Net finance costs

Net finance costs increased $2.8 million primarily due to higher interest for Glacier notes and CT REIT debentures issued in June 2015; partially offset by lower interest as a result of the redemption of medium-term notes in June 2015, and an increase in interest capitalized on qualifying IT and real estate projects**.**

Income taxes

The effective tax rates for the 13 weeks ended October 3, 2015 decreased to 22.8 percent from 24 percent in the prior year, primarily due to lower non-deductible stock option expense and higher tax benefits related to the disposal of capital properties in the quarter. Refer to section 7.0 for tax matters.

Consolidated year-to-date 2015 versus year-to-date 2014

Consolidated year-to-date net income attributable to owners of CTC increased $21.5 million, or 5.2 percent, over prior year. After normalizing for the one-time cost associated with the early redemption of medium-term notes in Q2 2014, net income attributable to owners of CTC increased $10.6 million, or 2.5% percent. Earnings reflect the impact of the sale of 20 percent of the Financial Services business in Q4 2014 which reduced earnings attributable to owners of CTC by $42.4 million and the impact of a $25.4 million after-tax gain on the sale of a surplus property during Q3 2015.

The increase in earnings is primarily due to strong year-to-date retail sales and revenue growth at Canadian Tire, Mark's, and FGL Sports, higher revenue from increased gross average accounts receivable on a higher number of active accounts at Financial Services, and a lower effective tax rate; partially offset by a decline in the gross margin rate at Mark's, increased personnel and occupancy costs to support IT initiatives and additional stores in the network, and increased depreciation and amortization relating to increased capital spending on IT initiatives.

4.1.3 Seasonal trend analysis

Quarterly operating net income and revenue are affected by seasonality. Largely 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. With the exception of Q1 2015, which was impacted by lower Petroleum revenue due to lower year-over-year gas prices as well as timing of shipments to Dealers, the Company's quarterly revenue and earnings have steadily increased over the past two years. Year-to-date results are impacted by the significant decline in gasoline prices, the sale of 20 percent of the Financial Services business and a significant gain on the sale of surplus property compared to the prior years. The following table shows the financial performance of the Company by quarter for the last two years. Quarterly results could be impacted by normalized items as outlined in section 4.1.

(C$ in millions, except per share amounts)	**Q3 2015**	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Revenue	**$ 3,126.8**	$ 3,257.7	$ 2,514.9	$ 3,653.8	$ 3,069.9	$ 3,166.1	$ 2,573.1	$ 3,328.7
Net income	**219.9**	186.2	88.3	206.6	178.2	178.9	75.6	191.0
Basic EPS attributable to owners of Canadian Tire Corporation	**2.63**	2.16	0.88	2.46	2.19	2.14	0.88	2.34
Diluted EPS attributable to owners of Canadian Tire Corporation	**2.62**	2.15	0.88	2.44	2.17	2.12	0.88	2.32

4.2 Retail segment performance

4.2.1 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 8.3 in this MD&A and to section 9.3 in the MD&A contained in the Company's 2014 Annual Report for definitions and further information on performance measures.

(Year-over-year percentage change, C$ in millions, except as noted)	Q3 2015	Q3 2014	Change	YTD Q3 2015	YTD Q3 2014	Change
Retail segment - total						
Retail sales growth	**0.1 %**	4.4 %		**1.5 %**	3.7 %	
Revenue [1]	**$ 2,826.3**	$ 2,771.2	2.0 %	**$ 7,988.3**	$ 7,943.8	0.6 %
Retail ROIC [2]	**8.26 %**	7.63 %		**n/a**	n/a	
EBITDA [3]	**$ 259.3**	$ 201.4	28.8 %	**$ 578.6**	$ 513.3	12.7 %
Retail segment - by banner						
Canadian Tire						
Retail sales growth [4]	**1.5 %**	3.7 %		**4.5 %**	2.7 %	
Same-store sales growth [4, 5]	**3.4 %**	3.2 %		**3.6 %**	2.2 %	
Sales per square foot [6] (whole $)	**$ 400**	$ 391	2.3 %	**n/a**	n/a	
Revenue [1, 7]	**$ 1,593.9**	$ 1,518.0	5.0 %	**$ 4,632.8**	$ 4,442.3	4.3 %
FGL Sports						
Retail sales growth [8]	**6.5 %**	13.0 %		**7.2 %**	9.7 %	
Same-store sales growth [5, 8]	**7.0 %**	8.5 %		**6.8 %**	7.8 %	
Sales per square foot [9] (whole $)	**$ 296**	$ 284	4.4 %	**n/a**	n/a	
Revenue [1]	**$ 589.5**	$ 508.8	15.9 %	**$ 1,434.5**	$ 1,287.0	11.5 %
Mark's						
Retail sales growth [10]	**2.7 %**	6.5 %		**3.1 %**	3.9 %	
Same-store sales growth [5, 11]	**(0.2)%**	6.8 %		**2.6 %**	4.3 %	
Sales per square foot [11] (whole $)	**$ 340**	$ 329	3.4 %	**n/a**	n/a	
Revenue [1, 12]	**$ 230.4**	$ 222.5	3.6 %	**$ 690.6**	$ 671.5	2.8 %
Petroleum						
Gasoline volume growth in litres	**3.2 %**	(3.0)%		**3.0 %**	(1.7)%	
Same-store gasoline volume growth in litres [5]	**4.0 %**	(4.1)%		**2.8 %**	(3.0)%	
Retail sales growth	**(11.1)%**	(0.4)%		**(13.3)%**	2.6 %	
Revenue [1]	**$ 476.1**	$ 552.4	(13.8)%	**$ 1,334.4**	$ 1,589.5	(16.0)%
Gross margin dollars	**$ 48.1**	$ 43.5	10.6 %	**$ 134.5**	$ 120.0	12.1 %

1 Inter-segment revenue within the retail banners of $63.6 million in the third quarter ($30.5 million for Q3 2014) and $104.0 million ($46.5 million for YTD Q3 2014) has been eliminated at the Retail segment level. Revenue reported for Canadian Tire, FGL Sports, Mark's and Petroleum includes inter-segment revenue.
2 Figures are calculated on a rolling 12-month basis. Retail ROIC has been restated. Refer to section 8.3.1 in this MD&A for additional information.
3 EBITDA is a non-GAAP measure. Refer to section 8.3.2 in this MD&A for additional information.
4 Retail sales growth includes sales from Canadian Tire stores, PartSource stores and the labour portion of Canadian Tire's auto service sales.
5 Same-store sales growth has been calculated by aligning the 2014 fiscal calendar to match the 2015 fiscal calendar (i.e., sales from week one in 2015 are compared against week two in 2014). Refer to section 8.3.1 in this MD&A for additional information.
6 Sales per square foot figures are calculated on a rolling 12-month basis. Excludes PartSource stores. Retail space does not include seasonal outdoor garden centre, 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, includes both corporate and franchise stores and includes 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 Same-store sales growth has been calculated on a rolling 12-month basis, includes sales from both corporate and franchise stores and excludes 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.

4.2.2 Retail banner network at a glance

Number of stores and retail square footage	October 3, 2015	January 3, 2015	September 27, 2014
Consolidated store count			
Canadian Tire stores [1]			
Smart stores	**365**	337	326
Updated and expanded stores	**68**	96	107
Traditional stores	**35**	36	36
Small Market stores	**24**	22	22
Other	**3**	2	2
Total Canadian Tire stores	**495**	493	493
PartSource stores	**91**	91	91
FGL Sports stores			
Sport Chek	**188**	189	184
Sports Experts	**73**	73	73
Atmosphere	**68**	66	64
Other	**99**	108	108
Total FGL Sports stores [2]	**428**	436	429
Mark's stores [1]			
Mark's	**309**	304	291
Mark's Work Wearhouse	**25**	34	47
L'Équipeur	**45**	45	45
Total Mark's stores	**379**	383	383
Canadian Tire gas bar locations	**297**	297	300
Total stores	**1,690**	1,700	1,696
Consolidated retail square footage [3](in millions)			
Canadian Tire	**20.8**	20.5	20.4
PartSource	**0.3**	0.3	0.3
FGL Sports	**7.2**	7.2	7.0
Mark's	**3.5**	3.5	3.5
Total retail square footage [3]	**31.8**	31.5	31.2

[1] Store count numbers reflect individual selling locations. Both Canadian Tire and Mark's totals include stores that are co-located.
[2] 2014 YTD store count includes 8 franchise locations which were converted to buying members during Q3 2015. These stores are no longer included in the 2015 YTD store count.
[3] The retail square footage excludes Petroleum's convenience store rental space.

4.2.3 Retail segment financial results

(C$ in millions)	**Q3 2015**	Q3 2014	Change	**YTD Q3 2015**	YTD Q3 2014	Change
Retail sales [1]	**$ 3,406.1**	$ 3,403.8	0.1%	**$ 9,731.0**	$ 9,585.9	1.5%
Revenue	**$ 2,826.3**	$ 2,771.2	2.0%	**$ 7,988.3**	$ 7,943.8	0.6%
Gross margin dollars	**$ 821.2**	$ 780.5	5.2%	**$ 2,341.9**	$ 2,245.1	4.3%
Gross margin as a % of revenue	**29.1%**	28.2%	89 bps	**29.3%**	28.3%	105 bps
Other (income)	**$ (60.3)**	$ (24.9)	142.3%	**$ (129.6)**	$ (90.4)	43.4%
Selling, general and administrative expenses	**710.3**	683.1	4.0%	**2,147.2**	2,042.2	5.1%
Net finance (income)	**(11.0)**	(8.5)	28.8%	**(30.4)**	(3.7)	726.1%
Income before income taxes	**$ 182.2**	$ 130.8	39.3%	**$ 354.7**	$ 297.0	19.4%

[1] Retail sales is a key operating performance measure. Refer to section 8.3.1 in this MD&A for additional information.

Retail segment third quarter 2015 versus third quarter 2014

Earnings Summary

Income before income taxes increased $51.4 million or 39.3 percent. This increase reflects strong sales and revenue growth in Canadian Tire, FGL Sports, and Mark's, Petroleum's higher per litre gas margins, as well as a $29.2 million pre-tax gain on the sale of a surplus property during the quarter. These increases are partially offset by a lower gross margin rate at Mark's, increased personnel and occupancy costs to support IT initiatives and additional stores in the network, and increased depreciation and amortization relating to increased capital spending on IT initiatives.

Retail sales

Canadian Tire retail sales grew 1.5 percent (same-store sales increased 3.4 percent) reflecting strong seasonal and non-seasonal sales and a shift in sales mix; partially offset by Management's decision to re-focus the Home Services business to products that are sold exclusively within Canadian Tire stores. Sales in all categories (Automotive, Fixing, Living, Playing, and Seasonal) grew in the quarter, with particular strength in Backyard Fun, Camping, and Kitchen sales.

FGL Sports retail sales grew 6.5 percent (same-store sales increased 7 percent) driven by key category sales drivers including electronics, camping, licensed clothing, team sports, and due to a positive customer response to back-to-school promotions.

Retail sales at Mark's grew 2.7 percent (same-store sales decreased 0.2 percent) largely driven by growth in casual footwear. Mark's sales continue to be adversely impacted by a decline in industrial-wear and industrial footwear sales, relating to the slow down in the Alberta economy. As well, warmer September weather across Canada resulted in lower winter apparel sales compared to prior year.

Petroleum retail sales decreased 11.1 percent resulting from a decline in gas prices (down 16.7 percent year-over-year); partially offset by higher gas volume sales and higher non-gas sales.

Revenue

Revenue increased $55.1 million, or 2 percent. Excluding the impact of Petroleum, which was down 13.8 percent year-over-year due to a decline in gas prices, Retail revenue increased 5.9 percent primarily driven by:

- increased product shipments to Dealers at Canadian Tire reflecting solid sales growth in the quarter;
- higher retail sales and incremental sales from new stores at FGL Sports; and
- higher retail sales at Mark's.

Gross margin
Gross margin dollars increased $40.7 million, or 5.2 percent, primarily due to higher shipments at Canadian Tire. The gross margin rate increase of 89 basis points was impacted by higher per litre gas margins at Petroleum. Excluding Petroleum, the gross margin rate decreased 33 basis points primarily due to:

- a significant decline in the gross margin rate at Mark's due to a shift in mix from industrial wear to casual wear products, primarily relating to the economic downturn in Alberta and the impact on product cost of a weaker Canadian dollar;

partially offset by:

- a substantial improvement in the gross margin rate at Canadian Tire as the impact of the weaker Canadian dollar on product cost was more than offset by productivity initiatives focused on optimizing assortments and product cost initiatives.

Other income
Other income increased $35.4 million, primarily due to a $29.2 million gain on the sale of a surplus property during the quarter.

Selling, general and administrative expenses
Selling, general, and administrative expenses increased $27.2 million, or 4 percent, primarily due to:

- higher planned personnel costs to support IT, marketing, digital, and loyalty initiatives;
- higher personnel costs due to higher shipment volumes at Canadian Tire and additional stores at FGL Sports;
- higher occupancy costs due, in part, to new Sport Chek and Atmosphere stores at FGL Sports;
- higher inter-segment occupancy cost relating to market rent paid on retail properties sold to CT REIT; and
- increased depreciation and amortization relating to increased capital spending on IT initiatives and increased investment in the Retail network;

partially offset by:

- lower marketing and advertising spend at Canadian Tire, Mark's, and FGL Sports.

Net finance income
Net finance income increased to $11 million compared to $8.5 million in the previous year primarily due to lower interest rates on debt and an increase in interest capitalized on qualifying IT and real estate projects.

Retail segment year-to-date 2015 versus year-to-date 2014
Retail sales on a year-to-date basis increased 1.5 percent. Excluding Petroleum, which decreased 13.3 percent resulting from lower year-over-year gas prices, retail sales grew 4.9 percent as a result of solid sales across all banners driven by seasonal and non-seasonal categories and successful marketing and promotional campaigns across the Canadian Tire, FGL Sports, and Mark's banners. Revenue remained relatively flat compared to prior year. Excluding the impact of Petroleum, which decreased 16% percent, Retail segment revenue increased 4.7 percent, primarily attributable to strong revenue across all retail banners and higher shipment volumes in key seasonal and non-seasonal categories at Canadian Tire.

Income before income taxes increased 19.4 percent compared to the prior year. Normalizing for the one-time cost associated with the early redemption of medium-term notes in Q2 2014, income before income taxes increased 13.7 percent. This increase reflects strong year-to-date sales and revenue growth in Canadian Tire, Mark's, and FGL Sports, increased net finance income, and a $29.2 million pre-tax gain on the sale of a surplus property during Q3 2015; partially offset by a decrease in Petroleum sales and revenue as a result of lower gas prices, lower gross margin rates at Mark's, increased personnel and occupancy costs to support IT initiatives and additional stores in the network, and increased depreciation and amortization relating to increased capital spending on IT initiatives.

4.2.4 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 6.4.1.3 of the MD&A contained in the 2014 Annual Report for a discussion of these business-specific risks. Also refer to section 10.2 of the MD&A contained in the Company’s 2014 Annual Report for a discussion of other industry-wide and company-wide risks affecting the business.

4.3 CT REIT segment performance

4.3.1 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 8.3 in this MD&A and to section 9.3 in the MD&A contained in the Company's 2014 Annual Report for definitions and further information on performance measures.

(C$ in millions)	**Q3 2015**	Q3 2014	Change	**YTD Q3 2015**	YTD Q3 2014	Change
Net operating income [1]	**$ 67.4**	$ 60.8	11.0%	**$ 197.2**	$ 177.5	11.1%
Funds from operations [1]	**49.4**	44.7	10.4%	**144.7**	130.3	11.1%
Adjusted funds from operations [1]	**38.6**	33.7	14.5%	**112.7**	98.2	14.7%

[1] Non-GAAP measures, refer to section 8.3.2 in this MD&A for additional information.

4.3.2 CT REIT segment financial results

(C$ in millions)	**Q3 2015**	Q3 2014	Change	**YTD Q3 2015**	YTD Q3 2014	Change
Property revenue	**$ 95.9**	$ 89.5	7.1%	**$ 281.6**	$ 255.6	10.2 %
Property expense	**22.0**	21.8	1.4%	**65.1**	57.4	13.5 %
General and administrative expense	**2.2**	1.8	23.4%	**6.9**	6.2	11.9 %
Net finance costs	**22.2**	20.9	5.7%	**65.1**	61.4	6.0 %
Fair market value adjustment	**(9.4)**	(4.1)	129.2%	**(27.2)**	(133.9)	(79.7)%
Income before income taxes	**$ 58.9**	$ 49.1	19.7%	**$ 171.7**	$ 264.5	(35.1)%

CT REIT segment third quarter 2015 versus third quarter 2014

Earnings summary

Income before income taxes in CT REIT increased $9.8 million, or 19.7%, in the quarter, primarily due to properties acquired during 2015 and 2014 and an increase of $5.3 million in the fair market value adjustment over the prior year.

Property revenue

Property revenue for the quarter was $95.9 million, of which $91.6 million was received from CTC. Revenue consists of base rent, operating cost and property tax recoveries.

Property revenue increased by $6.4 million, or 7.1% percent, compared to the prior year mainly due to higher base rent relating to properties acquired and intensification activities completed during 2015 and 2014.

Property expense

Property expense for the quarter was $22 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 marginally by $0.2 million, or 1.4% percent, compared to the prior year largely due to property acquisitions.

General and administrative expense

General and administrative expenses are primarily related to 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 $0.4 million, or 23.4% percent, compared to the prior year primarily due to increased compensation costs; partially offset by lower transfer agency and filing fees.

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 fees and debenture financing fees. Net finance costs were higher by $1.3 million, or 5.7% percent, higher compared to the prior year largely due to interest on debentures issued in June 2015; partially offset by the redemption of Series 1 Class C LP units.

Net operating income

During the quarter, NOI was $67.4 million, which consists of rental revenue less property operating costs. NOI was higher by $6.6 million, or 11% percent, compared to the prior year mainly due to property acquisitions completed in 2015 and 2014. NOI is a non-GAAP measure; refer to section 8.3.2 for additional information.

Funds from operations and adjusted funds from operations

FFO and AFFO for the quarter were $49.4 million and $38.6 million, respectively. FFO and AFFO were higher compared to the prior year by $4.7 million and $4.9 million largely due to the impact of the NOI variances discussed above. FFO and AFFO are non-GAAP measures; refer to section 8.3.2 for additional information.

CT REIT segment year-to-date 2015 versus year-to-date 2014

Property revenue was $281.6 million, of which $269.4 million was received from CTC. Property expense was $65.1 million, the majority of which is recoverable from tenants. Property revenue and property expense increased 10.2% percent and 13.5%, respectively, primarily due to property acquisitions and intensification activities completed in 2015 and 2014.

NOI was $197.2 million and FFO and AFFO were $144.7 million and $112.7 million, respectively. NOI, FFO and AFFO increased $19.7 million, $14.4 million and $14.5 million, respectively, primarily due to property acquisitions completed in 2015 and 2014. NOI, FFO and AFFO are non-GAAP measures; refer to section 8.3.2 for additional information.

4.3.3 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 6.4.2.3 of the MD&A contained in the Company's 2014 Annual Report for a discussion of these business-specific risks. Also refer to section 4 in CT REIT's Annual Information Form for fiscal 2014 and Part X – Enterprise Risk Management in CT REIT's MD&A for the period ended December 31, 2014 for a comprehensive discussion of risks that affect its operations and to section 10.2 in the Company's MD&A contained in the Company's 2014 Annual Report for a discussion of industry-wide and company-wide risks affecting the business.

4.4 Financial Services segment performance

4.4.1 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 8.3 in this MD&A and to section 9.3 in the MD&A contained in the Company's 2014 Annual Report for definitions and further information on performance measures.

(C$ in millions)	**Q3 2015**	Q3 2014	Change	**YTD Q3 2015**	YTD Q3 2014	Change
Credit card sales growth [1]	**0.3%**	1.5%		**0.6%**	3.8%	
Gross average accounts receivable (GAAR)	**$ 4,824.2**	$ 4,744.3	1.7 %	**$ 4,836.3**	$ 4,638.8	4.3%
Revenue [2] (as a % of GAAR)	**22.85%**	23.21%		**n/a**	n/a	
Average number of accounts with a balance [3] (thousands)	**1,847**	1,858	(0.6)%	**1,839**	1,828	0.6%
Average account balance [3] (whole $)	**$ 2,609**	$ 2,550	2.3 %	**$ 2,628**	$ 2,534	3.7%
Net credit card write-off rate [2, 3]	**6.16%**	6.03%		**n/a**	n/a	
Past due credit card receivables [3, 4] (PD2+)	**3.00%**	2.90%		**n/a**	n/a	
Allowance rate [5]	**2.26%**	2.26%		**n/a**	n/a	
Operating expenses [2] (as a % of GAAR)	**5.83%**	6.52%		**n/a**	n/a	
Return on receivables [2]	**7.58%**	7.49%		**n/a**	n/a	

[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.

4.4.2 Financial Services segment financial results

(C$ in millions)	**Q3 2015**	Q3 2014	Change	**YTD Q3 2015**	YTD Q3 2014	Change
Revenue	**$ 275.5**	$ 277.3	(0.7)%	**$ 836.7**	$ 809.6	3.3 %
Gross margin dollars	**162.6**	170.0	(4.3)%	**500.2**	492.4	1.6 %
Gross margin (% of revenue)	**59.0%**	61.3%	(223) bps	**59.8%**	60.8%	(103) bps
Other expense	**0.3**	0.4	(4.6)%	**1.3**	0.7	100.4 %
Selling, general and administrative expenses	**67.1**	73.2	(8.6)%	**205.9**	225.0	(8.5)%
Net finance (income)	**(0.4)**	(2.2)	(83.3)%	**(1.2)**	$ (6.4)	(81.6)%
Income before income taxes	**$ 95.6**	$ 98.6	(2.8)%	**$ 294.2**	$ 273.1	7.8 %

<u>Financial Services segment third quarter 2015 versus third quarter 2014</u>

Earnings summary

Income before income taxes of $95.6 million decreased $3 million, or 2.8 percent, due to increased write-offs and a reduction in interchange revenue resulting from industry wide adoption of a revised rate schedule in Q2 2015; partially offset by increased credit card charges driven by GAAR growth and savings in operating expenses.

Revenue

Revenue decreased by $1.8 million, or 0.7 percent, primarily due to lower interchange revenue and higher loyalty costs; partially offset by increased credit card charges driven by GAAR growth. GAAR increased 1.7 percent driven by increased average account balances; partially offset by a lower accounts due to a conservative approach to new account acquisition in response to economic uncertainty.

Gross margin
Gross margin dollars decreased 4.3 percent and the gross margin rate decreased 223 basis points primarily due to increased write-offs and a higher allowance for future write-offs of the credit card portfolio, partially offset by increased credit charges driven by GAAR growth.

Selling, general and administrative expenses
Selling, general and administrative expenses decreased $6.1 million, or 8.6 percent, primarily due to reduced marketing and advertising expenditures.

Net finance income
Net finance income decreased $1.8 million primarily due to lower interest earned on inter-company loans.

Financial Services segment year-to-date 2015 versus year-to-date 2014
Revenue increased 3.3 percent compared to the prior year due to higher credit charges on increased GAAR and lower revenue deferral on balance transfers and deferred sales transactions[1]; partially offset by lower interchange revenues. GAAR increased 4.3 percent over the prior year driven by increased average account balances and growth in active accounts.

Income before income taxes increased 7.8 percent compared to the prior year as a result of increased revenue from higher credit charges on increased GAAR, lower revenue deferral on balance transfers and deferred sales transactions[1], and lower operating expenses. These variances were partially offset by increased insolvency write-offs and lower interchange revenues.

4.4.3 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 6.4.3.3 of the MD&A contained in the Company's 2014 Annual Report for a discussion of these business-specific risks. Also refer to section 10.2 in the MD&A contained in the Company's 2014 Annual Report for a discussion of additional industry-wide and company-wide risks.

[1] In accordance with IFRS, balance transfers, deferred sales and installment sales are recorded at fair value using an effective interest rate. Financial Services records a reduction to revenue when funding these loans, which is amortized back into revenue over the term of the loan.

5.0 Liquidity, capital resources and contractual obligations

5.1 Summary balance sheet highlights

Selected line items from the Company's assets, liabilities and shareholders' equity as at October 3, 2015, September 27, 2014, and January 3, 2015 are noted below.

(C$ in millions)	**October 3, 2015**	September 27, 2014	January 3, 2015
Assets			
Cash and cash equivalents	**$ 845.8**	$ 409.8	$ 662.1
Trade and other receivables	**1,064.9**	845.2	880.2
Merchandise inventories	**2,137.4**	1,973.0	1,623.8
Long-term investments	**159.9**	94.7	176.0
Property and equipment	**3,925.5**	3,667.5	3,743.1
Total assets	**$ 15,351.2**	$ 14,136.6	$ 14,553.2
Liabilities			
Trade and other payables	**$ 2,178.1**	$ 2,040.4	$ 1,961.2
Short-term borrowings	**122.7**	413.5	199.8
Current portion of long-term debt	**289.3**	321.1	587.5
Long-term debt	**2,971.3**	2,394.1	2,131.6
Other long-term liabilities	**810.1**	235.8	787.8
Total liabilities	**$ 9,671.3**	$ 8,591.4	$ 8,922.4

The year-over-year increase in total assets of $1,214.6 million was due primarily to:

- an increase in cash and cash equivalents of $436 million largely due to excess liquidity at CTB that will be used to fund the maturing GCCT debt of $264.6 million in November 2015 and credit card growth in the fourth quarter;
- an increase in property and equipment of $258 million, primarily due to increased spending on the Bolton DC, acquisitions by CT REIT, and investments in the retail network, including the Company's digital initiatives;
- an increase in trade and other receivables of $219.7 million primarily due to an increase in derivative assets of $132 million arising from a more favourable valuation of the foreign exchange and higher revenue;
- an increase in merchandise inventories of $164.4 million across the retail banners as a result of higher inventory levels to support store network and eCommerce growth, an expanded product assortment, timing of inventory receipts, and to a lesser extent increased product costs due to the weaker Canadian dollar; and
- an increase in long-term investments of $65.2 million driven by a higher liquidity pool in the Financial Services segment, relating to the issuance of the GCCT note for $500 million in June 2015, and the purchase of long-term floating-rate notes.

The year-over-year increase in total liabilities of $1,079.9 million was due primarily to:

- an increase in other long-term liabilities of $574.3 million, largely attributable to the redeemable financial instrument issued in connection with the sale of 20 percent of the Financial Services business in Q4 2014;
- a net increase in debt of $545.4 million primarily due to two debt issuances; a $500 million debt issuance by GCCT and $350 million of debentures issued by CT REIT; partially offset by a $300 million repayment of medium-term notes during the year; and
- an increase in trade and other payables of $137.7 million, mainly driven by higher merchandise payables as a result of higher inventory levels across all retail banners as well as an increase foreign exchange revaluation of foreign denominated payables;

partially offset by:

- a decrease in short-term borrowings of $290.8 million at CTC and CT REIT.

Total assets increased by $798 million compared to January 3, 2015, primarily due to an increase in merchandise inventories driven by build-up of seasonal inventory for the fall and winter seasons and higher inventory levels across retail banners as well as an increase in property and equipment due to capital spending on the Bolton DC, acquisitions by CT REIT, and investments in the retail network.

Total liabilities increased by $748.9 million compared to January 3, 2015, primarily due to a net increase in debt from the GCCT notes and CT REIT debentures and an increase in trade and other payables; partially offset by repayment of medium-term notes during the year.

For the complete balance sheet, refer to the Condensed Consolidated Balance Sheets included in the condensed interim consolidated financial statements for the third quarter of 2015.

5.2 Summary cash flows

The Company's cash and cash equivalents position, net of bank indebtedness was $807.8 million as at October 3, 2015.

The Company's condensed consolidated statements of cash flows for the quarters ended October 3, 2015 and September 27, 2014 are noted below:

(C$ in millions)	**Q3 2015**	Q3 2014 [1]	Change	**YTD Q3 2015**	YTD Q3 2014 [1]	Change
Cash generated from operating activities before the undernoted items	**$ 335.0**	$ 237.0	$ 98.0	**$ 735.6**	$ 627.0	$ 108.6
Change in operating working capital and other	**(404.4)**	(383.3)	(21.1)	**(521.9)**	(410.9)	(111.0)
Change in loans receivable	**62.3**	(26.8)	89.1	**144.2**	(125.4)	269.6
Cash (used for) generated from operating activities	**(7.1)**	(173.1)	166.0	**357.9**	90.7	267.2
Cash generated from (used for) investing activities before the undernoted items	**7.2**	(77.5)	84.7	**(50.4)**	(152.9)	102.5
Additions to property and equipment and investment property	**(158.7)**	(221.4)	62.7	**(351.3)**	(373.8)	22.5
Acquisition of short-term investments	**—**	(50.3)	50.3	**(115.0)**	(204.8)	89.8
Proceeds from the maturity and disposition of short-term investments	**107.5**	87.9	19.6	**323.0**	530.4	(207.4)
Cash (used for) investing activities	**(44.0)**	(261.3)	217.3	**(193.7)**	(201.1)	7.4
Cash (used for) financing activities before the undernoted items	**(199.8)**	(184.4)	(15.4)	**(464.0)**	(461.3)	(2.7)
Net issuance (repayment) of short-term borrowings	**0.2**	212.6	(212.4)	**(77.1)**	293.1	(370.2)
Issuance of long-term debt	**—**	557.6	(557.6)	**854.8**	557.6	297.2
Repayment of long-term debt and finance lease liabilities	**(7.1)**	(4.5)	(2.6)	**(317.9)**	(467.2)	149.3
Cash (used for) generated from financing activities	**(206.7)**	581.3	(788.0)	**(4.2)**	(77.8)	73.6
Cash (used) generated in the period	**$ (257.8)**	$ 146.9	$ (404.7)	**$ 160.0**	$ (188.2)	$ 348.2

[1] Prior year figures have been restated. Refer to Note 18 of the condensed interim consolidated financial statements.

The increase in cash used in the quarter of $404.7 million compared to the prior year was primarily due to:

- a decrease in long-term debt issuances compared to prior year;

partially offset by:

- higher cash generated from operations; and
- a decrease in property acquisitions at CT REIT.

On a year-to-date basis, cash generated in the period increased $348.2 million compared to the prior year primarily due to:

- an increase in the issuance of long-term debt;
- a decrease in the repayment of long-term debt at GCCT due to the timing of debt maturities;
- a decrease in loans receivable balance primarily related to a reduction in credit card loans;
- an increase in cash from operating activities excluding working capital;

partially offset by:

- a decrease in short-term borrowings at CTC and CT REIT; and
- an increase in working capital requirements, primarily the result of increased inventory purchases to support store network growth.

5.3 Capital management
In order to support its growth agenda and meet the goals highlighted in its strategic objectives, the Company actively manages its capital.

5.3.1 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.

5.3.2 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 annual financial statements contained in the Company's 2014 Annual Report, which includes Glacier indebtedness but excludes Franchise Trust indebtedness.

The Company monitors its capital structure through measuring various debt-to-capitalization and debt-to-earnings ratios and ensures its ability to service debt and meet other fixed obligations by tracking its interest and other fixed-charge coverage ratios. As part of this process, Management calculates and monitors its consolidated adjusted net debt metric which includes Glacier indebtedness but excludes Franchise Trust indebtedness. A reconciliation of the Company's adjusted net debt as at October 3, 2015 to reported GAAP measures is provided in section 8.3.2 of this MD&A.

The Company manages its capital structure with a view to maintaining an investment-grade rating from two credit rating agencies. 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 October 3, 2015 and September 27, 2014. Under these covenants, the Company currently has sufficient flexibility to fund business growth and maintain or amend dividend rates within its existing dividend policy. The Company was in compliance with all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI") and its Internal Capital Adequacy Assessment Process which it utilizes to achieve its goals and objectives associated with the operations of CTB, a federally chartered bank.

5.4 Liquidity and financing
The Company is in a strong liquidity position with the ability to access multiple sources of funding to ensure that liquidity is available to meet the Company's strategic objectives.

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 August 2016. 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.

At quarter end, the Company had no commercial paper or borrowings outstanding under its bank lines of credit. GCCT had $122.7 million of commercial paper outstanding and CT REIT had no borrowings under its bank line of credit.

Additional details on the Company's sources of funding, credit ratings and a description of credit market conditions were provided in section 7.3 of the MD&A contained in the Company's 2014 Annual Report.

5.5 Capital expenditures

The Company's capital expenditures for the periods ended October 3, 2015 and September 27, 2014 were as follows:

(C$ in millions)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Real estate [1]	**$ 115.1**	$ 111.3	**$ 204.9**	$ 218.5
Information technology	**52.3**	25.5	**126.7**	78.4
Other operating	**14.5**	16.0	**37.0**	48.3
Operating capital expenditures	**181.9**	152.8	**368.6**	345.2
CT REIT acquisitions and developments excluding vend-ins from CTC [2]	**18.5**	125.2	**33.9**	125.2
Distribution capacity	**26.0**	12.3	**102.8**	26.0
Total capital expenditures [3]	**$ 226.4**	$ 290.3	**$ 505.3**	$ 496.4

[1] Retail capital expenditures include $17.7 million related to the acquisition of 12 real estate leases, formerly held by Target Canada which were acquired during the 39 weeks ended October 3, 2015, and are primarily recorded in "Long-term receivables and other assets" on the Condensed Consolidated Balance Sheets.
[2] Beginning in Q3 2015, the definition of CT REIT acquisitions and developments (excluding vend-ins from CTC) was changed to also exclude inter-segment transactions; the impact is a reduction of $17.3 million on previously stated Q2 YTD figures (impact to previously stated 2014 figures is immaterial).
[3] Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions relating to business combinations and intellectual properties.

The $63.9 million decrease in capital expenditures in Q3 2015 was primarily due to lower year-over-year CT REIT third party acquisitions; partially offset by increased spending on distribution capacity relating to the Bolton DC, as well as increased capital spending on IT initiatives including the Company's digital strategy. Operating capital expenditures were $181.9 million compared to $152.8 million in the prior year.

The year-to-date increase in capital expenditures of $8.9 million was primarily due to increased spending on distribution capacity relating to the Bolton DC, as well as increased capital spending on IT initiatives; partially offset by lower CT REIT third party acquisitions. Operating capital expenditures were $368.6 million compared to $345.2 million in the prior year.

Capital commitments

The Company has commitments of approximately $136.7 million at October 3, 2015 (2014 – $56 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 relating 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 relating to new DC capacity or properties CT REIT acquires from third parties.

Operating capital expenditures in 2015 are expected to be within the range of $600 million to $625 million.

For fiscal 2016, the Company expects average annual operating capital expenditures to be within the range of $625 million to $650 million, excluding the cost of third-party property acquisitions by CT REIT as part of its growth strategy.

Distribution capacity capital expenditures

The Company previously announced that it expected capital expenditures for additional distribution capacity to be in the range of $175 million to $200 million for 2015. The Company now expects capital expenditures to fall below $175 million due to a shift in the timing of spend to fiscal 2016.

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

5.6 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 3, 2015, refer to section 7.3.1.1 of the MD&A contained in the Company's 2014 Annual Report. 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 October 3, 2015.

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 to the consolidated financial statements contained in the Company's 2014 Annual Report. 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 2014 Annual Report. There were no significant changes in guarantees and commitments identified at year-end, other than those discussed in this document.

6.0 Equity

6.1 Shares outstanding

(C$ in millions)	**October 3, 2015**	September 27, 2014	January 3, 2015
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (September 27, 2014 - 3,423,366; January 3, 2015 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
71,530,600 Class A Non-Voting Shares (September 27, 2014 - 74,686,607; January 3, 2015 - 74,023,208)	**677.3**	699.8	695.3
	$ 677.5	$ 700.0	$ 695.5

On February 26, 2015, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to make a NCIB to purchase up to 4 million Class A Non-Voting Shares between March 2, 2015 and March 1, 2016.

As at October 3, 2015, the Company had purchased 2,539,735 Class A Non-Voting Shares at a cost of $322.3 million of which 47,127 shares were purchased for anti-dilutive purposes ($6 million) and 2,492,608 shares were purchased beyond the anti-dilutive requirements ($316.3 million).

On October 9, 2014, the Company announced that it intended to repurchase $400 million of its Class A Non-Voting Shares in excess of the amount required for anti-dilutive purposes by the end of 2015. As at October 3, 2015, the Company had completed the repurchase of the full $400 million of this commitment.

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

On November 11, 2015, the Board of Directors approved and the Company subsequently announced its intention to repurchase a further $550 million of its Class A Non-Voting Shares, in excess of the amount required for anti-dilutive purposes by the end of 2016, subject to regulatory approval.

6.2 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 March 1, 2016 to shareholders of record as of January 31, 2016. The dividend is considered an "eligible dividend" for tax purposes.

6.3 Equity derivative contracts

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

During the third quarter of 2015, the Company entered into a floating rate equity forward to offset its exposure to 100,000 stock option and performance share units at a weighted average purchase price of $126.63.

7.0 Tax matters

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

There have been no material changes in the status of ongoing audits by tax authorities as disclosed in section 8.0 in the MD&A contained in the Company's 2014 Annual Report. The Company anticipates the resolution of certain tax matters under audit by the end of 2015.

Income taxes for the 13 and 39 weeks ended October 3, 2015 increased to $65 million (2014 - $56.3 million) and $171.5 million (2014 - $152.1 million), respectively. The effective tax rates for the 13 and 39 weeks ended October 3, 2015 decreased to 22.8 percent (2014 - 24 percent) and 25.8 percent (2014 - 26 percent), respectively. The effective tax rates decreased primarily due to lower non-deductible stock option expense and higher tax benefits related to the disposal of capital properties in the quarter.

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

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.

Management expects the annual effective tax rate for fiscal 2015 and fiscal 2016 to be approximately 27.5 percent.

8.0 Accounting policies, estimates and non-GAAP measures

8.1 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 notes to the consolidated financial statements contained in the Company's 2014 Annual Report 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.

8.2 Changes in accounting policies

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued and are expected to have an impact on the Company, but are not effective for the fiscal year ending January 2, 2016, and accordingly have not been applied in preparing the condensed interim consolidated financial statements.

Financial instruments

In July 2014, the International Accounting Standard Board ("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 IFRIC 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 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.

Disclosure initiative

In December 2014, the 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. Earlier adoption is permitted. The Company is assessing the potential impact of these amendments.

8.3 Key operating performance measures and non-GAAP financial measures

The Company uses certain key operating performance measures and non-GAAP financial measures and believes that they provide useful information to both Management and investors in measuring the financial performance and financial condition of the Company for the 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 and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

8.3.1 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, for services provided as part of the Home Services offering, and through the Company's online sales channels, and in aggregate does not form part of the Company's condensed interim consolidated financial statements.

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 4.2.1 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 Management 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. 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. 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. During 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. Additional information on same-store sales definitions for Canadian Tire, Mark's and FGL Sports can be found in section 4.2.1 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 4.2.1 of this MD&A and in the glossary contained in the Company's 2014 Annual Report.

Retail ROIC

The Company believes that ROIC is useful in assessing the return on capital invested in its retail assets. In Q4 2014, Management refined the definition of ROIC to isolate the investments in and effects of CT REIT and Financial Services on the Retail segment, thus ensuring that the Retail ROIC metric reflects a pure retail business number. 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.

8.3.2 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 October 3, 2015 and September 27, 2014. 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)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Adjusted EBITDA	**$ 415.1**	$ 351.9	**$ 1,044.8**	$ 938.9
Change in fair value of redeemable financial instrument (income)/expense	**—**	—	**—**	—
EBITDA	**$ 415.1**	$ 351.9	**$ 1,044.8**	$ 938.9
Less:				
Depreciation and amortization[1]	**106.0**	96.0	**308.4**	268.6
Net finance costs	**24.2**	21.4	**70.5**	85.5
Income before income taxes	**$ 284.9**	$ 234.5	**$ 665.9**	$ 584.8
Income taxes	**65.0**	56.3	**171.5**	152.1
Effective tax rate	**22.8%**	24.0%	**25.8%**	26.0%
Net income	**$ 219.9**	$ 178.2	**$ 494.4**	$ 432.7

[1] Includes $2.2 million reported in cost of producing revenue in the quarter ($1.8 million in 2014) and $6.6 million for Q3 YTD 2015 ($5.0 million in Q3 YTD 2014).

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 October 3, 2015 and September 27, 2014.

(C$ in millions)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
EBITDA	**$ 259.3**	$ 201.4	**$ 578.6**	$ 513.3
Less:				
Depreciation and amortization[1]	**88.1**	79.1	**254.3**	220.0
Net finance (income)	**(11.0)**	(8.5)	**(30.4)**	(3.7)
Income before income taxes	**$ 182.2**	$ 130.8	**$ 354.7**	$ 297.0

[1] Includes $2.2 million reported in cost of producing revenue in the quarter ($1.8 million in 2014) and $6.6 million for Q3 YTD 2015 ($5.0 million for Q3 YTD 2014).

Normalized net income and earnings per share
During the prior year, the Company's results of operations included non-operational items. Management believes that normalizing GAAP net income attributable to owners of the Company and basic EPS attributable to owners of the Company for non-operational items provides a useful method for assessing the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business.

The following is a reconciliation of normalized net income attributable to owners of the Company and normalized basic and diluted EPS attributable to owners of the Company to the respective GAAP measures:

(C$ in millions, except per share amounts)	**Q3 2015**	**EPS**	Q3 2014	EPS	**YTD Q3 2015**	**EPS**	YTD Q3 2014	EPS
Net income/basic EPS attributable to owners of Canadian Tire Corporation	**$ 199.7**	**$ 2.63**	$ 172.2	$ 2.19	**$ 434.2**	**$ 5.66**	$ 412.7	$ 5.20
Add (deduct) the impact of the following:								
Medium-term notes redemption	**—**	**—**	—	—	**—**	**—**	15.0	0.19
Tax impact of medium-term notes	**—**	**—**	—	—	**—**	**—**	(4.1)	(0.05)
Adjusted net income/adjusted basic EPS attributable to owners of Canadian Tire Corporation	**$ 199.7**	**$ 2.63**	$ 172.2	$ 2.19	**$ 434.2**	**$ 5.66**	$ 423.6	$ 5.34
Adjusted net income/adjusted diluted EPS attributable to owners of Canadian Tire Corporation	**$ 199.7**	**$ 2.62**	$ 172.2	$ 2.17	**$ 434.2**	**$ 5.62**	$ 423.6	$ 5.30

Normalized Retail segment income before income taxes
The following is a reconciliation of normalized Retail segment income before income taxes to the nearest supplementary GAAP measure:

(C$ in millions)	**Q3 2015**	Q3 2014	**YTD Q3 2015**	YTD Q3 2014
Income before income taxes	**$ 182.2**	$ 130.8	**$ 354.7**	$ 297.0
Add (deduct) the impact of the following:				
Medium-term notes redemption	**—**	—	**—**	15.0
Adjusted income before income taxes	**$ 182.2**	$ 130.8	**$ 354.7**	$ 312.0

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 intercompany debt and liquid assets.

As at October 3, 2015 (C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	**$ 38.0**	**$ 38.0**	**$ —**	**$ —**
Short-term deposits	**870.6**	**—**	**—**	**870.6**
Long-term deposits	**1,351.2**	**—**	**—**	**1,351.2**
Short-term borrowings	**122.7**	**—**	**—**	**122.7**
Current portion of long-term debt	**289.3**	**20.1**	**4.2**	**265.0**
Long-term debt	**2,971.3**	**673.2**	**404.3**	**1,893.8**
Debt	**5,643.1**	**731.3**	**408.5**	**4,503.3**
Liquid assets[1]	**(1,121.8)**	**(452.2)**	**(43.5)**	**(626.1)**
Net debt (cash)	**4,521.3**	**279.1**	**365.0**	**3,877.2**
Inter-company debt	**—**	**(1,736.6)**	**1,670.4**	**66.2**
Adjusted net debt (cash)	**$ 4,521.3**	**$ (1,457.5)**	**$ 2,035.4**	**$ 3,943.4**

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

As at September 27, 2014 (C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ 23.8	$ 23.6	$ —	$ 0.2
Short-term deposits	911.4	—	—	911.4
Long-term deposits	1,284.2	—	—	1,284.2
Short-term borrowings	413.5	248.1	44.0	121.4
Current portion of long-term debt	321.1	319.0	1.5	0.6
Long-term debt	2,394.1	678.3	57.6	1,658.2
Debt	5,348.1	1,269.0	103.1	3,976.0
Liquid assets[1,2]	(682.0)	(344.3)	(1.5)	(336.2)
Net debt (cash)	4,666.1	924.7	101.6	3,639.8
Inter-company debt	—	(1,938.1)	1,847.3	90.8
Adjusted net debt (cash)	$ 4,666.1	$ (1,013.4)	$ 1,948.9	$ 3,730.6

[1] Liquid assets include cash, short-term investments and long-term investments
[2] Financial Services' liquid assets have been restated to reflect the OSFI liquidity coverage ratio requirements that came into effect on January 1, 2015

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 for the quarter.

(C$ in millions)	**Q3 2015**	Q3 2014	**YTD Q3 2015**	YTD Q3 2014
Property revenue	**$ 95.9**	$ 89.5	**$ 281.6**	$ 255.6
Less:				
Property expense	**22.0**	21.8	**65.1**	57.4
Straight-line rent adjustment	**6.5**	6.9	**19.4**	20.8
Add:				
Straight-line land lease expense adjustment	**—**	—	**0.1**	0.1
Net operating income	**$ 67.4**	$ 60.8	**$ 197.2**	$ 177.5

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 to 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 for maintaining 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 the Condensed Consolidated Statements of Income and the Condensed Consolidated Statements of Comprehensive Income for the quarter.

(C$ in millions)	Q3 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
Income before income taxes	**$ 58.9**	$ 49.1	**$ 171.7**	$ 264.5
Fair value adjustment of investment property	**(9.4)**	(4.1)	**(27.2)**	(133.9)
Deferred taxes	**(0.2)**	(0.3)	**0.2**	(0.3)
Fair value of equity awards	**0.1**	—	**—**	—
Funds from operations	**49.4**	44.7	**144.7**	130.3
Properties straight-line rent adjustment	**(6.5)**	(6.9)	**(19.4)**	(20.8)
Straight-line land lease expense adjustment	**—**	—	**0.1**	0.1
Capital expenditure reserve	**(4.3)**	(4.1)	**(12.7)**	(11.4)
Adjusted funds from operations	**$ 38.6**	$ 33.7	**$ 112.7**	$ 98.2

9.0 Enterprise risk management

To preserve and enhance shareholder value and CTC's brand, the Company approaches the management of risk strategically through its enterprise risk management ("ERM Program"). The Company's ERM Program addresses risk identification, quantification, monitoring and integration. In addition, protecting and enhancing CTC's brand and reputation is a key consideration in the effective management of each of the Principal Risks.

The ERM Program provides an integrated approach to the management of risks, supporting the Company's strategies and objectives, and is described in detail in sections 10.0 and 10.2 respectively, in the MD&A contained in the Company's 2014 Annual Report.

The Company's ERM Program continues to further develop and refine underlying processes and tools aimed at supporting the identification, evaluation, monitoring and reporting of key risks across the Company.

10.0 Controls and procedures

Details relating to disclosure controls and procedures and internal controls over financial reporting are disclosed in section 11.0 of the MD&A contained in the Company's 2014 Annual Report.

Changes in internal control over financial reporting
During the quarter ended October 3, 2015, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

11.0 Social and environmental responsibility

11.1 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.

11.2 Social responsibility: Charitable activities
The Company's charitable efforts are reflected in the work of Canadian Tire Jumpstart. Canadian Tire Jumpstart helps children from financially disadvantaged families gain the life benefits associated with participating in organized sports and recreational activities. The Charity assists eligible applicants with the cost of registration, equipment and transportation. Through its 332 active chapters, Canadian Tire Jumpstart has funded the programming costs for over 1,018,000 children since the launch of the program in 2005.

During 2015, Canadian Tire Jumpstart, through the support of the Corporation, its vendors, employees, and customers, has raised over $17.5 million across Canada, helping over 125,000 children participate in sports, and recreation programs.

11.3 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.

11.4 Social responsibility: Responsible sourcing practices
The Company's Supplier Code of Business Conduct ("the Code") sets out the principles and practices of ethical business conduct that the Company expects of its suppliers of goods and services. The Code addresses bribery, child labour, forced labour, discrimination, freedom of association, wages and benefits, working hours, health and safety, and disciplinary actions. The Company mitigates social compliance risk through a combination of ensuring suppliers have signed the Code as evidence of agreement; internal assessments of suppliers; and third-party audits of suppliers' facilities. Where corrective action plans are required, the Company works with suppliers to continually improve factory performance. The Company reserves the right to terminate its business relationship with any supplier who fails to implement corrective actions or refuses to comply with the Code. For further information and the Company's Supplier Code of Business Conduct visit: corp.canadiantire.ca/EN/CorporateCitizenship/ResponsibleSourcing/Pages/default.aspx

11.5 Environmental responsibility
The Company's sustainability strategy supports its corporate strategic objectives. 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 will report on benefits from sustainability initiatives and its annual environmental footprint in its 2015 Annual Report.

For further details, please refer to section 12.3 in the MD&A contained in the Company's 2014 Annual Report or our Business Sustainability Performance Reports at: http://corp.canadiantire.ca/EN/CorporateCitizenship/EnvironmentalSustainability/Pages/OurProgressReports.aspx

12.0 Forward-looking statements and other investor communication

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

- the Company's three-year growth strategy and financial aspirations for fiscal years 2015 to 2017 in section 3.1;
- 2015 strategic imperatives and objectives in section 3.2;
- capital management objectives in subsection 5.3.1;
- liquidity and availability of financing in section 5.4;
- capital expenditures in section 5.5;
- contractual obligations, guarantees and commitments in section 5.6;
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in excess of the amount required for anti-dilutive purposes in section 6.1; and
- tax matters in section 7.0.

Forward-looking statements provide information about Management's current expectations and plans, and allowing 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 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; (g) the Company's capital structure, funding strategy, cost management programs and share price; and (h) the Company's ability to maintain all necessary regulatory approvals. 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 6.4.1.3 (Retail segment business risks), 6.4.2.3 (CT REIT segment business risks), 6.4.3.3 (Financial Services segment business risks) and 10.0 (Enterprise risk management) and all subsections thereunder of the MD&A contained in the Company's 2014 Annual Report. Please also refer to section 2.10 (Risk Factors) of the Company's Annual Information Form for fiscal 2014, 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 write downs 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 all references in this MD&A to 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: corp.canadiantire.ca/en/investors, includes the following documents and information of interest to investors:

- the Annual Report;
- 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 Annual Report, 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.

November 11, 2015

CANADIAN TIRE CORPORATION, LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Q3 2015

Condensed Consolidated Balance Sheets (Unaudited)

As at (C$ in millions)	October 3, 2015	September 27, 2014	January 3, 2015
ASSETS			
Cash and cash equivalents (Note 14)	**$ 845.8**	$ 409.8	$ 662.1
Short-term investments	**116.1**	177.5	289.1
Trade and other receivables	**1,064.9**	845.2	880.2
Loans receivable (Note 6)	**4,716.0**	4,685.2	4,905.5
Merchandise inventories	**2,137.4**	1,973.0	1,623.8
Income taxes recoverable	**66.6**	60.0	31.9
Prepaid expenses and deposits	**144.8**	90.9	104.5
Assets classified as held for sale	**10.3**	9.3	13.1
Total current assets	**9,101.9**	8,250.9	8,510.2
Long-term receivables and other assets	**747.6**	717.0	684.2
Long-term investments	**159.9**	94.7	176.0
Goodwill and intangible assets	**1,220.2**	1,214.4	1,251.7
Investment property	**135.8**	149.0	148.6
Property and equipment	**3,925.5**	3,667.5	3,743.1
Deferred income taxes	**60.3**	43.1	39.4
Total assets	**$ 15,351.2**	$ 14,136.6	$ 14,553.2
LIABILITIES			
Bank indebtedness (Note 14)	**$ 38.0**	$ 23.8	$ 14.3
Deposits	**870.6**	911.4	950.7
Trade and other payables	**2,178.1**	2,040.4	1,961.2
Provisions	**209.6**	192.3	206.0
Short-term borrowings	**122.7**	413.5	199.8
Loans payable	**634.1**	610.7	604.4
Income taxes payable	**56.3**	28.6	54.9
Current portion of long-term debt	**289.3**	321.1	587.5
Total current liabilities	**4,398.7**	4,541.8	4,578.8
Long-term provisions	**44.2**	39.2	44.1
Long-term debt (Note 7)	**2,971.3**	2,394.1	2,131.6
Long-term deposits	**1,351.2**	1,284.2	1,286.2
Deferred income taxes	**95.8**	96.3	93.9
Other long-term liabilities	**810.1**	235.8	787.8
Total liabilities	**9,671.3**	8,591.4	8,922.4
EQUITY			
Share capital (Note 8)	**677.5**	700.0	695.5
Contributed surplus	**2.9**	2.9	2.9
Accumulated other comprehensive income	**110.9**	37.8	82.0
Retained earnings	**4,091.2**	4,516.8	4,075.1
Equity attributable to owners of Canadian Tire Corporation	**4,882.5**	5,257.5	4,855.5
Non-controlling interests	**797.4**	287.7	775.3
Total equity	**5,679.9**	5,545.2	5,630.8
Total liabilities and equity	**$ 15,351.2**	$ 14,136.6	$ 14,553.2

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		39 weeks ended	
(C$ in millions, except per share amounts)	**October 3, 2015**	September 27, 2014	**October 3, 2015**	September 27, 2014
Revenue (Note 10)	**$ 3,126.8**	$ 3,069.9	**$ 8,899.4**	$ 8,809.1
Cost of producing revenue (Note 11)	**2,102.9**	2,085.3	**5,941.7**	5,976.3
Gross margin	**1,023.9**	984.6	**2,957.7**	2,832.8
Other (income)	**(34.2)**	—	**(51.0)**	(16.6)
Selling, general and administrative expenses (Note 12)	**749.0**	728.7	**2,272.3**	2,179.1
Net finance costs (Note 13)	**24.2**	21.4	**70.5**	85.5
Income before income taxes	**284.9**	234.5	**665.9**	584.8
Income taxes	**65.0**	56.3	**171.5**	152.1
Net income	**$ 219.9**	$ 178.2	**$ 494.4**	$ 432.7
Net income attributable to:				
Owners of Canadian Tire Corporation	**$ 199.7**	$ 172.2	**$ 434.2**	$ 412.7
Non-controlling interests	**20.2**	6.0	**60.2**	20.0
	$ 219.9	$ 178.2	**$ 494.4**	$ 432.7
Basic earnings per share attributable to owners of Canadian Tire Corporation	**$ 2.63**	$ 2.19	**$ 5.66**	$ 5.20
Diluted earnings per share attributable to owners of Canadian Tire Corporation	**$ 2.62**	$ 2.17	**$ 5.62**	$ 5.16
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	**75,796,157**	78,666,832	**76,655,613**	79,365,588
Diluted	**76,224,768**	79,213,430	**77,192,526**	79,972,994

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

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

For the	13 weeks ended		39 weeks ended	
(C$ in millions)	**October 3, 2015**	September 27, 2014	**October 3, 2015**	September 27, 2014
Net income	**$ 219.9**	$ 178.2	**$ 494.4**	$ 432.7
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income:				
Cash flow hedges:				
Gains, net of tax of $30.5 and $68.8 (2014 - $20.7 and $16.5)	**82.4**	57.5	**189.9**	47.7
Reclassification of gains to non-financial assets, net of tax of $28.1 and $57.3 (2014 - $4.3 and $19.4)	**(75.9)**	(12.0)	**(158.7)**	(55.8)
Reclassification of gains to income, net of tax of $0.4 and $1.0 (2014 - $0.1 and $0.4)	**(1.2)**	(0.4)	**(2.8)**	(1.3)
Available-for-sale financial assets:				
Losses, net of tax of $0.3 and $0.3 (2014 - $nil and $nil)	**(0.6)**	(0.1)	**(0.7)**	(0.2)
Other comprehensive income (loss)	**4.7**	45.0	**27.7**	(9.6)
Other comprehensive income (loss) attributable to:				
Owners of Canadian Tire Corporation	**$ 6.3**	$ 45.0	**$ 28.9**	$ (9.6)
Non-controlling interests	**(1.6)**	—	**(1.2)**	—
	$ 4.7	$ 45.0	**$ 27.7**	$ (9.6)
Comprehensive income	**$ 224.6**	$ 223.2	**$ 522.1**	$ 423.1
Comprehensive income attributable to:				
Owners of Canadian Tire Corporation	**$ 206.0**	$ 217.2	**$ 463.1**	$ 403.1
Non-controlling interests	**18.6**	6.0	**59.0**	20.0
	$ 224.6	$ 223.2	**$ 522.1**	$ 423.1

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

Condensed Consolidated Statements of Cash Flows (Unaudited)

For the	13 weeks ended		39 weeks ended	
(C$ in millions)	**October 3, 2015**	September 27, 2014	**October 3, 2015**	September 27, 2014
		(Note 18)		(Note 18)
Cash (used for) generated from:				
Operating activities				
Net income	**$ 219.9**	$ 178.2	**$ 494.4**	$ 432.7
Adjustments for:				
Depreciation of property and equipment and investment property (Notes 11 and 12)	**76.8**	72.3	**226.6**	202.4
Income tax expense	**65.0**	56.3	**171.5**	152.1
Net finance costs	**24.2**	21.4	**70.5**	85.5
Amortization of intangible assets (Note 12)	**29.2**	23.7	**81.8**	66.2
Changes in fair value of derivative instruments	**28.8**	(27.3)	**24.8**	(19.5)
(Gain) loss on disposal of property and equipment, investment property, assets held for sale, intangible assets, and lease terminations	**(25.9)**	0.5	**(39.4)**	(12.2)
Interest paid	**(24.3)**	(16.4)	**(77.3)**	(90.2)
Interest received	**2.4**	1.4	**6.4**	7.9
Income taxes paid	**(64.6)**	(81.5)	**(233.6)**	(214.5)
Other	**3.5**	8.4	**9.9**	16.6
	335.0	237.0	**735.6**	627.0
Change in operating working capital and other (Note 14)	**(404.4)**	(383.3)	**(521.9)**	(410.9)
Change in loans receivable	**62.3**	(26.8)	**144.2**	(125.4)
Cash (used for) generated from operating activities	**(7.1)**	(173.1)	**357.9**	90.7
Investing activities				
Additions to property and equipment and investment property	**(158.7)**	(221.4)	**(351.3)**	(373.8)
Additions to intangible assets	**(18.4)**	(17.2)	**(59.4)**	(91.0)
	(177.1)	(238.6)	**(410.7)**	(464.8)
Acquisition of short-term investments	**—**	(50.3)	**(115.0)**	(204.8)
Proceeds from the maturity and disposition of short-term investments	**107.5**	87.9	**323.0**	530.4
Acquisition of long-term investments	**(10.0)**	(54.4)	**(20.1)**	(54.4)
Proceeds from the disposition of long-term investments	**—**	—	**—**	7.6
Proceeds on disposition of property and equipment, investment property and assets held for sale	**44.2**	2.8	**58.8**	21.3
Long-term receivables and other assets	**(7.7)**	(1.3)	**(25.5)**	(20.0)
Other	**(0.9)**	(7.4)	**(4.2)**	(16.4)
	133.1	(22.7)	**217.0**	263.7
Cash (used for) investing activities	**(44.0)**	(261.3)	**(193.7)**	(201.1)
Financing activities				
Dividends paid	**(37.9)**	(37.6)	**(115.2)**	(104.2)
Distributions paid to non-controlling interests	**(9.9)**	(6.0)	**(36.9)**	(14.9)
	(47.8)	(43.6)	**(152.1)**	(119.1)
Net issuance (repayment) of short-term borrowings	**0.2**	212.6	**(77.1)**	293.1
Issuance of loans payable	**49.9**	112.6	**201.4**	185.6
Repayment of loans payable	**(51.3)**	(102.5)	**(171.7)**	(186.1)
Issuance of long-term debt (Note 7)	**—**	557.6	**854.8**	557.6
Repayment of long-term debt and finance lease liabilities (Note 7)	**(7.1)**	(4.5)	**(317.9)**	(467.2)
Payment of transaction costs related to long-term debt	**1.3**	(0.3)	**(6.0)**	(1.0)
	(7.0)	775.5	**483.5**	382.0
Repurchase of share capital	**(161.5)**	(99.6)	**(317.9)**	(203.2)
Change in deposits	**9.6**	(51.0)	**(17.7)**	(137.5)
Cash (used for) generated from financing activities	**(206.7)**	581.3	**(4.2)**	(77.8)
Cash (used) generated in the period	**(257.8)**	146.9	**160.0**	(188.2)
Cash and cash equivalents, net of bank indebtedness, beginning of period	**1,065.6**	239.1	**647.8**	574.2
Cash and cash equivalents, net of bank indebtedness, end of period (Note 14)	**$ 807.8**	$ 386.0	**$ 807.8**	$ 386.0

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

Condensed Consolidated Statements of Changes in Equity (Unaudited)

(C$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income: Cashflow hedges	Total accumulated other comprehensive income: Fair value changes in available-for-sale financial assets	Total accumulated other comprehensive income: Total accumulated other comprehensive income	Retained earnings	Equity attributable to owners 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**
Total comprehensive income (loss)									
Net income	**—**	**—**	**—**	**—**	**—**	**434.2**	**434.2**	**60.2**	**494.4**
Other comprehensive income (loss)	**—**	**—**	**29.6**	**(0.7)**	**28.9**	**—**	**28.9**	**(1.2)**	**27.7**
Total comprehensive income (loss)	**—**	**—**	**29.6**	**(0.7)**	**28.9**	**434.2**	**463.1**	**59.0**	**522.1**
Contributions by and distributions to owners of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 8)	**6.0**	**—**	**—**	**—**	**—**	**—**	**6.0**	**—**	**6.0**
Repurchase of Class A Non-Voting Shares (Note 8)	**(322.3)**	**—**	**—**	**—**	**—**	**—**	**(322.3)**	**—**	**(322.3)**
Excess of purchase price over average cost (Note 8)	**298.3**	**—**	**—**	**—**	**—**	**(298.3)**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**—**	**—**	**(119.8)**	**(119.8)**	**—**	**(119.8)**
Contributions by and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1.3**	**1.3**
Distributions and dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(38.2)**	**(38.2)**
Total contributions and distributions	**(18.0)**	**—**	**—**	**—**	**—**	**(418.1)**	**(436.1)**	**(36.9)**	**(473.0)**
Balance at October 3, 2015	**$ 677.5**	**$ 2.9**	**$ 111.4**	**$ (0.5)**	**$ 110.9**	**$ 4,091.2**	**$ 4,882.5**	**$ 797.4**	**$ 5,679.9**

(C$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income: Cashflow hedges	Total accumulated other comprehensive income: Fair value changes in available-for-sale financial assets	Total accumulated other comprehensive income: Total accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to owners of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
Balance at December 28, 2013	$ 712.9	$ 2.4	$ 47.0	$ 0.4	$ 47.4	$ 4,404.6	$ 5,167.3	$ 282.6	$ 5,449.9
Total comprehensive (loss) income									
Net income	—	—	—	—	—	412.7	412.7	20.0	432.7
Other comprehensive (loss)	—	—	(9.4)	(0.2)	(9.6)	—	(9.6)	—	(9.6)
Total comprehensive (loss) income	—	—	(9.4)	(0.2)	(9.6)	412.7	403.1	20.0	423.1
Contributions by and distributions to owners of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 8)	5.1	—	—	—	—	—	5.1	—	5.1
Repurchase of Class A Non-Voting Shares (Note 8)	(205.1)	—	—	—	—	—	(205.1)	—	(205.1)
Excess of purchase price over average cost (Note 8)	187.1	—	—	—	—	(187.1)	—	—	—
Dividends	—	—	—	—	—	(113.4)	(113.4)	—	(113.4)
Contributed surplus arising on sale of property to CT REIT	—	0.5	—	—	—	—	0.5	—	0.5
Contributions by and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	1.4	1.4
Distributions to non-controlling interests	—	—	—	—	—	—	—	(16.3)	(16.3)
Total contributions and distributions	(12.9)	0.5	—	—	—	(300.5)	(312.9)	(14.9)	(327.8)
Balance at September 27, 2014	$ 700.0	$ 2.9	$ 37.6	$ 0.2	$ 37.8	$ 4,516.8	$ 5,257.5	$ 287.7	$ 5,545.2

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

1. The Company and its operations

Canadian Tire Corporation, Limited is a Canadian public company primarily domiciled in Canada. Its registered office is located at 2180 Yonge Street, Toronto, Ontario, M4P 2V8, Canada. It is listed on the Toronto Stock Exchange (TSX – CTC, CTC.A). Canadian Tire Corporation, Limited and 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 5.

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 and 39 weeks ended October 3, 2015 (and comparative results for the 13 and 39 weeks ended September 27, 2014) 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 2014 Annual Report. They have been prepared using the same accounting policies that were described in Note 3 to the consolidated financial statements contained in the Company’s 2014 Annual Report.

These interim financial statements were authorized for issuance by the Company’s Board of Directors on November 11, 2015.

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

- financial instruments at fair value through profit or loss;
- 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. All financial information is presented in millions, except per share amounts.

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

- accounting policies;
- the reported amounts of assets and liabilities;
- disclosures of contingent assets and liabilities; and
- the amounts of revenue and expenses 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 2014 Annual Report.

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued and are expected to have an impact on the Company, but are not effective for the fiscal year ending January 2, 2016, and accordingly have not been applied in preparing these interim financial statements.

Financial instruments

In July 2014, the International Accounting Standard Board ("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 IFRIC 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 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.

Disclosure initiative

In December 2014, the 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. Earlier 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 2014 Annual Report, which includes Glacier Credit Card Trust ("GCCT") indebtedness but excludes Franchise Trust indebtedness.

The Company manages its capital structure to maintain an investment-grade rating from two credit rating agencies. 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 October 3, 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. 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 which it utilizes to achieve its goals and objectives associated with the operations of Canadian Tire Bank, a federally chartered bank.

4. Liquidity and financing

GCCT filed a short form base shelf prospectus on March 31, 2015 enabling the issuance of up to $1.5 billion of term notes for the subsequent 25-month period. In addition, on March 5, 2015, CT Real Estate Investment Trust ("CT REIT") filed a short form base shelf prospectus under which it may raise up to $1.5 billion of debt and equity capital.

5. Operating segments

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

- Retail comprises the Living, Playing, Fixing, Automotive, Seasonal, Apparel and Sporting Goods categories. 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), a financing program established to provide an efficient and cost-effective way for Dealers to access the majority of the financing required for their store operations. 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 the Canadian Tire Options MasterCard, the Cash Advantage MasterCard, the Gas Advantage MasterCard and the Sport Chek MasterCard. Financial Services also markets insurance and warranty products and processes credit card transactions with respect to purchases made in Canadian Tire Dealer associate stores and Petroleum outlets. Financial Services includes Canadian Tire Bank, 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 personal loan and line of credit portfolios. The Bank also offers and markets high-interest savings account deposits, tax free savings account deposits and broker guaranteed investment certificate 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 reviewed by the Company's chief operating decision maker. 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:

	13 weeks ended									
	October 3, 2015					September 27, 2014				
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$2,824.9**	**$ 4.3**	**$ 271.7**	**$ 25.9**	**$ 3,126.8**	$2,769.7	$ 4.9	$ 273.3	$ 22.0	$ 3,069.9
Intercompany revenue	**1.4**	**91.6**	**3.8**	**(96.8)**	**—**	1.5	84.6	4.0	(90.1)	—
Total revenue	**2,826.3**	**95.9**	**275.5**	**(70.9)**	**3,126.8**	2,771.2	89.5	277.3	(68.1)	3,069.9
Cost of producing revenue	**2,005.1**	**—**	**112.9**	**(15.1)**	**2,102.9**	1,990.7	—	107.3	(12.7)	2,085.3
Gross margin	**821.2**	**95.9**	**162.6**	**(55.8)**	**1,023.9**	780.5	89.5	170.0	(55.4)	984.6
Other (income) expense	**(60.3)**	**—**	**0.3**	**25.8**	**(34.2)**	(24.9)	—	0.4	24.5	—
Selling, general and administrative expenses	**710.3**	**24.2**	**67.1**	**(52.6)**	**749.0**	683.1	23.6	73.2	(51.2)	728.7
Net finance (income) costs	**(11.0)**	**22.2**	**(0.4)**	**13.4**	**24.2**	(8.5)	20.9	(2.2)	11.2	21.4
Fair value (gain) on investment properties	**—**	**(9.4)**	**—**	**9.4**	**—**	—	(4.1)	—	4.1	—
Income before income taxes	**$ 182.2**	**$ 58.9**	**$ 95.6**	**$ (51.8)**	**$ 284.9**	$ 130.8	$ 49.1	$ 98.6	$ (44.0)	$ 234.5
Items included in the above:										
Depreciation and amortization	**$ 88.1**	**$ —**	**$ 1.5**	**$ 16.4**	**$ 106.0**	$ 79.1	$ —	$ 2.1	$ 14.8	$ 96.0
Interest income	**24.0**	**—**	**215.2**	**(18.9)**	**220.3**	30.0	—	203.0	(26.1)	206.9
Interest expense	**9.8**	**22.2**	**28.7**	**(19.0)**	**41.7**	17.9	20.9	26.9	(26.3)	39.4

	39 weeks ended									
	October 3, 2015					September 27, 2014				
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$7,984.2**	**$ 12.2**	**$ 826.4**	**$ 76.6**	**$ 8,899.4**	$7,939.5	$ 9.6	$ 797.5	$ 62.5	$ 8,809.1
Intercompany revenue	**4.1**	**269.4**	**10.3**	**(283.8)**	**—**	4.3	246.0	12.1	(262.4)	—
Total revenue	**7,988.3**	**281.6**	**836.7**	**(207.2)**	**8,899.4**	7,943.8	255.6	809.6	(199.9)	8,809.1
Cost of producing revenue	**5,646.4**	**—**	**336.5**	**(41.2)**	**5,941.7**	5,698.7	—	317.2	(39.6)	5,976.3
Gross margin	**2,341.9**	**281.6**	**500.2**	**(166.0)**	**2,957.7**	2,245.1	255.6	492.4	(160.3)	2,832.8
Other (income) expense	**(129.6)**	**—**	**1.3**	**77.3**	**(51.0)**	(90.4)	—	0.7	73.1	(16.6)
Selling, general and administrative expenses	**2,147.2**	**72.0**	**205.9**	**(152.8)**	**2,272.3**	2,042.2	63.6	225.0	(151.7)	2,179.1
Net finance (income) costs	**(30.4)**	**65.1**	**(1.2)**	**37.0**	**70.5**	(3.7)	61.4	(6.4)	34.2	85.5
Fair value (gain) on investment properties	**—**	**(27.2)**	**—**	**27.2**	**—**	—	(133.9)	—	133.9	—
Income before income taxes	**$ 354.7**	**$ 171.7**	**$ 294.2**	**$ (154.7)**	**$ 665.9**	$ 297.0	$ 264.5	$ 273.1	$ (249.8)	$ 584.8
Items included in the above:										
Depreciation and amortization	**$ 254.3**	**$ —**	**$ 4.9**	**$ 49.2**	**$ 308.4**	$ 220.0	$ —	$ 6.3	$ 42.3	$ 268.6
Interest income	**77.6**	**0.1**	**641.5**	**(61.6)**	**657.6**	89.0	0.3	592.5	(75.8)	606.0
Interest expense	**37.3**	**65.2**	**82.1**	**(62.0)**	**122.6**	74.5	61.7	83.3	(76.4)	143.1

The eliminations and adjustments include the following items:

- reclassifications of certain revenues and costs in the Financial Services segment to finance income and 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:

	13 weeks ended							
	October 3, 2015				September 27, 2014			
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Total**	Retail	CT REIT	Financial Services	Total
Capital expenditures[1]	**$ 198.4**	**$ 18.5**	**$ 9.5**	**$ 226.4**	$ 152.4	$ 135.4	$ 2.5	$ 290.3

[1] Capital expenditures are presented on an accrual basis and include software additions. Beginning in Q3 2015, the definition of CT REIT capital expenditures was changed to exclude inter-segment transactions; the impact is a reduction of $17.3 million on previously stated figures for the 26 weeks ended July 4, 2015 (impact to previously stated 2014 figures is immaterial).

	39 weeks ended							
	October 3, 2015				September 27, 2014			
(C$ in millions)	**Retail [2]**	**CT REIT**	**Financial Services**	**Total**	Retail	CT REIT	Financial Services	Total
Capital expenditures[1]	**$ 458.2**	**$ 33.9**	**$ 13.2**	**$ 505.3**	$ 346.3	$ 142.7	$ 7.4	$ 496.4

[1] Capital expenditures are presented on an accrual basis, include software additions, and exclude inter-segment transactions.
[2] Retail capital expenditures include $17.7 million related to the acquisition of 12 real estate leases, formerly held by Target Canada which were acquired during the 39 weeks ended October 3, 2015, and are primarily recorded in "Long-term receivables and other assets" on the Condensed Consolidated Balance Sheets.

Total assets by reporting operating segment are as follows:

(C$ in millions)	**October 3, 2015**	September 27, 2014	January 3, 2015
Retail	**$ 11,119.5**	$ 10,683.6	$ 11,066.5
CT REIT	**4,324.2**	3,974.7	4,017.4
Financial Services	**5,834.0**	5,418.4	5,553.6
Eliminations and adjustments	**(5,926.5)**	(5,940.1)	(6,084.3)
Total assets[1]	**$ 15,351.2**	$ 14,136.6	$ 14,553.2

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

Total liabilities by reporting operating segment are as follows:

(C$ in millions)	**October 3, 2015**	September 27, 2014	January 3, 2015
Retail	**$ 4,090.0**	$ 4,513.4	$ 4,137.1
CT REIT	**2,142.4**	1,996.9	2,015.3
Financial Services	**4,825.3**	4,244.4	4,576.3
Eliminations and adjustments	**(1,386.4)**	(2,163.3)	(1,806.3)
Total liabilities[1]	**$ 9,671.3**	$ 8,591.4	$ 8,922.4

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

The eliminations and adjustments include the following items:

- CT REIT uses fair value for its investment properties. The adjustment to convert to the Company's cost model is included in eliminations and adjustments;
- fair value measurement of the redeemable financial instrument; and
- inter-segment eliminations.

6. Loans receivable

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

	Total principal amount of receivables[1]			Average balance[1]	
(C$ in millions)	**October 3, 2015**	September 27, 2014	January 3, 2015	**October 3, 2015**	September 27, 2014
Credit card loans	**$ 4,690.3**	$ 4,649.6	$ 4,862.9	**$ 4,720.2**	$ 4,515.6
Line of credit loans	**4.8**	5.6	5.5	**5.2**	6.0
Personal loans[2]	**0.2**	0.3	0.3	**0.3**	0.2
Total Financial Services' loans receivable	**$ 4,695.3**	$ 4,655.5	$ 4,868.7	**$ 4,725.7**	$ 4,521.8
Dealer loans[3]	**634.1**	610.6	604.4		
Other loans	**5.1**	5.6	5.5		
Total loans receivable	**5,334.5**	5,271.7	5,478.6		
Less: long-term portion[4]	**618.5**	586.5	573.1		
Current portion of loans receivable	**$ 4,716.0**	$ 4,685.2	$ 4,905.5		

[1] Amounts shown are net of allowance for loan impairment.
[2] Personal loans are unsecured loans that are provided to qualified existing credit card holders for terms of one to five years. Personal loans have fixed monthly payments of principal and interest; however, the personal loans can be repaid at any time without penalty.
[3] Dealer loans issued by Franchise Trust.
[4] The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer Loans of $614.1 million (September 27, 2014 – $581.6 million and January 3, 2015 – $568.2 million).

The gross impairment loss on loans receivable for the 13 and 39 weeks ended October 3, 2015 was $95.3 million (2014 – $84.9 million) and $273.5 million (2014 - $245.4 million), respectively. Recoveries of bad debts for the 13 and 39 weeks ended October 3, 2015 was $16.8 million (2014 – $15.4 million) and $48.8 million (2014 - $44 million), respectively.

During the 13 and 39 weeks ended October 3, 2015, the amount of cash received from interest earned on credit cards and loans was $200.2 million (2014 – $186.1 million) and $592.8 million (2014 - $544.9 million), respectively.

7. Long-term debt

On June 1, 2015, the Company repaid $300 million of medium-term notes, which bore interest of 4.95 percent per annum.

On June 9, 2015, CT REIT completed the issuance of $350 million aggregate principal amount of senior unsecured debentures in two series under CT REIT's short form base shelf prospectus dated March 5, 2015 (Refer to Note 4). The debenture issuance included $150 million principal amount of series A senior unsecured debentures with a seven-year term and a coupon rate of 2.85 percent per annum and $200 million principal amount of series B senior unsecured debentures with a ten-year term and a coupon of 3.53 percent per annum.

On June 25, 2015, under its short form base shelf prospectus dated March 31, 2015 (Refer to Note 4), GCCT completed the issuance of $500 million of Series 2015-1 term notes that have an expected repayment date of September 20, 2020 consisting of $465 million principal amount of senior notes that bear interest of 2.24 percent per annum and $35 million principal amount of subordinated notes that bear interest of 3.24 percent per annum.

8. Share capital

(C$ in millions)	October 3, 2015	September 27, 2014	January 3, 2015
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (September 27, 2014 - 3,423,366; January 3, 2015 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
71,530,600 Class A Non-Voting Shares (September 27, 2014 - 74,686,607; January 3, 2015 - 74,023,208)	**677.3**	699.8	695.3
	$ 677.5	$ 700.0	$ 695.5

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 2014, 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 2015 and 2014:

	39 Weeks Ended			
	October 3, 2015		September 27, 2014	
(C$ in millions)	**Number**	**$**	Number	$
Shares outstanding at beginning of the year	**74,023,208**	**$ 695.3**	76,560,851	$ 712.7
Issued under the dividend reinvestment plan	**47,127**	**6.0**	48,098	5.1
Repurchased[1]	**(2,539,735)**	**(322.3)**	(1,922,342)	(205.1)
Excess of repurchase price over average cost	**—**	**298.3**	—	187.1
Shares outstanding at end of the period	**71,530,600**	**$ 677.3**	74,686,607	$ 699.8

[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 October 3, 2015, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $39.3 million (2014 – $39.1 million) at a rate of $0.525 per share (2014 – $0.50 per share).

On November 11, 2015 the Company's Board of Directors declared a dividend of $0.575 per share payable on March 1, 2016 to shareholders of record as of January 31, 2016.

9. Share-based payments

During the 39 weeks ended October 3, 2015, the Company granted the following share-based payment awards:

Stock options
The Company granted 387,234 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 $129.14.

Performance share unit and performance unit plans
The Company granted performance share units ("PSUs") to certain employees. Each PSU entitles the participant to receive a cash payment equal to the weighted average price of Class A Non-Voting Shares of the Company 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 share unit plan. The performance period of each PSU award is approximately 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.

10. Revenue

	13 weeks ended		39 weeks ended	
(C$ in millions)	**October 3, 2015**	September 27, 2014	**October 3, 2015**	September 27, 2014
Sale of goods	**$ 2,718.6**	$ 2,668.9	**$ 7,671.4**	$ 7,639.2
Interest income on loans receivable	**216.4**	203.0	**646.5**	591.9
Royalties and licence fees	**96.4**	90.1	**280.0**	265.8
Services rendered	**80.9**	93.2	**257.2**	273.1
Rental income	**14.5**	14.7	**44.3**	39.1
	$ 3,126.8	$ 3,069.9	**$ 8,899.4**	$ 8,809.1

Major customers

The Company does not rely on any one customer.

11. Cost of producing revenue

	13 weeks ended		39 weeks ended	
(C$ in millions)	**October 3, 2015**	September 27, 2014	**October 3, 2015**	September 27, 2014
Inventory cost of sales[1]	**$ 2,003.7**	$ 1,990.6	**$ 5,645.1**	$ 5,697.7
Net impairment loss on loans receivable	**77.2**	68.4	**221.0**	197.6
Finance costs on deposits	**13.6**	14.1	**41.0**	43.5
Other	**8.4**	12.2	**34.6**	37.5
	$ 2,102.9	$ 2,085.3	**$ 5,941.7**	$ 5,976.3

[1] Inventory cost of sales includes depreciation for the 13 and 39 weeks ended October 3, 2015 of $2.2 million (2014 – $1.8 million) and $6.6 million (2014 - $5.0 million),respectively.

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 and 39 weeks ended October 3, 2015 were $9.6 million (2014 – $12.5 million) and $28.2 million (2014 - $31.5 million), respectively.

Inventory writedowns recognized in prior periods and reversed in the 13 and 39 weeks ended October 3, 2015 were $1.2 million (2014 – $2.8 million) and $4.1 million (2014 - $10.6 million), respectively. The reversal of writedowns was the result of actual losses being lower than previously estimated.

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

12. Selling, general and administrative expenses

	13 weeks ended		39 weeks ended	
(C$ in millions)	**October 3, 2015**	September 27, 2014	**October 3, 2015**	September 27, 2014
Personnel expenses	**$ 278.9**	$ 271.8	**$ 848.7**	$ 809.9
Occupancy	**160.2**	151.5	**488.9**	462.5
Marketing and advertising	**79.3**	86.9	**252.1**	256.3
Depreciation of property and equipment and investment property[1]	**74.6**	70.5	**220.0**	197.4
Amortization of intangible assets	**29.2**	23.7	**81.8**	66.2
Other	**126.8**	124.3	**380.8**	386.8
	$ 749.0	$ 728.7	**$ 2,272.3**	$ 2,179.1

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

13. Net finance costs

	13 weeks ended		39 weeks ended	
(C$ in millions)	**October 3, 2015**	September 27, 2014	**October 3, 2015**	September 27, 2014
Finance (income)	**$ (3.9)**	$ (3.9)	**$ (11.1)**	$ (14.1)
Finance costs	**28.1**	25.3	**81.6**	99.6
	$ 24.2	$ 21.4	**$ 70.5**	$ 85.5

14. Notes to the condensed consolidated statements of cash flows

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

(C$ in millions)	**October 3, 2015**	September 27, 2014	January 3, 2015
Cash	**$ 132.5**	$ 37.4	$ 134.5
Cash equivalents	**702.4**	363.1	521.0
Restricted cash and cash equivalents[1]	**10.9**	9.3	6.6
Total cash and cash equivalents[2]	**845.8**	409.8	662.1
Bank indebtedness	**(38.0)**	(23.8)	(14.3)
Cash and cash equivalents, net of bank indebtedness	**$ 807.8**	$ 386.0	$ 647.8

[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:

	13 weeks ended		39 weeks ended	
(C$ in millions)	**October 3, 2015**	September 27, 2014	**October 3, 2015**	September 27, 2014
Change in operating working capital				
Trade and other receivables	**$ (377.1)**	$ (272.3)	**$ (97.3)**	$ (83.1)
Merchandise inventories	**(398.4)**	(419.3)	**(547.8)**	(490.0)
Income taxes	**(0.7)**	(0.1)	**(0.4)**	(1.8)
Prepaid expenses and deposits	**17.7**	3.3	**(40.4)**	(22.6)
Trade and other payables	**351.5**	303.7	**151.7**	181.5
Total	**(407.0)**	(384.7)	**(534.2)**	(416.0)
Change in other				
Provisions	**(0.2)**	0.2	**4.2**	—
Long-term provisions	**(0.2)**	(1.4)	**(1.3)**	(1.9)
Other long term liabilities	**3.0**	2.6	**9.4**	7.0
Total	**2.6**	1.4	**12.3**	5.1
Change in operating working capital and other	**$ (404.4)**	$ (383.3)	**$ (521.9)**	$ (410.9)

Capital commitments

At October 3, 2015, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately $136.7 million (2014 – $56 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 fair value through profit or loss ("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 forward exchange 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.

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 annual consolidated financial statements contained in the Company's 2014 Annual Report.

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 2014 Annual Report for further information regarding this financial instrument.

15.2 Fair value measurement of debt and deposits

The fair values of the Company's debt and deposits compared to the carrying amounts are as follows:

	October 3, 2015		September 27, 2014		January 3, 2015	
(C$ in millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities carried at amortized cost						
Debt	**$ 3,260.6**	**$ 3,433.3**	$ 2,715.2	$ 2,867.2	$ 2,719.1	$ 2,900.8
Deposits	**$ 2,221.8**	**$ 2,246.3**	$ 2,195.6	$ 2,213.1	$ 2,236.9	$ 2,255.4

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)		**October 3, 2015**		September 27, 2014		January 3, 2015	
Balance sheet line	**Category**	**Level**		Level		Level	
Short-term investments	FVTPL	**2**	**$ —**	2	$ —	2	$ 115.1
Short-term investments	Available for sale	**2**	**116.1**	2	177.5	2	174.0
Long-term investments	Available for sale	**2**	**159.9**	2	94.7	2	176.0
Trade and other receivables	FVTPL[1]	**2**	**23.7**	2	14.7	2	15.1
Trade and other receivables	Effective hedging instruments	**2**	**189.1**	2	52.0	2	128.3
Long-term receivables and other assets	FVTPL[1]	**2**	**27.0**	2	45.5	2	58.3
Long-term receivables and other assets	Effective hedging instruments	**2**	**23.9**	2	9.1	N/A	—
Trade and other payables	FVTPL[1]	**2**	**0.6**	2	—	2	—
Trade and other payables	Effective hedging instruments	**2**	**0.3**	2	0.3	2	—
Redeemable financial instrument	FVTPL	**3**	**517.0**	N/A	—	3	517.0
Other long-term liabilities	Effective hedging instruments	**2**	**10.8**	2	—	2	—

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

There were no transfers in either direction between categories during the 13 and 39 weeks ended October 3, 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.

17. 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 ongoing audits by tax authorities as disclosed in Note 18 to the consolidated financial statements contained in the Company's 2014 Annual Report.

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.

18. Comparative figures

Cash flows

Certain of the prior period figures within the Condensed Consolidated Statement of Cash Flows have been reclassified to align with Management's view of the Company's operations.