Management's discussion and analysis (MD&A)

Forward-looking statements

This MD&A contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with Canadian Tire's business and the general economic environment. See section 14.0 in this MD&A for additional important information and a caution on the use of forward-looking statements.

We cannot provide any assurance that forecasted financial or operational performance will actually be achieved or, if it is, that it will result in an increase in the price of Canadian Tire shares.

1.0 Preface

1.1 Definitions

In this document, the terms “we”, “us”, “our”, “Company” and “Corporation” refer to Canadian Tire Corporation, Limited and entities it controls. For commonly used terminology (such as retail sales and same store sales), see the Glossary of Terms (pages 156 to 158) in the MD&A contained in the Company’s 2012 Annual Report, which can be found online on the SEDAR (System for Electronic Disclosure and Retrieval) website at http://www.sedar.com and on the Company’s Canadian Tire website in the Investor Relations section at http://investors.canadiantire.ca.

1.2 Review and approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, authorized for issuance the contents of this MD&A on May 9, 2013.

1.3 Quarterly comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for the first quarter of 2013 (13 weeks ended March 30, 2013) are against results for the first quarter of 2012 (13 weeks ended March 31, 2012).

1.4 Accounting estimates and assumptions

The preparation of condensed interim consolidated financial statements (interim financial statements) that conform to International Financial Reporting Standards (IFRS) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the reporting period. See section 8.1 in this MD&A for further information.

1.5 Rounding and percentages

Rounded numbers are used throughout the MD&A. Year-over-year percentage changes are calculated on whole dollar amounts. In the presentation of basic and diluted earnings per share, the year-over-year percentage changes are based on fractional amounts.

2.0 Company and industry overview

2.1 Overview of the business

For a full description of the Company’s Retail and Financial Services business segments, please see section 2.1 of the MD&A contained in the Company’s 2012 Annual Report.

2.2 Strategic objectives

While meeting the needs of the jobs and joys of everyday living in Canada, the Company has focused its retail businesses and financial services business to support growth and productivity improvements in order to achieve the five-year financial aspirations outlined in 2010 (see section 3.0 for financial aspirations). The specific strategic objectives are included in section 5.0 of the MD&A contained in the Company's 2012 Annual Report.

2.3 Key performance indicators

For a full description of the Company's key performance indicators, please see section 2.2 of the MD&A contained in the Company's 2012 Annual Report. Readers are cautioned that certain key performance indicators do not have standardized meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Please refer to section 10.4 of the MD&A contained in the Company's 2012 Annual Report for a discussion on supplementary (non-GAAP/IFRS) measures as well as section 8.3 in this MD&A.

3.0 Financial aspirations

The strategic objectives include financial aspirations for the Company over the five-year period ending December 2014. These aspirations are not to be construed as guidance or forecasts for any individual year within the five-year period, but rather as long-term rolling targets that we aspire to achieve over the life of our strategic plans, based on the successful execution of our initiatives. Progress against these financial aspirations is reported annually. The next update will be reported in the Company's 2013 Annual Report.

Financial measures	**Aspirations over 5-year period to 2014**
Canadian Tire Retail (CTR) retail sales (POS) annual growth	3% to 5%
Consolidated Earnings Per Share (EPS) annual growth	8% to 10%
Retail return on invested capital (ROIC)	10%+
Financial Services return on receivables (ROR)	4.5% to 5.0%
Total return to shareholders (TRS), including dividends	10% to 12%

4.0 Performance in 2013

4.1 Consolidated financial results

(C$ in millions, except where noted)		Q1 2013		Q1 2012	Change
Retail sales[1]	**$**	**2,435.5**	$	2,415.1	0.8%
Revenue	**$**	**2,479.8**	$	2,439.5	1.7%
Gross margin dollars	**$**	**766.7**	$	749.0	2.4%
Gross margin (% of revenue)		**30.9%**		30.7%	22 bps
Operating expenses (excluding depreciation & amortization)		**562.7**		546.5	3.0%
Other income		**7.7**		3.9	99.3%
EBITDA	**$**	**211.7**	$	206.4	2.5%
Depreciation and amortization		**82.7**		79.3	4.2%
Net finance (income) costs		**28.7**		29.6	(3.2)%
Income before income taxes	**$**	**100.3**	$	97.5	2.9%
Income taxes		**27.3**		26.5	3.0%
Effective tax rate		**27.3%**		27.3%	
Net income	**$**	**73.0**	$	71.0	2.9%
Basic earnings per share	**$**	**0.90**	$	0.87	3.3%
Diluted earnings per share	**$**	**0.90**	$	0.87	3.3%

[1] Retail sales for the prior year have been restated. Refer to section 8.3 for more details.

First quarter

Earnings summary

Diluted earnings per share were $0.90, an increase of 3.3 per cent compared to Q1 2012. Income before income taxes increased 5.8 per cent in Financial Services largely due to increased interest income generated on higher credit card receivables. Income before income taxes was down $1.5 million or 5.8 per cent in the Retail segment. The year-over-year decline was largely due to revenue growth from strong sales at FGL Sports, Mark's and Petroleum banners and improved gross margin performance across all banners which was offset by higher occupancy expenses due to new stores in the network and timing of planned, incremental marketing and advertising expenses compared to the prior year.

Retail sales

Consolidated retail sales increased $20.4 million (0.8 per cent) in the quarter as a result of:

- Increased sales at FGL Sports stores driven by liquidation sales from the banner rationalization initiative and increased sales at Sport Chek stores;
- Increased sales at Petroleum due to higher gas volumes and gas prices over the prior year, as well as an increase in convenience store sales;

- Sales growth at Mark's led by strong women's wear and industrial wear sales; offset by
- A decline in sales at CTR resulting from last March's early spring temperatures combined with this March's extended winter weather.

Revenue

Consolidated revenue increased $40.3 million (1.7 per cent) as a result of:

- Strong revenue growth at FGL Sports from liquidation sales at stores closed due to the banner rationalization initiative and higher revenue from Sport Chek stores;
- Growth in Mark's and Petroleum related to higher sales during the quarter;
- Increased interest income at Financial Services; offset by
- Lower revenue at CTR due to colder March weather compared to the prior year.

Gross margin

Consolidated gross margin increased $17.7 million (2.4 per cent) and the consolidated gross margin rate increased 22 basis points reflecting:

- Higher revenue from increased sales volumes at FGL Sports, Mark's and Petroleum;
- Strong margin management at CTR, partially offset by lower margin rates at FGL Sports due to the higher sales contribution from stores closed as part of the banner rationalization initiative; and
- Strong margin performance at Financial Services primarily related to higher interest income and a lower write-off rate.

Operating expenses (excluding depreciation and amortization)

Consolidated operating expenses (excluding depreciation and amortization) increased $16.2 million (3.0 per cent) primarily due to:

- The timing of planned, incremental marketing and advertising expenses at FGL Sports and CTR compared to the prior year;
- Higher marketing costs at Financial Services;
- Increased occupancy expenses related to the addition of new corporate-owned Sport Chek stores and costs related to Smart store conversions; offset by
- Lower personnel costs.

Depreciation and amortization expense

Consolidated depreciation and amortization expense increased $3.4 million (4.2 per cent) primarily due to higher amortization expense of intangible software assets and increased depreciation on new stores in the network.

Net finance costs

Net finance costs decreased $0.9 million (3.2 per cent) largely due to increased interest income in Glacier Credit Card Trust (Glacier) on funds invested leading up to repayment of $634.9 million of term notes in February 2013.

Seasonal trend analysis

The second and fourth quarters of each year typically tend to generate stronger revenues and earnings in the retail businesses due to the seasonal nature of some merchandise and the timing of marketing programs. The following table shows the financial performance of the Company by quarter for the last two years.

Consolidated quarterly results[1]

(C$ in millions, except where noted)	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Revenue	**$ 2,479.8**	$ 3,166.7	$ 2,829.8	$ 2,991.2	$ 2,439.5	$ 3,135.1	$ 2,704.9	$ 2,570.9	$ 1,976.2
Net income	**73.0**	163.1	131.4	133.7	71.0	166.3	136.5	105.8	58.4
Basic earnings per share	**0.90**	2.00	1.61	1.64	0.87	2.04	1.68	1.30	0.72
Diluted earnings per share	**0.90**	2.00	1.61	1.63	0.87	2.03	1.67	1.29	0.71

[1] Q1 2011 and Q2 2011 excludes the results of FGL Sports, which was acquired on August 18, 2011. Q3 2011 includes 6 weeks of results for FGL Sports, from the acquisition date of August 18, 2011.

4.2 Key operating performance measures

(year-over-year percentage change, C$ in millions, except where noted)		Q1 2013		Q1 2012	Change
Retail segment – total					
Retail sales growth[1]		**0.8%**		22.4%	
Revenue[2]	**$**	**2,216.9**	$	2,184.1	1.5%
Retail ROIC[3, 4]		**7.35%**		7.75%	
Retail segment – by banner					
CTR					
Retail sales growth[5]		**(1.6)%**		3.8%	
Same store sales growth[5]		**(2.4)%**		3.3%	
Sales per square foot[6]	**$**	**386**	$	389	(1.0)%
Revenue[2, 7]	**$**	**1,174.3**	$	1,184.8	(0.9)%
FGL Sports					
Retail sales growth[1, 8]		**5.6%**		6.4%	
Same store sales growth[8]		**8.8%**		7.3%	
Sales per square foot[8,9]	**$**	**268**	$	257	4.3%
Revenue[2]	**$**	**367.4**	$	341.8	7.5%
Mark's					
Retail sales growth[1, 10]		**1.6%**		6.7%	
Same store sales growth[1, 12]		**1.5%**		5.8%	
Sales per square foot[12]	**$**	**311**	$	302	3.0%
Revenue[2, 11]	**$**	**194.1**	$	191.5	1.4%
Petroleum					
Gasoline volume growth in litres		**2.7%**		(1.9)%	
Retail sales growth		**3.7%**		5.2%	
Revenue[2]	**$**	**485.5**	$	469.7	3.4%
Gross margin dollars	**$**	**33.1**	$	32.0	3.4%
Financial Services segment					
Revenue	**$**	**250.0**	$	241.7	3.4%
Credit card sales growth		**(2.3)%**		4.5%	
Gross average accounts receivables (GAAR)	**$**	**4,251.1**	$	4,014.1	5.9%
Revenue[3] (as a % of GAAR)		**23.83%**		23.92%	
Average number of accounts with a balance[13] (thousands)		**1,736**		1,697	2.3%
Average account balance[13] (whole $)	**$**	**2,444**	$	2,359	3.6%
Net credit card write-off rate[3, 13]		**6.17%**		7.28%	
Past due credit card accounts[13, 14] (PD2+)		**3.11%**		4.02%	
Allowance rate[15]		**2.73%**		2.85%	
Operating expenses[3] (as a % of GAAR)		**6.44%**		6.41%	
Return on receivables[3]		**6.77%**		5.98%	

1 Sales metrics for the prior year have been restated. Refer to section 8.3 for more details.

2 Inter-segment revenue within the retail banners of $4.4 million for YTD Q1 2013 ($3.7 million for YTD Q1 2012) has been eliminated at the Retail segment level. Revenue reported for CTR, FGL Sports, Mark's and Petroleum includes inter-segment revenue.

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

4 Prior year Retail ROIC has been restated. Refer to section 8.3 for more details.

5 Includes sales from Canadian Tire stores, PartSource stores, the labour portion of CTR's auto service sales and the Home Services business.

6 Excludes PartSource stores. Retail space does not include seasonal outdoor garden centre, auto service bays, warehouse and administrative space.

7 Includes revenue from Canadian Tire Retail, PartSource and Franchise Trust.

8 Retail sales include sales from both corporate and franchise stores. Prior year metric has been restated to align FGL Sport's weekly sales calendar with that of CTR and Mark's. Refer to section 8.3 for more details.

9 Figures are calculated on a rolling 12-month basis and include both corporate and franchise stores. Sales per square foot includes warehouse and administrative space.

10 Includes retail sales from Mark's corporate and franchise stores and ancillary revenue related to embroidery and alteration services.

11 Includes sale of goods to Mark's franchise stores and retail sales from Mark's corporate stores and excludes ancillary revenue.

12 Includes sales from both corporate and franchise stores and excludes ancillary revenue. Sales per square foot does not include warehouse and administrative space.

13 Credit card portfolio only.

14 Accounts overdue one month or more.

15 The allowance rate was calculated on the total managed portfolio of loans receivable.

4.3 Retail banner network at a glance

Number of stores and retail square footage	March 30, 2013	December 29, 2012	March 31, 2012
Consolidated store count			
CTR retail banner stores[1]			
Smart stores	**248**	247	169
Updated and expanded stores	**180**	180	247
Traditional stores	**43**	44	57
Small Market stores	**19**	19	15
Total CTR retail banner stores	**490**	490	488
PartSource banner stores	**87**	87	87
FGL Sports banner stores			
Sport Chek	**162**	161	149
Sports Experts	**72**	72	70
Atmosphere	**57**	57	55
Other	**115**	205	232
Total FGL Sports retail banner stores	**406**	495	506
Mark's banner stores[1]			
Mark's Work Wearhouse	**224**	225	296
Mark's	**160**	159	86
Work World	**2**	2	3
Total Mark's retail banner stores	**386**	386	385
Canadian Tire gas bar locations	**299**	299	289
Total stores	**1,668**	1,757	1,755
Consolidated retail square footage[2] (in millions)			
CTR banner	**20.0**	19.9	19.7
PartSource banner	**0.3**	0.3	0.3
FGL Sports banners	**6.1**	6.6	6.5
Mark's banner	**3.4**	3.4	3.4
Total retail square footage[2] (in millions)	**29.8**	30.2	29.9

[1] Store count numbers reflect individual selling locations; therefore, both CTR and Mark's totals include stores that are co-located.

[2] The average retail square footage for Petroleum's convenience stores was 517 square feet per store in Q1 2013 (496 square feet per store in Q1 2012). It is not included in the above.

The Company continues to retrofit its store network with a focus on converting selected existing stores to the latest formats. During the quarter, CTR converted one traditional store to the new Smart store format and completed the roll out of the Living concept assortment to 155 stores during the quarter.

The Q1 2013 FGL Sports total store count now reflects the completion of the banner rationalization initiative which was announced in May 2012. Under this initiative, 113 non-strategic corporate store locations were closed, the majority of which were closed during Q1 2013, including 5 stores that were converted to Sport Chek or Atmosphere stores and a further 13 stores that will be converted to these banners in 2013 or early 2014. Q1 2013 store closures were offset by the opening of one new Sport Chek store.

During the quarter, the Mark's banner relocated one corporate store which was also converted to the new Mark's format bringing the total to 160 rebranded Mark's locations at the end of Q1 2013.

4.4 Business segment performance

4.4.1 Retail segment

4.4.1.1 Retail segment financial results

(C$ in millions)		Q1 2013		Q1 2012	Change
Retail sales[1]	**$**	**2,435.5**	$	2,415.1	0.8%
Revenue	**$**	**2,216.9**	$	2,184.1	1.5%
Gross margin dollars	**$**	**599.5**	$	591.0	1.5%
Gross margin (% of revenue)		**27.0%**		27.1%	(1 bps)
Operating expenses (excluding depreciation & amortization)		**486.3**		474.3	2.6%
Other income		**7.5**		2.0	288.9%
EBITDA	**$**	**120.7**	$	118.7	1.8%
Depreciation and amortization		**80.2**		76.9	4.2%
Net finance (income) costs		**17.5**		17.3	1.9%
Income before income taxes	**$**	**23.0**	$	24.5	(5.8)%

[1] Retail sales for the prior year have been restated. Refer to section 8.3 for more details.

First quarter

Earnings summary

Retail segment income before income taxes of $23.0 million was down $1.5 million or 5.8 per cent compared to the prior year. First quarter results reflect revenue growth from strong sales at FGL Sports, Mark's and Petroleum and improved margin performance at CTR. Revenue and margin growth were offset by higher Retail segment occupancy and advertising expenses largely due to the timing of planned, incremental marketing and advertising expenses at FGL Sports and CTR, and higher depreciation and occupancy expenses from new stores in the network compared to the prior year. Excluding the impact of depreciation and net finance costs, Retail EBITDA was up 1.8 per cent over the prior year.

Retail sales

Retail sales increased 0.8 per cent in the quarter primarily as a result of strong liquidation sales at FGL Sports, increased gasoline volume and higher gas prices at Petroleum, partly offset by a sales decline at CTR.

CTR retail sales decreased 1.6 per cent in the quarter (2.4 per cent same store sales decrease.) Increased sales in key kitchen and home organization categories were largely offset by lower year-over-year sales in seasonal categories including cycling, gardening and backyard living due to significantly cooler weather in Quebec and Ontario during March compared to temperatures in the prior year. Automotive sales were solid in the first half of the quarter, with increases in light automotive parts and automotive maintenance categories such as automotive batteries, battery accessories and wipers. This was offset by a delay in automotive cleaning and maintenance, such as brakes work, as well as a delay in switching over to all-season tires due to cooler March temperatures. Automotive service sales were also impacted by the cooler weather in March and were flat compared to the prior year.

FGL Sports' retail sales increased 5.6 per cent over the prior year (8.8 per cent same store sales increase) due to liquidation sales at stores that were closed during the quarter as part of the banner rationalization initiative. Excluding sales related to the store closures, corporate same store sales increased 3.1 per cent. In addition, the core corporate banner, Sport Chek, experienced strong sales in apparel and equipment, particularly in winter-related categories such as hockey, skis and snowboards.

At Mark's, retail sales growth of 1.6 per cent (1.5 per cent same store sales increase) was driven by increased women's casual wear and industrial apparel and accessories sales, particularly in the GTA region of Ontario. Sales growth was partly offset by lower footwear and men's wear sales due to cooler March weather across the country and significantly fewer clearance sales compared to the prior year.

Petroleum retail sales increased 3.7 per cent primarily due to increased gas volumes and convenience store sales from 10 additional sites, including two new 400/401 series highway sites, and due to higher gasoline prices compared to the previous year.

Retail revenue

Retail revenue increased 1.5 per cent in the quarter primarily related to strong liquidation sales and additional Sport Chek locations at FGL Sports and increased sales at Petroleum and Mark's, offset by a decline at CTR.

CTR revenue was down 0.9 per cent compared to the prior year. Initial shipments of seasonal categories including gardening and backyard living products were strong in January and February however, with the significantly cooler weather experienced in the second half of the quarter compared to the prior year, shipments for spring seasonal products were soft in March. These decreases were partially offset by strong shipments of kitchen and home organization products resulting from increased sales during the quarter.

FGL Sports revenue increased 7.5 per cent in the quarter primarily due to liquidation sales at stores which were closed during the quarter. In addition, increased sales from Sport Chek banner stores and higher shipments to franchisees contributed to the revenue growth compared to the prior year.

Mark's revenue increased 1.4 per cent in the quarter primarily due to improved retail sales, as noted above, which was led by women's casual wear and industrial wear.

Retail gross margin
Retail gross margin dollars increased 1.5 per cent and the retail gross margin rate was flat versus Q1 2012 due to increased revenue from higher sales volumes at FGL Sports and Mark's, and higher gasoline volumes at Petroleum. In addition, favourable margin performance at CTR was driven by continued management of the balance between sales and margins, offset by a decline in the gross margin rate at FGL Sports due to the higher sales contribution from the stores which were closed during the quarter as part of the banner rationalization initiative.

Retail operating expenses (excluding depreciation and amortization)
Retail operating expenses (excluding depreciation and amortization) increased 2.6 per cent due to the timing of planned, incremental marketing and advertising expenses at FGL Sports and CTR and occupancy costs related to new store locations in the network, offset by reduced personnel costs.

Retail depreciation and amortization expense
Retail depreciation and amortization expense increased 4.2 per cent primarily due to higher amortization expense on intangible software assets and an increase in depreciation expense on property and equipment related to new stores in the network.

4.4.1.2 Retail segment business risks
The Retail segment is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. These include, but are not limited to, supply chain disruption, seasonality and environmental risks. Please see section 7.5.1.2 of the MD&A contained in the Company's 2012 Annual Report for an explanation of these business-specific risks. See also section 9.0 of this MD&A for a discussion of Enterprise risk management and section 11.0 of the MD&A contained in the Company's 2012 Annual Report for a discussion of additional industry-wide and Company-wide risks affecting the business.

4.4.2 Financial Services segment

4.4.2.1 Financial Services financial results

(C$ in millions)		Q1 2013		Q1 2012	Change
Revenue	**$**	**250.0**	$	241.7	3.4%
Gross margin dollars		**139.8**		130.2	7.3%
Gross margin (% of revenue)		**55.9%**		53.9%	203 bps
Other income		**0.2**		1.9	(92.0)%
Operating expenses		**62.9**		59.2	6.2%
Operating income	**$**	**77.1**	$	72.9	5.6%
Net finance (income) costs		**(0.2)**		(0.1)	171.1%
Income before income taxes	**$**	**77.3**	$	73.0	5.8%

First quarter

Earnings summary
Financial Services income before income taxes increased 5.8 per cent in the quarter compared to the prior year. The increase was due to higher revenue related to credit card receivables growth and improved write-off performance.

Financial Services revenue
Financial Services revenue increased 3.4 per cent year-over-year primarily due to increased interest income generated on higher credit card receivables.

Financial Services gross margin
Financial Services gross margin rate increased 203 basis points in the quarter compared to the prior year primarily due to higher revenue from increased interest income and favourable net write-offs, partially offset by an increase in allowance expense related to higher gross average accounts receivable.

Financial Services operating expenses
Financial Services operating expenses increased 6.2 per cent in the quarter compared to the prior year due to higher marketing costs.

4.4.2.2 Financial Services segment business risks

Financial Services is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. These include, but are not limited to, consumer credit, securitization funding, interest rate and regulatory risk. Please see section 7.5.2.2 of the MD&A contained in the Company's 2012 Annual Report for an explanation of these business-specific risks. See also section 9.0 of this MD&A for a discussion on Enterprise risk management and section 11.0 of the MD&A contained in the Company's 2012 Annual Report for a discussion of additional industry-wide and Company-wide risks affecting the business.

4.5 Balance sheet and cash flows

4.5.1 Balance sheet highlights

The Company's total assets, liabilities and shareholders' equity as at March 30, 2013 and March 31, 2012 are noted below along with select balance sheet line items where there have been significant changes versus the prior year.

(C$ in millions)		**March 30, 2013**		March 31, 2012[1]		Change ($)	Change (%)
Assets							
Cash and cash equivalents	**$**	**311.8**	$	237.2	$	74.6	31.5%
Loans receivable		**4,141.6**		3,887.6		254.0	6.5%
Total assets		**12,646.9**		12,366.2		280.7	2.3%
Liabilities							
Deposits	**$**	**1,425.0**	$	1,207.4	$	217.6	18.0%
Trade and other payables		**1,648.5**		1,492.5		156.0	10.5%
Short-term borrowings		**119.2**		498.6		(379.4)	(76.1)%
Current portion of long-term debt		**22.3**		663.2		(640.9)	(96.6)%
Long-term debt		**2,336.5**		1,712.0		624.5	36.5%
Long-term deposits		**1,030.6**		1,092.3		(61.7)	(5.6)%
Total liabilities		**7,831.0**		7,926.1		(95.1)	(1.2)%
Shareholders' equity	**$**	**4,815.9**	$	4,440.1	$	375.8	8.5%

[1] Prior year figures have been restated. Refer to note 16 in the notes to the condensed consolidated financial statements for more details.

Assets

Cash and cash equivalents increased $74.6 million compared to the prior year, primarily due to an increase in Retail segment cash generated from operations related to the continued integration of FGL Sports.

Loans receivable, largely from credit card balances, increased $254.0 million, due to an increase in both the average balance per account as well as the number of active accounts.

Liabilities

The decrease in short-term borrowings of $379.4 million compared to the prior year was due to the repayment of $243.0 million of short-term debt outstanding in connection with the FGL Sports acquisition and the repayment of Glacier commercial paper.

Total deposits increased $155.9 million, primarily due to the decision to acquire more retail deposits to fund operations at Financial Services.

Combined, long-term debt and the current portion of long-term debt decreased $16.4 million compared to the prior year. The repayment of Glacier senior and subordinated notes totaling $634.9 million in February 2013 was offset by two Glacier securitization transactions totaling $634.9 million that were completed in May and December 2012.

4.5.2 Summary cash flows

The Company's consolidated statements of cash flows for the periods ended March 30, 2013 and March 31, 2012 are noted below.

(C$ in millions)		**Q1 2013**		Q1 2012		Change ($)
Cash generated from operating activities before the undernoted items	**$**	**289.8**	$	293.3	$	(3.5)
Change in operating working capital and other		**(201.6)**		(366.3)		164.7
Change in loans receivable		**41.4**		85.1		(43.7)
Change in deposits		**31.9**		14.3		17.6
Cash generated from operating activities before interest and income taxes		**161.5**		26.4		135.1
Interest paid		**(31.7)**		(37.9)		6.2
Interest received		**3.9**		1.7		2.2
Income taxes paid		**(68.0)**		(40.8)		(27.2)
Cash generated from (used for) operating activities	**$**	**65.7**	$	(50.6)	$	116.3
Cash used for investing activities		**(100.0)**		(158.0)		58.0
Cash (used for) generated from financing activities		**(689.2)**		140.3		(829.5)
Cash used in the period	**$**	**(723.5)**	$	(68.3)	$	(655.2)

Cash generated from operating activities improved over the prior year due to a reduced investment in operating working capital. This was driven primarily by an increase in trade payables and accruals arising from higher inventory-in-transit at quarter end and the delay of certain payments due to the timing of the Easter holiday which fell on the last business day of the quarter. Inventory in-transit was offset by lower inventory at FGL Sports related to stores closed as part of the banner rationalization initiative.

Cash used for financing activities is higher than the prior year due primarily to financing activities as Glacier senior and subordinated notes totaling $634.9 million were repaid in February 2013. In addition, there was a net issuance of short-term borrowings in Q1 2012 totaling $146.0 million that was not repeated in 2013 due to available cash on hand.

5.0 Capital management, financing and capital expenditures

5.1 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 5 of the annual financial statements contained in the Company's 2012 Annual Report, which includes Glacier indebtedness but excludes Franchise Trust indebtedness.

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 key covenants under its existing debt agreements during the quarter ended March 30, 2013. 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 regulatory requirements concerning capital, including the capital guidelines issued by the Office of the Superintendent of Financial Institutions of Canada, associated with the operations of Canadian Tire Bank during the quarter.

5.2 Financing

The Company is in a strong liquidity position with the ability to access multiple sources of funding. A detailed description of credit market conditions, the Company's sources of funding and credit ratings were provided in section 8.3 of the MD&A contained in the Company's 2012 Annual Report. The total of available lines of credit at March 30, 2013 was $1.5 billion. The committed lines of credit are available through a four-year $1.2 billion syndicated credit facility that expires in June 2016 and $300.0 million of bilateral credit facilities that expire in March 2014.

5.3 Capital expenditures

The Company's capital expenditures for the quarters ended March 30, 2013 and March 31, 2012 are noted below.

(C$ in millions)		**Q1 2013**		Q1 2012[1]
Real estate projects	**$**	**42.2**	$	41.3
Information technology		**13.4**		19.0
Supply chain and distribution centres		**4.2**		1.1
Other purposes		**2.2**		2.7
Total capital expenditures[2]	**$**	**62.0**	$	64.1

[1] Prior year figures were reclassified to conform to the current year's presentation.

[2] Capital expenditures are presented on an accrual basis.

6.0 Equity

6.1 Share capital

(C$ in millions)		**March 30, 2013**		March 31, 2012		December 29, 2012
Authorized						
3,423,366 Common Shares						
100,000,000 Class A Non-Voting Shares						
Issued						
3,423,366 Common Shares (2012 - 3,423,366)	**$**	**0.2**	$	0.2	$	0.2
77,526,952 Class A Non-Voting Shares (2012 - 78,020,290)		**674.0**		710.2		687.8
	$	**674.2**	$	710.4	$	688.0

6.2 Dividends

As of March 30, 2013, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $28.3 million (2012 – $24.4 million) at a rate of $0.35 per share (2012 – $0.30).

On May 9, 2013, the Company's Board of Directors declared a dividend of $0.35 per share payable on September 1, 2013 to shareholders of record as of July 31, 2013.

6.3 Normal course issuer bid

On February 22, 2013 the TSX accepted the Company's notice of intention to make a normal course issuer bid (the NCIB) to purchase, between February 26, 2013 and February 25, 2014, up to 2.5 million Class A Non-Voting Shares. During the quarter, the Company purchased 215,900 shares under the NCIB. This includes 196,100 shares which were purchased in addition to shares purchased for anti-dilutive purposes.

6.4 Equity derivative contracts

The Company enters into equity derivative contracts to provide a partial offset to its exposure to fluctuations in stock option and performance share unit (PSU) plan expense. During the quarter, the Company received $1.1 million to settle the expiry of a fixed-rate equity forward which had hedged 125,000 PSUs and paid less than $0.1 million to settle the expiry of a total return swap which had hedged 75,000 stock options. The Company also entered into three new fixed-rate equity forwards at a weighted average forward price of $72.43 per share to offset its exposure to 435,000 PSUs and two new floating-rate equity forwards at a weighted average purchase price of $71.83 per share to offset its exposure to 250,000 stock options.

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 9.0 in the MD&A contained in the Company's 2012 Annual Report.

The Company regularly reviews the potential for adverse outcomes in respect of 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.

8.0 Accounting policies and estimates

8.1 Critical accounting estimates

The Company estimates certain amounts reflected in its financial statements using detailed financial models that are 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 of the Company's Q1 2013 interim financial statements do not require us 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 at 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. 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

New standards implemented

Consolidated financial statements

In May 2011, the International Accounting Standard Board (IASB) issued IFRS 10 – *Consolidated Financial Statements* ("IFRS 10"), which replaces portions of IAS 27 – *Consolidated and Separate Financial Statements* ("IAS 27") and all of Standing Interpretation Committee – *Consolidation – Special Purpose Entities* ("SIC-12"). IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an investor controls one or more investees. The standard requires an investor to consolidate an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As a consequence, IAS 27 has been amended but retains the existing guidance for separate financial statements.

Joint arrangements

In May 2011, the IASB issued IFRS 11 – *Joint Arrangements* ("IFRS 11"), which replaces IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 requires a venturer to classify its interest in a joint arrangement as either a joint venture or joint operation. Joint ventures are accounted for using the equity method of accounting. The existing option to account for joint ventures using proportionate consolidation has been removed. For a joint operation, the venturer recognizes its share of the assets, liabilities, revenue and expenses of the joint operation.

Disclosure of involvement with other entities

In May 2011, the IASB issued IFRS 12 – *Disclosure of Involvement with Other Entities* ("IFRS 12"), which establishes disclosure requirements for an entity's interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosure requirements and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

As a consequence of the issue of IFRS 10 and IFRS 11, IAS 28 – *Investments in Associates* ("IAS 28") has been amended. IAS 28 provides accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28 were effective for annual periods beginning on or after January 1, 2013. The implementation of IFRS 10 and IFRS 11 and amendments to IAS 27 and IAS 28 did not have an impact on the Company. Implementation of IFRS 12 will result in additional disclosures in the annual financial statement notes.

Fair value measurement

In May 2011, the IASB issued IFRS 13 – *Fair Value Measurement* ("IFRS 13"), which is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosure requirements about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures. IFRS 13 was effective for annual periods beginning on or after January 1, 2013. Implementation of IFRS 13 has resulted in additional disclosures in note 15 of the Company's Q1 2013 interim financial statements.

Other comprehensive income presentation

In June 2011, the IASB amended IAS 1 – *Presentation of Financial Statements* ("IAS 1") to require companies to group together items within other comprehensive income (OCI) that may be reclassified to net income. The amendments reaffirm the existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendments were effective for annual periods beginning on or after July 1, 2012. Implementation of IAS 1 amendments did not have any impact on the Company's interim financial statements.

Post-employment benefits

In June 2011, the IASB issued amendments to IAS 19 – *Employment Benefits* ("IAS 19") that apply to defined benefit plans. The amendments eliminate the existing option to defer actuarial gains and losses (known as the corridor approach), require changes from remeasurement of defined benefit plan assets and liabilities to be presented in the OCI section of the statements of comprehensive income, and require additional disclosures. The amendments were effective for annual periods beginning on or after January 1, 2013. These amendments, which were applied retrospectively, did not have any significant impact as the Company already immediately records any actuarial gains and losses in OCI. In addition, the benefit of past service credits, previously recognized in employee benefits in other long-term liabilities on the condensed consolidated balance sheets, have been reclassified to retained earnings. As a result of the retrospective implementation of this standard, the cumulative impact on previously reported balances is as follows:

	Increase (decrease)		
(C$ in millions)	**December 29, 2012**	March 31, 2012	December 31, 2011
Other long-term liabilities	**$ (1.0)**	$ (1.3)	$ (1.3)
Deferred income tax asset	**(0.3)**	(0.3)	(0.3)
Retained earnings	**0.7**	1.0	1.0

In addition, there was no impact on the condensed consolidated statements of income for the 13 weeks ended March 31, 2012. On the condensed consolidated statements of cash flows, there is no impact on cash generated from operating activities before interest and income taxes.

Financial instruments: Asset and liability offsetting

In December 2011, the IASB amended IFRS 7 – *Financial Instruments: Disclosures* ("IFRS 7") to require new disclosures on the effect of offsetting arrangements on an entity's financial position. The IFRS 7 amendment is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of the IFRS 7 amendment did not have an impact on the Company's results of operations and financial position.

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 28, 2013, and, accordingly, have not been applied in preparing the Company's Q1 2013 interim financial statements.

Financial instruments

In November 2009, the IASB issued IFRS 9 – *Financial Instruments: Classification and Measurement* ("IFRS 9"), which contained requirements for financial assets. In October 2010, requirements for financial liabilities were added to IFRS 9. IFRS 9 will replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in OCI instead of net income unless this would create an accounting mismatch. An accounting mismatch may occur when financial liabilities that are measured at fair value are managed with assets that are measured at fair value through profit or loss. A mismatch could arise because the entire change in the fair value of the financial assets would be presented in net income but a portion of the change in the fair value of the related financial liabilities would not. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Financial instruments: Asset and liability offsetting

In December 2011, the IASB amended IAS 32 – *Financial Instruments: Presentation* ("IAS 32") to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company is assessing the potential impact of the IAS 32 amendments.

8.3 Supplementary (non-GAAP/IFRS) measures

Retail sales

Retail sales refer to the point of sale (i.e., cash register) value of all goods and services sold at Dealer-operated, franchisee-operated, Petroleum retailer-operated and corporate-owned stores across the retail banners. In addition, beginning in Q1 2013, retail sales includes the value of all goods and services provided as part of the Home Services business offering. To enhance comparability of the retail sales metric across the different retail banners of the Company and the retail industry, starting in Q3 2012, Mark's definition of retail sales was updated to align with that of other businesses within the Company. In Q1 2013, FGL Sports' aligned its weekly sales calendar with that of CTR and Mark's. Sales definitions for our Retail banners can be found in section 4.2 of this MD&A and also in the glossary of terms at the end of the 2012 Annual Report.

Same-store sales

Same-store sales is the metric used by management, and most commonly used in the retail industry, to compare retail sales growth in a more consistent manner across the industry. Same-store sales definitions for CTR, Mark's and FGL Sports banners can be found in section 4.2 of this MD&A and also in the glossary of terms at the end of the 2012 Annual Report.

Sales per square foot

Comparisons of sales per square foot metrics over several periods will identify whether existing assets are being made more productive by the Company's introduction of new store layouts and merchandising strategies. Beginning in Q1 2013, FGL Sports began reporting this metric externally in section 4.2 of this MD&A and sales per square foot definitions for CTR, Mark's and FGL Sports banners can also be found in this section.

EBITDA

Management primarily uses EBITDA in assessing the performance of its ongoing retail operations and its ability to generate cash flows.

Retail ROIC

The Company believes retail ROIC is useful in assessing the return on capital invested in various retail assets. In Q1 2013, management changed the definition of Retail ROIC to better reflect the Retail segment's business models and to enhance comparability of the metric across the retail industry. The new definition is the retail segment's after-tax earnings before interest expense and minimum lease payments on operating leases, divided by average invested capital for the Retail segment. Invested capital is the sum of Retail segment total assets less current liabilities, excluding the current portion of long-term debt plus capitalized operating leases. Prior year metrics have been restated.

9.0 Enterprise risk management

The Company approaches the management of risk strategically through its Enterprise Risk Management (ERM) framework in order to mitigate the impact of principal risks on its business and operations. The ERM framework sets out principles and tools for identifying, evaluating, prioritizing, monitoring and managing risk effectively and consistently across the Company.

The ERM framework and the principal risks that the Company manages on an ongoing basis are described in detail in sections 11.0 and 11.2, respectively, in the MD&A contained in the Company's 2012 Annual Report.

Management reviews risks on an ongoing basis and did not identify any new principal risks during Q1 2013.

10.0 Controls and procedures

Changes in internal control over financial reporting
During the quarter, there were no changes identified 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 Contractual obligations

The Company has a number of obligations related to long-term debt, finance (capital) lease obligations, operating leases, purchase obligations, Financial Services' deposits and other obligations. For a complete description of amounts outstanding for the year ended December 29, 2012, see section 8.3.1 of the MD&A contained in the Company's 2012 Annual Report.

In Q1 2013, Canadian Tire, Sport Chek and Sports Experts entered into an eight-year agreement as a Premier National Partner of the Canadian Olympic Committee. In addition, the Company announced new and expanded partnerships with six other major amateur sport partnerships. The financial terms of the partnership agreements are not expected to have a material impact on the Company's consolidated financial results in 2013, or over the term of the agreements.

Other than the partnership agreements referenced above, there were no significant changes to the outstanding contractual obligations compared to those identified at year-end.

12.0 Social and environmental responsibility

12.1 Overview

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

12.2 Community activities and Canadian Tire Jumpstart Charities

The Company's charitable efforts are reflected through the work of Canadian Tire Jumpstart Charities. Its signature program, Canadian Tire Jumpstart, helps financially disadvantaged children gain the life benefits that are associated with participating in organized sports and recreational activities. The program assists with the cost of registration, equipment and transportation. Through its 332 active chapters, and over 2,500 community partners, Canadian Tire Jumpstart has funded the programming costs for over 566,000 children since the launch of the program in 2005.

During Q1 2013, Jumpstart raised over $4.4 million across Canada, helping over 23,000 children participate in sports and recreation programs.

Helping Canadians enjoy life in Canada has always been at the centre of what Canadian Tire stands for. The Canadian Tire Family of Companies is proud to support local initiatives across all our banners through community and organizational support, such as amateur sport, injury prevention programs and disaster relief.

12.3 Business sustainability

Strategy and aspirations

The Business Sustainability strategy supports the Company's corporate strategic objectives as outlined in section 5.1 of the MD&A contained in the Company's 2012 Annual Report. It is an innovation strategy that aims to achieve economic benefits and productivity gains with enhanced environmental outcomes by integrating sustainability into business operations.

Measurement and reporting

The Company reports annually on the environmental footprint and quarterly on the benefits from incremental business sustainability initiatives, measured as annual forecasts.

Environmental footprint

Please refer to section 13.3 of the MD&A contained in the Company's 2012 Annual Report for the latest measurement of the Company's environmental footprint.

Incremental initiatives

The Company achieved approximately $2.4 million in cost avoidance savings as of March 30, 2013. In addition, environmental benefits from incremental initiatives resulted in improvements in energy use of 11 per cent and annual waste avoidance of approximately 1,300 tonnes. Major initiatives this quarter included the roll-out of demand-control ventilation systems at 129 CTR stores in Ontario, forecasted to annually avoid over $1.2 million in energy costs.

Value-Chain Segment		Economic benefits ($)	Environmental benefits	
			Energy use (per cent improvement[1])	Waste avoided (tonnes)
Product	Reduced energy from transportation of optimized product and packaging and waste reductions (reduced packaging, damages and product waste)	559,000	20%	1,282
Product Transport	Reduced energy use from increased fuel efficiency in transportation modes and vehicles (e.g. use of long-combination vehicles)	91,000	40%	n/a
Business & Retail Operations	Reduced energy use in buildings and their operations through energy efficiency initiatives (new construction, retrofits and signage optimization)	1,778,000	10%	12
Total		**$2,428,000**	**11%**	**1,294**

[1] Improvements are related to the specific projects reported in this quarter and do not represent total improvements to the value-chain segment.

For additional detail, please refer to the Company's Business Sustainability Performance Reports at: http://corp.canadiantire.ca/EN/MAD/BusinessSustainability/Pages/OurProgressReports.aspx

13.0 Subsequent event

On April 17, 2013, the Company announced that the significant terms of the new Dealer contract were approved by the Dealers. The Dealer contract will be signed by individual Associate Dealers and implementation of the contract terms is expected to begin in late 2013 and continue into 2014. The new contract covers the period through to the end of 2024.

14.0 Other investor communication

Caution regarding forward-looking information

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

- the Company's financial aspirations listed in section 3.0; and
- the Company's business sustainability aspirations and forecasted benefits in section 12.3.

Forward-looking statements are presented for the purposes of providing 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 information, 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, the Company's actions and the results of those actions and the economic and business outlook for the Company. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking information is based on the reasonable assumptions, estimates, analysis 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 its very nature, forward-looking information requires us to make assumptions and is subject to inherent risks and uncertainties, which give rise to the possibility that the Company's assumptions may not be correct and that the Company's expectations and plans will not be achieved. Although the Company believes that the forward-looking information in this document is based on information and assumptions which are current, reasonable and complete, this information is necessarily subject to a number of factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking information for a variety of reasons. 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 Canadian Tire to attract and retain quality employees, Dealers, Canadian Tire Petroleum retailers and PartSource, Mark's and

FGL Sports store operators and 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 the Company's stores or acquire the Company's financial products and services; (d) the Company's margins and sales and those of the Company's competitors; (e) risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, regulations, competition, seasonality, commodity price and business disruption, the Company's relationships with suppliers and manufacturers, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by Canadian Tire and the cost of store network expansion and retrofits and (f) the Company's capital structure, funding strategy, cost management programs and share price. We caution 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 information and are cautioned not to place undue reliance on such forward-looking information.

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 4.4.1.2 (Retail segment business risks), 4.4.2.2 (Financial Services segment business risks) and 9.0 (Enterprise risk management) and all subsections there under of this MD&A. Please also refer to the "Risk Factors" section of the Company's Annual Information Form for fiscal 2012 and to sections 7.5.1.2 (Retail segment business risks), 7.5.2.2 (Financial Services segment business risks) and 11.0 (Enterprise risk management) and all subjections there under of the Company's 2012 Management's Discussion and Analysis, as well as Canadian Tire's other public filings, available at www.sedar.com and at www.corp.canadiantire.ca.

Statements that include forward-looking information 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 information, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, unless 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 your information only.

Commitment to disclosure and investor communication

Canadian Tire 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 (corp.canadiantire.ca/en/investors) includes the following documents and information of interest to investors:

- Annual Information Form;
- Management Information Circular;
- quarterly reports;
- quarterly fact sheets; and
- conference call webcasts (archived for one year).

The Company's Annual Information Form, Management Information Circular and quarterly reports are also available on the SEDAR website at www.sedar.com.

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

May 9, 2013

Condensed Consolidated Balance Sheets (Unaudited)

As at (C$ in millions)		March 30, 2013		March 31, 2012		December 29, 2012
				(Note 16)		(Note 16)
ASSETS						
Cash and cash equivalents (Note 11)	$	**311.8**	$	237.2	$	1,015.5
Short-term investments		**187.9**		212.1		168.9
Trade and other receivables		**793.0**		834.8		750.6
Loans receivable (Note 9)		**4,141.6**		3,887.6		4,265.7
Merchandise inventories		**1,674.9**		1,606.3		1,503.3
Income taxes recoverable		**35.3**		16.9		-
Prepaid expenses and deposits		**81.6**		75.3		39.1
Assets classified as held for sale		**7.8**		36.9		5.5
Total current assets		**7,233.9**		6,907.1		7,748.6
Long-term receivables and other assets		**688.1**		693.7		681.2
Long-term investments		**191.0**		201.9		182.7
Goodwill and intangible assets		**1,078.8**		1,101.8		1,089.9
Investment property		**92.6**		63.4		95.1
Property and equipment		**3,328.9**		3,356.6		3,343.5
Deferred income taxes		**33.6**		41.7		40.1
Total assets	$	**12,646.9**	$	12,366.2	$	13,181.1
LIABILITIES						
Bank indebtedness (Note 11)	$	**106.3**	$	104.5	$	86.0
Deposits		**1,425.0**		1,207.4		1,311.0
Trade and other payables		**1,648.5**		1,492.5		1,631.3
Provisions		**184.0**		181.9		185.8
Short-term borrowings		**119.2**		498.6		118.9
Loans payable		**619.8**		654.5		623.7
Income taxes payable		**-**		-		5.5
Current portion of long-term debt		**22.3**		663.2		661.9
Total current liabilities		**4,125.1**		4,802.6		4,624.1
Long-term provisions		**49.7**		44.8		54.8
Long-term debt		**2,336.5**		1,712.0		2,336.0
Long-term deposits		**1,030.6**		1,092.3		1,111.8
Deferred income taxes		**78.8**		70.0		77.7
Other long-term liabilities		**210.3**		204.4		212.4
Total liabilities		**7,831.0**		7,926.1		8,416.8
SHAREHOLDERS' EQUITY						
Share capital (Note 10)		**674.2**		710.4		688.0
Contributed surplus		**3.0**		1.2		2.9
Accumulated other comprehensive income (loss)		**18.9**		(5.5)		(1.7)
Retained earnings		**4,119.8**		3,734.0		4,075.1
Total shareholders' equity		**4,815.9**		4,440.1		4,764.3
Total liabilities and shareholders' equity	$	**12,646.9**	$	12,366.2	$	13,181.1

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

Condensed Consolidated Statements of Income (Unaudited)

(C$ in millions, except per share amounts)	13 weeks ended March 30, 2013	March 31, 2012 (Note 16)
Revenue (Note 5)	**$ 2,479.8**	$ 2,439.5
Cost of producing revenue (Note 6)	**(1,713.1)**	(1,690.5)
Gross margin	**766.7**	749.0
Other income	**7.7**	3.9
Operating expenses		
Distribution costs	**(83.0)**	(87.2)
Sales and marketing expenses	**(384.3)**	(368.8)
Administrative expenses	**(178.1)**	(169.8)
Total operating expenses (Note 7)	**(645.4)**	(625.8)
Operating income	**129.0**	127.1
Finance income	**6.1**	4.1
Finance costs	**(34.8)**	(33.7)
Net finance costs	**(28.7)**	(29.6)
Income before income taxes	**100.3**	97.5
Income taxes	**(27.3)**	(26.5)
Net income	**$ 73.0**	$ 71.0
Basic earnings per share	**$ 0.90**	$ 0.87
Diluted earnings per share	**$ 0.90**	$ 0.87
Weighted average number of Common and Class A Non-Voting Shares outstanding:		
Basic	**81,128,860**	81,449,090
Diluted	**81,405,372**	81,776,230

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

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	13 weeks ended	
(C$ in millions)	**March 30, 2013**	March 31, 2012
Net income	**$ 73.0**	$ 71.0
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income:		
Cash flow hedges:		
Gains (losses), net of tax of $7.8 (2012 - $6.5)	**21.4**	(17.6)
Reclassification of (gains) losses to non-financial asset, net of tax of $0.4 (2012 - $0.9)	**(1.0)**	2.5
Reclassification of losses to income, net of tax of $nil (2012 - $nil)	**0.1**	-
Available-for-sale financial assets:		
Gains, net of tax of $nil (2012 - $nil)	**0.1**	0.1
Reclassification of gains to income, net of tax of $nil (2012 - $0.6)	**-**	(1.5)
Total other comprehensive income (loss)	**20.6**	(16.5)
Total comprehensive income	**$ 93.6**	$ 54.5

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

Condensed Consolidated Statements of Cash Flows (Unaudited)

(C$ in millions)	13 weeks ended March 30, 2013	March 31, 2012 (Note 16)
Cash generated from (used for):		
Operating activities		
Net income	**$ 73.0**	$ 71.0
Adjustments for:		
Gross impairment loss on loans receivable (Note 9)	**82.1**	83.3
Depreciation on property and equipment and investment property (Note 7)	**60.7**	59.3
Income tax expense	**27.3**	26.5
Net finance costs	**28.7**	29.6
Amortization of intangible assets (Note 7)	**22.0**	20.0
Changes in fair value of derivative instruments	**(2.6)**	(0.1)
Deferred income taxes	**0.3**	4.6
Other	**(1.7)**	(0.9)
	289.8	293.3
Change in operating working capital and other (Note 11)	**(201.6)**	(366.3)
Change in loans receivable	**41.4**	85.1
Change in deposits	**31.9**	14.3
Cash generated from operating activities before interest and income taxes	**161.5**	26.4
Interest paid	**(31.7)**	(37.9)
Interest received	**3.9**	1.7
Income taxes paid	**(68.0)**	(40.8)
Cash generated from (used for) operating activities	**65.7**	(50.6)
Investing activities		
Acquisition of short-term investments	**(25.6)**	(124.4)
Proceeds from the maturity and disposition of short-term investments	**28.7**	108.9
Acquisition of long-term investments	**(30.0)**	(80.3)
Proceeds from the disposition of long-term investments	**0.2**	4.7
Additions to property and equipment and investment property	**(75.2)**	(54.7)
Proceeds on disposition of property and equipment, investment property and assets held for sale	**8.4**	6.1
Additions to intangible assets	**(10.7)**	(15.1)
Long-term receivables and other assets	**4.0**	(2.7)
Other	**0.2**	(0.5)
Cash used for investing activities	**(100.0)**	(158.0)
Financing activities		
Net issuance of short-term borrowings	**0.3**	146.0
Issuance of loans payable	**64.6**	94.6
Repayment of loans payable	**(68.5)**	(68.8)
Issuance of share capital (Note 10)	**1.6**	1.2
Repurchase of share capital (Note 10)	**(15.3)**	(1.2)
Repayment of long-term debt and finance lease liabilities	**(643.6)**	(7.1)
Dividends paid	**(28.3)**	(24.4)
Cash (used for) generated from financing activities	**(689.2)**	140.3
Cash used in the period	**(723.5)**	(68.3)
Cash and cash equivalents, net of bank indebtedness, beginning of period	**929.5**	201.0
Effect of exchange rate fluctuations on cash held	**(0.5)**	-
Cash and cash equivalents, net of bank indebtedness, end of period (Note 11)	**$ 205.5**	$ 132.7

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

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(C$ in millions)	Share capital	Contributed surplus	Cashflow hedges	Available-for-sale financial assets	Total accumulated other comprehensive income (loss)	Retained earnings	Total shareholders' equity
Balance at December 29, 2012	**$ 688.0**	**$ 2.9**	**$ (2.0)**	**$ 0.3**	**$ (1.7)**	**$ 4,074.4**	**$ 4,763.6**
Restatement of Employee Benefits (Note 16)						**0.7**	**0.7**
Total comprehensive income							
Net income						**73.0**	**73.0**
Other comprehensive income (loss)							
Items that may be reclassified subsequently to net income:							
Cash flow hedges:							
Gains, net of tax of $7.8			**21.4**		**21.4**		**21.4**
Reclassification of gains to non-financial asset, net of tax of $0.4			**(1.0)**		**(1.0)**		**(1.0)**
Reclassification of losses to income, net of tax of $nil			**0.1**		**0.1**		**0.1**
Available-for-sale financial assets:							
Gains, net of tax of $nil				**0.1**	**0.1**		**0.1**
Reclassification of gains to income, net of tax of $nil				**-**	**-**		**-**
Total other comprehensive income (loss)	**-**	**-**	**20.5**	**0.1**	**20.6**	**-**	**20.6**
Total comprehensive income	**-**	**-**	**20.5**	**0.1**	**20.6**	**73.0**	**93.6**
Contributions by and distributions to shareholders							
Issue of Class A Non-Voting Shares (Note 10)	**1.6**				**-**		**1.6**
Repurchase of Class A Non-Voting Shares (Note 10)	**(15.3)**				**-**		**(15.3)**
Excess of issue price over repurchase price (Note 10)	**(0.1)**	**0.1**			**-**		**-**
Dividends					**-**	**(28.3)**	**(28.3)**
Total contributions by and distributions to shareholders	**(13.8)**	**0.1**	**-**	**-**	**-**	**(28.3)**	**(42.0)**
Balance at March 30, 2013	**$ 674.2**	**$ 3.0**	**$ 18.5**	**$ 0.4**	**$ 18.9**	**$ 4,119.8**	**$ 4,815.9**
Balance at December 31, 2011	$ 710.5	$ 1.1	$ 9.4	$ 1.6	$ 11.0	$ 3,686.4	$ 4,409.0
Restatement of Employee Benefits (Note 16)						1.0	1.0
Total comprehensive income							
Net income						71.0	71.0
Other comprehensive income (loss)							
Items that may be reclassified subsequently to net income:							
Cash flow hedges:							
Losses, net of tax of $6.5			(17.6)		(17.6)		(17.6)
Reclassification of losses to non-financial asset, net of tax of $0.9			2.5		2.5		2.5
Reclassification of losses to income, net of tax of $nil			-		-		-
Available-for-sale financial assets:							
Gains, net of tax of $nil				0.1	0.1		0.1
Reclassification of gains to income, net of tax of $0.6				(1.5)	(1.5)		(1.5)
Total other comprehensive income (loss)	-	-	(15.1)	(1.4)	(16.5)	-	(16.5)
Total comprehensive income	-	-	(15.1)	(1.4)	(16.5)	71.0	54.5
Contributions by and distributions to shareholders							
Issue of Class A Non-Voting Shares (Note 10)	1.2				-		1.2
Repurchase of Class A Non-Voting Shares (Note 10)	(1.2)				-		(1.2)
Excess of issue price over repurchase price (Note 10)	(0.1)	0.1			-		-
Dividends					-	(24.4)	(24.4)
Total contributions by and distributions to shareholders	(0.1)	0.1	-	-	-	(24.4)	(24.4)
Balance at March 31, 2012	$ 710.4	$ 1.2	$ (5.7)	$ 0.2	$ (5.5)	$ 3,734.0	$ 4,440.1

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

1. The Company and its operations

Canadian Tire Corporation, Limited is a Canadian public company 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".

The Company is comprised of two main business operations that offer a range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum and financial services. Details of its two reportable operating segments, Retail and Financial Services, are provided in Note 4.

The Company's operations are influenced by seasonal trends in the retail environment. The second and fourth quarters of each year are typically when the Company experiences stronger revenue and net income due to the seasonal nature of some merchandise in its retail operations and timing of marketing programs.

2. Basis of preparation

Statement of compliance

These condensed interim consolidated financial statements (interim financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company prepared these interim financial statements for the 13 weeks ended March 30, 2013 (and comparative results for the 13 weeks ended March 31, 2012) in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting.* These interim financial statements should be read in conjunction with the annual financial statements contained in the Company's 2012 Annual Report.

These interim financial statements were authorized for issuance by the Company's Board of Directors on May 9, 2013.

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 business combinations.

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, which are presented in whole dollars, and the number of shares or the weighted average number of shares, which are presented in whole numbers.

Use of estimates and judgments

The preparation of these interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these interim financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from estimates made in these interim financial statements.

Judgment is used mainly in determining whether a balance or transaction should be recognized in the interim financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Management has applied judgment in its assessment of the appropriateness of consolidation of entities; the classification of leases and financial instruments; the recognition of tax losses and provisions; the determination of cash generating units; the identification of investment property; the identification of the indicators of impairment for property and equipment, investment property and intangible assets; and the allocation of purchase price adjustments on business combinations.

Estimates are used when determining the useful lives of property and equipment, investment property and intangible assets for the purposes of depreciation and amortization; when accounting for and measuring items such as inventory, customer loyalty programs, deferred revenue, income and other taxes, provisions and purchase price adjustments on business combinations; when making assumptions underlying actuarial determination of post-employment benefits; when measuring certain fair values, including those related to the valuation of business combinations, share-based payments and financial instruments; when testing goodwill, intangible assets with indefinite useful lives and other assets for impairment; and when updating models used in the determination of allowances on loans receivable. The allowances on loans receivable are based on historical customer payment experience. Future customer behavior may be affected by a number of factors, including changes in interest and unemployment rates and program design changes.

New standards implemented

Consolidated financial statements

In May 2011, the International Accounting Standard Board (IASB) issued IFRS 10 – *Consolidated Financial Statements* ("IFRS 10"), which replaces portions of IAS 27 – *Consolidated and Separate Financial Statements* ("IAS 27") and all of Standing Interpretation Committee – *Consolidation – Special Purpose Entities* ("SIC-12"). IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an investor controls one or more investees. The standard requires an investor to consolidate an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As a consequence, IAS 27 has been amended but retains the existing guidance for separate financial statements.

Joint arrangements

In May 2011, the IASB issued IFRS 11 – *Joint Arrangements* ("IFRS 11"), which replaces IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 requires a venturer to classify its interest in a joint arrangement as either a joint venture or joint operation. Joint ventures are accounted for using the equity method of accounting. The existing option to account for joint ventures using proportionate consolidation has been removed. For a joint operation, the venturer recognizes its share of the assets, liabilities, revenue and expenses of the joint operation.

Disclosure of involvement with other entities

In May 2011, the IASB issued IFRS 12 – *Disclosure of Involvement with Other Entities* ("IFRS 12"), which establishes disclosure requirements for an entity's interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosure requirements and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

As a consequence of the issue of IFRS 10 and IFRS 11, IAS 28 – *Investments in Associates* ("IAS 28") has been amended. IAS 28 provides accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28 were effective for annual periods beginning on or after January 1, 2013. The implementation of IFRS 10 and IFRS 11 and amendments to IAS 27 and IAS 28 did not have an impact on the Company. Implementation of IFRS 12 will result in additional disclosures in the annual financial statement notes.

Fair value measurement

In May 2011, the IASB issued IFRS 13 – *Fair Value Measurement* ("IFRS 13"), which is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosure requirements about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures. IFRS 13 was effective for annual periods beginning on or after January 1, 2013. Implementation of IFRS 13 has resulted in additional disclosures in Note 15 to these condensed consolidated financial statements.

Other comprehensive income presentation

In June 2011, the IASB amended IAS 1 – *Presentation of Financial Statements* ("IAS 1") to require companies to group together items within other comprehensive income (OCI) that may be reclassified to net income. The amendments reaffirm the existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendments were effective for annual periods beginning on or after July 1, 2012. Implementation of IAS 1 amendments did not have any impact on the Company's interim financial statements.

Post-employment benefits

In June 2011, the IASB issued amendments to IAS 19 – *Employment Benefits* ("IAS 19") that apply to defined benefit plans. The amendments eliminate the existing option to defer actuarial gains and losses (known as the corridor approach), require changes from remeasurement of defined benefit plan assets and liabilities to be presented in the OCI section of the statements of comprehensive income, and require additional disclosures. The amendments were effective for annual periods beginning on or after January 1, 2013. These amendments, which were applied retrospectively, did not have any significant impact as the Company already immediately records any actuarial gains and losses in OCI. In addition, the benefit of past service credits, previously recognized in employee benefits in other long-term liabilities on the condensed consolidated balance sheets, have been reclassified to retained earnings. As a result of the retrospective implementation of this standard, the cumulative impact on previously reported balances is as follows:

	Increase (decrease)		
(C$ in millions)	**December 29, 2012**	March 31, 2012	December 31, 2011
Other long-term liabilities	**$ (1.0)**	$ (1.3)	$ (1.3)
Deferred income tax asset	**(0.3)**	(0.3)	(0.3)
Retained earnings	**0.7**	1.0	1.0

In addition, there was no impact on the condensed consolidated statements of income for the 13 weeks ended March 31, 2012. On the condensed consolidated statements of cash flows, there is no impact on cash generated from operating activities before interest and income taxes.

Financial instruments: Asset and liability offsetting

In December 2011, the IASB amended IFRS 7 – *Financial Instruments: Disclosures* ("IFRS 7") to require new disclosures on the effect of offsetting arrangements on an entity's financial position. The IFRS 7 amendment is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of the IFRS 7 amendment did not have an impact on the Company's results of operations and financial position.

Standards, amendments and interpretations issued and not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 28, 2013, and, accordingly, have not been applied in preparing these interim financial statements.

Financial instruments

In November 2009, the IASB issued IFRS 9 – *Financial Instruments: Classification and Measurement* ("IFRS 9"), which contained requirements for financial assets. In October 2010, requirements for financial liabilities were added to IFRS 9. IFRS 9 will replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in OCI instead of net income unless this would create an accounting mismatch. An accounting mismatch may occur when financial liabilities that are measured at fair value are managed with assets that are measured at fair value through profit or loss. A mismatch could arise because the entire change in the fair value of the financial assets would be presented in net income but a portion of the change in the fair value of the related financial liabilities would not. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Financial instruments: Asset and liability offsetting

In December 2011, the IASB amended IAS 32 – *Financial Instruments: Presentation* ("IAS 32") to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company is assessing the potential impact of the IAS 32 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 5 of the annual financial statements contained in the Company's 2012 Annual Report, which includes Glacier Credit Card Trust (GCCT) indebtedness but excludes Franchise Trust indebtedness.

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 key covenants under its existing debt agreements during the quarter ended March 30, 2013. 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 regulatory requirements, including the capital guidelines issued by the Office of the Superintendent of Financial Institutions of Canada, associated with the operations of Canadian Tire Bank ("the Bank"), a federally chartered bank, and other regulatory requirements that impact its business operations.

4. Operating segments

The Company has two reportable operating segments, Retail 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 of the Living, Playing & Fixing, Automotive, Apparel and Sporting Goods categories. The retail business is conducted through a number of banners, including Canadian Tire Retail (CTR), 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.

- 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. The Bank, a wholly owned subsidiary of Canadian Tire Financial Services Limited, is a federally regulated bank 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 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 Executive Officer. 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							
	March 30, 2013				March 31, 2012			
(C$ in millions)	**Retail**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	Financial Services	Eliminations and adjustments	Total
External revenue	**$ 2,216.8**	**$ 246.5**	**$ 16.5**	**$ 2,479.8**	$ 2,184.0	$ 238.8	$ 16.7	$ 2,439.5
Intercompany revenue	**0.1**	**3.5**	**(3.6)**	**-**	0.1	2.9	(3.0)	-
Total revenue	**2,216.9**	**250.0**	**12.9**	**2,479.8**	2,184.1	241.7	13.7	2,439.5
Cost of producing revenue	**1,617.4**	**110.2**	**(14.5)**	**1,713.1**	1,593.1	111.5	(14.1)	1,690.5
Gross margin	**599.5**	**139.8**	**27.4**	**766.7**	591.0	130.2	27.8	749.0
Other income (expense)	**7.5**	**0.2**	**-**	**7.7**	2.0	1.9	-	3.9
Operating expenses	**566.5**	**62.9**	**16.0**	**645.4**	551.2	59.2	15.4	625.8
Operating income	**40.5**	**77.1**	**11.4**	**129.0**	41.8	72.9	12.4	127.1
Net finance (income) costs	**17.5**	**(0.2)**	**11.4**	**28.7**	17.3	(0.1)	12.4	29.6
Income before income taxes	**$ 23.0**	**$ 77.3**	**$ -**	**$ 100.3**	$ 24.5	$ 73.0	$ -	$ 97.5
Items included in the above:								
Depreciation and amortization	**$ 80.2**	**$ 2.5**	**$ -**	**$ 82.7**	$ 76.9	$ 2.4	$ -	$ 79.3
Interest income	**9.2**	**182.6**	**(0.5)**	**191.3**	8.2	172.1	-	180.3
Interest expense	**20.6**	**32.6**	**(0.5)**	**52.7**	19.4	32.5	-	51.9

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 IFRS Interpretations Committee (IFRIC) 13 for the Company's Canadian Tire Money programs; and
- inter-segment eliminations.

Capital expenditures by reportable operating segment are as follows:

	13 weeks ended							
	March 30, 2013				March 31, 2012			
(C$ in millions)	**Retail**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	Financial Services	Eliminations and adjustments	Total
Capital expenditures [1]	**$ 61.8**	**$ 0.2**	**$ -**	**$ 62.0**	$ 63.8	$ 0.3	$ -	$ 64.1

[1] Capital expenditures are presented on an accrual basis and include intangible software additions.

Total assets and liabilities by reportable operating segment are as follows:

(C$ in millions)	**March 30, 2013**	March 31, 2012	December 29, 2012
Retail[1,2]	**$ 7,891.2**	$ 7,885.5	$ 7,950.1
Financial Services[2]	**4,836.3**	4,555.7	5,429.8
Eliminations[1]	**(80.6)**	(75.0)	(198.8)
Total assets	**$ 12,646.9**	$ 12,366.2	$ 13,181.1

(C$ in millions)	**March 30, 2013**	March 31, 2012	December 29, 2012
Retail[2]	**$ 3,873.5**	$ 4,036.0	$ 3,927.5
Financial Services[2]	**4,038.1**	3,965.1	4,688.1
Eliminations[1]	**(80.6)**	(75.0)	(198.8)
Total liabilities	**$ 7,831.0**	$ 7,926.1	$ 8,416.8

[1] Retail operating segment assets and eliminations no longer include investment in Financial Services subsidiaries. March 31, 2012 figures have been restated to correspond to the current-year presentation. There is no impact on total assets on the condensed consolidated balance sheets as a result of the change in presentation.
[2] 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, items of expense 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 in the presented measures of segmented assets and liabilities.

5. Revenue

	13 weeks ended	
(C$ in millions)	**March 30, 2013**	March 31, 2012
Sale of goods	**$ 2,120.6**	$ 2,089.3
Interest income on loans receivable	**185.2**	176.2
Services rendered	**84.0**	85.1
Royalties and licence fees	**87.1**	86.1
Rental income	**2.9**	2.8
	$ 2,479.8	$ 2,439.5

Major customers

The Company does not have reliance on any one customer.

6. Cost of producing revenue

	13 weeks ended	
(C$ in millions)	**March 30, 2013**	March 31, 2012
Inventory cost of sales	**$ 1,617.2**	$ 1,593.2
Net impairment loss on loans receivable	**65.7**	68.1
Finance costs on deposits	**17.9**	18.2
Other	**12.3**	11.0
	$ 1,713.1	$ 1,690.5

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 weeks ended March 30, 2013 were $17.8 million (2012 – $16.1 million).

Inventory writedowns recognized in previous periods and reversed in the 13 weeks ended March 30, 2013 were $3.4 million (2012 – $1.7 million).The reversal of writedowns was the result of actual losses being lower than previously estimated.

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

7. Operating expenses by nature

	13 weeks ended	
(C$ in millions)	**March 30, 2013**	March 31, 2012
Personnel expenses	**$ 236.6**	$ 241.1
Occupancy	**147.8**	141.6
Marketing and advertising	**64.7**	55.1
Depreciation of property and equipment and investment property	**60.7**	59.3
Amortization of intangible assets	**22.0**	20.0
Other	**113.6**	108.7
	$ 645.4	$ 625.8

8. Share-based payments

During the 13 weeks ended March 30, 2013, the Company issued the following share-based payment awards:

Stock options

The Company granted 731,664 stock options to certain employees. These stock options generally vest on a graduated basis over a three-year period, are exercisable over a term of seven years and have an exercise price of $69.01.

Performance share unit plans

The Company grants performance share units (PSUs) to certain employees. Each PSU entitles the participant to receive a cash payment in an amount equal to the weighted average closing price of Class A Non-Voting Shares traded on the Toronto Stock Exchange during the 10-day period commencing on the first business day after the last day of the performance period, multiplied by a factor determined by specific performance-based criteria. Compensation expense related to the PSUs is accrued over the performance period based on the expected total compensation to be paid out at the end of the performance period. The performance period of each plan is approximately three years from the date of issuance.

9. Loans receivable

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

(C$ in millions)	Total principal amount of receivables[1]			Average balance[1]	
	March 30, 2013	March 31, 2012	December 29, 2012	**March 30, 2013**	March 31, 2012
Credit card loans	**$ 4,115.8**	$ 3,833.7	$ 4,234.3	**$ 4,130.1**	$ 3,886.9
Line of credit loans	**7.2**	8.5	7.5	**7.4**	8.6
Personal loans [2]	**0.2**	2.2	0.5	**0.3**	2.7
Total Financial Services' loans receivable	**4,123.2**	3,844.4	4,242.3	**$ 4,137.8**	$ 3,898.2
Dealer loans [3]	**619.8**	654.5	623.7		
Other loans	**7.2**	9.0	7.7		
Total loans receivable	**4,750.2**	4,507.9	4,873.7		
Less: long-term portion [4]	**608.6**	620.3	608.0		
Current portion of loans receivable	**$ 4,141.6**	$ 3,887.6	$ 4,265.7		

[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 $602.1 million (March 31, 2012 – $613.6 million and December 29, 2012 – $601.5 million).

The gross impairment loss on loans receivable for the 13 weeks ended March 30, 2013, was $82.1 million (2012 – $83.3 million). Recoveries of bad debts for the 13 weeks ended March 30, 2013, were $14.8 million (2012 – $14.1 million).

For the 13 weeks ended March 30, 2013, the amount of cash received from interest earned on credit cards and loans was $171.4 million (2012 – $162.6 million).

10. Share capital

(C$ in millions)	**March 30, 2013**	March 31, 2012	December 29, 2012
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (March 31, 2012 - 3,423,366; December 29, 2012 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
77,526,952 Class A Non-Voting Shares (March 31, 2012 - 78,020,290; December 29, 2012 - 77,720,401)	**674.0**	710.2	687.8
	$ 674.2	$ 710.4	$ 688.0

All issued shares are fully paid. The Company does not hold any of its Common or Class A Non-Voting Shares. Neither the Common nor Class A Non-Voting Shares have a par value.

During 2013 and 2012, the Company issued and purchased Class A Non-Voting Shares. The net excess of the issue price over the purchase price results in contributed surplus. The net excess of the purchase price over the issue price is allocated first to contributed surplus, with any remainder allocated to retained earnings.

The following transactions occurred with respect to Class A Non-Voting Shares during 2013 and 2012:

	13 weeks ended					
	March 30, 2013			March 31, 2012		
(C$ in millions)	**Number**		**$**	Number		$
Shares outstanding at beginning of the year	**77,720,401**	**$**	**687.8**	78,020,208	$	710.3
Issued						
Dividend reinvestment plan	**19,826**		**1.4**	18,582		1.2
Stock option plan	**2,625**		**0.2**	-		-
Purchased	**(215,900)**		**(15.3)**	(18,500)		(1.2)
Excess of issue price over purchase price	**-**		**(0.1)**	-		(0.1)
Shares outstanding at end of the period	**77,526,952**	**$**	**674.0**	78,020,290	$	710.2

As of March 30, 2013, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $28.3 million (2012 – $24.4 million) at a rate of $0.35 per share (2012 – $0.30).

On May 9, 2013, the Company's Board of Directors declared a dividend of $0.35 per share payable on September 1, 2013 to shareholders of record as of July 31, 2013.

11. Notes to the consolidated statements of cash flows

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

(C$ in millions)		**March 30, 2013**		March 31, 2012		December 29, 2012
Cash	**$**	**61.3**	$	48.8	$	40.5
Cash equivalents		**240.7**		180.1		533.6
Restricted cash and cash equivalents[1]		**9.8**		8.3		441.4
Total cash and cash equivalents		**311.8**		237.2		1,015.5
Bank indebtedness		**(106.3)**		(104.5)		(86.0)
Cash and cash equivalents, net of bank indebtedness	**$**	**205.5**	$	132.7	$	929.5

[1] *Relates to GCCT and is restricted for the purposes of paying out note holders and additional funding costs.*

Change in operating working capital and other comprises the following:

(C$ in millions)		**March 30, 2013**		March 31, 2012
Change in operating working capital				
Trade and other receivables	**$**	**(16.5)**	$	(14.4)
Merchandise inventories		**(178.6)**		(151.8)
Income taxes		**(0.1)**		(6.5)
Prepaid expenses and deposits		**(42.5)**		(31.0)
Trade and other payables		**45.6**		(142.0)
Total		**(192.1)**		(345.7)
Change in other				
Provisions		**(3.0)**		(10.4)
Long-term provisions		**(4.2)**		(10.3)
Deferred revenue		**(0.6)**		(0.5)
Employee benefits		**(1.7)**		0.6
Total		**(9.5)**		(20.6)
Change in operating working capital and other	**$**	**(201.6)**	$	(366.3)

12. Property, equipment, investment property and intangible assets

Acquisitions and disposals

During the 13 weeks ended March 30, 2013, the Company acquired property and equipment and investment property at an aggregate cost of $52.1 million (2012 – $51.7 million) and intangible assets at an aggregate cost of $9.9 million (2012 – $12.4 million).

The amount related to property and equipment and investment property acquired that is included in trade and other payables at March 30, 2013, is $21.0 million (2012 – $14.0 million). The amount related to intangible assets that is included in trade and other payables at March 30, 2013, is $4.6 million (2012 – $2.0 million).

Also included in the property and equipment, investment property and intangible assets acquired are non-cash items relating to finance leases, asset retirement obligations and capitalized interest in the amount of $3.5 million (2012 – $5.7 million).

During the 13 weeks ended March 30, 2013, property and equipment and investment property were disposed of with a carrying amount of $4.7 million (2012 – $4.6 million) and intangible assets were disposed of with a carrying amount of $0.1 million (2012 – $nil).

Capital commitments

The Company has commitments of approximately $35.3 million at March 30, 2013 for the acquisition of property and equipment (2012 – $26.2 million).

13. Legal matters

The Company and certain of its subsidiaries are party to a number of legal proceedings. The Company has determined that each such proceeding constitutes a routine legal 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.

The Bank is the subject of two class action proceedings regarding allegations that certain fees charged on the Bank-issued credit cards are not permitted under the Quebec Consumer Protection Act. The Bank has determined that it has a solid defense to both actions on the basis that banking and cost of borrowing disclosure are matters of exclusive federal jurisdiction. Accordingly, no provision has been made for amounts, if any, that would be payable in the event of an adverse outcome. If the court rules against the Company, the total aggregate exposure would be approximately $26.7 million at March 30, 2013.

14. 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 35 of the annual financial statements contained in the Company's 2012 Annual Report.

The Company regularly reviews the potential for adverse outcomes with respect of 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.

15. Financial instruments

15.1 Fair value of financial instruments

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.

The carry value of the Company's long-term receivables and other assets approximates their fair value either because the interest rates applied to measure their carrying amount approximate current market interest rates or because they are derivatives.

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

	March 30, 2013		March 31, 2012		December 29, 2012	
(C$ in millions)	**Carrying amount**	**Fair value**	Carrying amount	Fair value	Carrying amount	Fair value
Debt	**$ 2,358.8**	**$ 2,520.0**	$ 2,375.2	$ 2,533.4	$ 2,997.9	$ 3,162.5
Deposits	**$ 2,455.6**	**$ 2,482.2**	$ 2,299.7	$ 2,328.9	$ 2,422.8	$ 2,453.5

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.

15.2 Fair value hierarchy

The Company uses a fair value hierarchy to categorize financial assets and financial liabilities. The following table presents the financial instruments measured at fair value classified by the fair value hierarchy:

(C$ in millions)			**March 30, 2013**		March 31, 2012		December 29, 2012
Balance sheet line	**Category**	**Level**		Level		Level	
Short-term investments	Fair value through profit or loss	2	**$ -**	2	$ 10.4	2	$ 9.4
Short-term investments	Available for Sale	2	**187.9**	2	201.7	2	159.5
Long-term investments	Fair value through profit or loss	2	**7.4**	2		2	7.3
Long-term investments	Fair value through profit or loss	3	**-**	3	6.6	3	-
Long-term investments	Available for Sale	2	**183.6**	2	195.3	2	175.4
Trade and other receivables	Derivatives	2	**28.5**	2	3.6	2	6.5
Long-term receivables and other assets	Derivatives	2	**7.9**	2	2.0	2	4.4
Trade and other payables	Derivatives	2	**2.9**	2	13.8	2	13.1
Other long-term liabilities	Derivatives	2	**-**	2	4.8	2	0.2

The fair value of financial assets and financial liabilities in Level 2 include valuations using inputs based on observable market data, either directly or indirectly, other than the quoted prices. Level 3 valuations are based on inputs that are not based on observable market data.

Changes in fair value measurement for instruments categorized in Level 3
Level 3 financial instruments include asset-backed commercial paper. The following table presents the changes in fair value measurements for these instruments:

(C$ in millions)	**March 30, 2013**	March 31, 2012	December 29, 2012
Balance, beginning of year	**$ -**	$ 6.6	**$ 6.6**
Fair value gains, net of losses, recognized in net income[1]	**-**	-	**0.7**
Transfer out of Level 3[2]	**-**	-	**(7.3)**
Balance, end of period	**$ -**	$ 6.6	**$ -**

[1] Reported in other income on the Consolidated Statements of Income.

[2] Asset-backed commercial paper investments commenced trading in an active market later in 2012 and therefore, quoted market prices are used to value these investments. Consequently, the carrying amount of asset-backed commercial paper was transferred to Level 2 later in 2012.

16. Comparative figures

Certain of the prior period's figures have been restated to correspond to the current-year presentation or as a result of the retrospective implementation of IAS 19 – *Employment Benefits*. Further details are provided in Note 2 under Post-employment benefits.