Management's Discussion and Analysis

Canadian Tire Corporation, Limited
First Quarter 2014

1.0 Preface

1.1 Definitions

In this document, the terms “we”, “us”, “our”, “Company”, “Canadian Tire Corporation”, “CTC” and “Corporation” refer to Canadian Tire Corporation, Limited, its subsidiaries and their collective businesses. This document also refers to the Corporation’s three reportable operating segments: the “Retail segment”, the “CT REIT segment” and the “Financial Services segment”.

The financial results for the Retail segment are delivered by the businesses operated under the Company’s retail banners, which include Canadian Tire, PartSource, Petroleum, Mark’s, Sport Chek, Sports Experts, Atmosphere and Pro Hockey Life Sporting Goods Inc. (“PHL”). In this document:

> “Canadian Tire” refers to the Company’s general merchandise retail business and its home services business carried on under the “Canadian Tire” name and trademarks and the business carried on under the “PartSource” name and trademarks.
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> “Canadian Tire stores” and “Canadian Tire gas bars” refer to stores and gas bars (which may include convenience stores, car washes and propane stations), respectively, operated under the “Canadian Tire” and
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> “Gas +” name and trademarks and “PartSource stores” refers to stores (including hub stores) operated under the “PartSource” name and trademarks.
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> “FGL Sports” refers to the retail business carried on by FGL Sports Ltd., a wholly owned subsidiary of the Company, and “FGL Sports stores” includes stores operated under the “Sport Chek”, “Sports Experts”, “Atmosphere”, and “Pro Hockey Life” names and trademarks.
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> “Mark’s” refers to the retail business carried on by Mark’s Work Wearhouse Ltd., a wholly owned subsidiary of the Company, and “Mark’s stores” includes stores operated under the “Mark’s”, “Mark’s Work Wearhouse”, “Work World” and “L’Equipeur” names and trademarks.
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> “Petroleum” refers to the retail petroleum business carried out under the “Canadian Tire” and “Gas +” name and trademarks.

The financial results for the CT REIT segment are delivered by CT Real Estate Investment Trust and its subsidiaries (“CT REIT”). CT REIT is a majority-owned subsidiary of the Corporation.

The financial results for the Financial Services segment are delivered by Canadian Tire Financial Services Limited (“CTFS”) and its subsidiaries, including Canadian Tire Bank (“CTB”). CTFS is a wholly owned subsidiary of the Company and CTB is a wholly owned subsidiary of CTFS.

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

1.2 Forward-looking statements

This MD&A contains statements that are forward-looking. Actual results or events may differ materially from those forecasted and from statements of the Company’s plans or aspirations that are made in this disclosure because of the risks and uncertainties associated with the Corporation’s business and the general economic environment. The Company cannot provide any assurance that any forecasted financial or operational performance, plans or financial aspirations will actually be achieved or, if achieved, will result in an increase in the price of the Company’s shares. Refer to section 13.0 in this MD&A for a more detailed discussion of the Company’s use of forward looking statements.

1.3 Review and approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on May 8, 2014.

1.4 Quarterly comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for Q1 2014 (13 weeks ended March 29, 2014) are against results for Q1 2013 (13 weeks ended March 30, 2013).

1.5 Accounting framework

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in note 2 to the condensed consolidated financial statements.

1.6 Accounting estimates and assumptions

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

1.7 Key operating performance measures and non-GAAP financial measures

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

Retail sales is one of these key operating performance measures and refers to the point of sale (i.e., cash register) value of all goods and services sold to retail customers at Canadian Tire Dealer-operated, Mark's, PartSource and FGL Sports franchisee-operated, Petroleum retailer-operated and corporately owned stores across the retail banners and through its online sales channels and in aggregate does not form part of the Company's consolidated financial statements. Revenue, as reported in the Company's consolidated financial statements, is comprised primarily of the sales of goods to Canadian Tire Associate Dealers ("Dealers") and to franchisees of Mark's, PartSource and FGL Sports, the sale of gasoline through Petroleum retailers, the sale of goods to retail customers by stores that are corporately owned under the Mark's, PartSource and FGL Sports banners, the sale of services through the home services business, the sale of goods to customers through INA International Ltd. ("INA"), a business-to-business operation of FGL Sports and through the Company's online sales channels, as well as revenue generated from interest, service charges, interchange and other fees and from insurance products sold to credit card holders in the Financial Services segment and rent paid by third-party tenants in the CT REIT segment. Management believes that retail sales and related year-over-year comparisons provide meaningful information to investors and are expected and valued by them to help them assess the size and financial health of the retail network of stores; these measures also serve as an indicator of the strength of the Company's brand, which ultimately impacts its consolidated financial performance. Refer to section 8.3.1 for additional information on retail sales.

The Company also evaluates performance based on the effective utilization of its assets. The primary metric used to evaluate the performance of core retail assets is average sales per square foot. Comparison of sales per square foot over several periods will identify whether existing assets are being made more productive by the retail businesses' introduction of new store layouts and merchandising strategies. In addition, Management believes return on invested capital ("ROIC"), analyzed on a rolling 12-month basis, reflects how well the Company is allocating capital toward profitable investments. ROIC can be compared to CTC's cost of capital to determine whether invested capital was used effectively. Refer to section 8.3.1 for a description of changes made to the definition of this metric. In addition, an aspiration with respect to ROIC has been included in our five-year financial aspirations. Refer to section 5.0 of the MD&A contained in the Company's 2013 Annual Report for further information on the Company's financial aspirations and for an analysis of CTC's performance against its aspirational performance goals for 2013.

Additionally, the Company considers earnings before interest, tax, depreciation and amortization ("EBITDA") to be an effective measure of CTC's profitability on an operational basis. EBITDA is a non-GAAP financial metric and is commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses. Please refer to section 8.3.2 for a schedule showing the relationship of the Company's consolidated EBITDA to the most comparable GAAP measure (net income).

In the CT REIT segment, certain income and expense measurements that are recognized under GAAP are supplemented by Management's use of certain non-GAAP financial key operating performance measures when analyzing operating performance. Management believes the non-GAAP financial key operating performance measures provide useful information to both Management and investors in measuring the financial performance and financial condition of CT REIT. These measures include funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income ("NOI"). Refer to section 8.3.2 for further information and for a reconciliation of these measures to the nearest GAAP measure.

Management calculates and analyzes certain measures to assess the size, profitability and quality of Financial Services' total managed portfolio of receivables. Growth in the total managed portfolio of receivables is measured by growth in the average number of accounts and growth in the average account balance. A key profitability measure the Company tracks is the return on the average total managed portfolio (also referred to as "return on receivables" or "ROR"). Refer to section 8.3.1 for a definition of ROR.

An aspiration with respect to ROR has also been included in the Company's five-year financial aspirations. Refer to section 5.0 of the Company's 2013 Annual Report for further information on CTC's financial aspirations and for an analysis of its performance against the aspirational performance goals for 2013.

1.8 Rounding and percentages

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

2.0 Company and industry overview

2.1 Overview of the business

For a full description of the Company's Retail, CT REIT and Financial Services business segments, refer to section 2.1 of the MD&A contained in the Company's 2013 Annual Report.

3.0 Financial aspirations and strategic objectives

3.1 Financial aspirations

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 its efforts to achieve the five-year financial aspirations outlined in 2010. Note that the financial aspirations reflect the Company's aspirations over the life of the plan period and it is expected that performance for individual fiscal years within that period will vary.

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

Attainment of the financial aspirations is dependent on the performance of the Company, which in turn, is dependent on the performance of and outlook for the behavior of the Canadian economy and the Canadian consumer. Management continues to expect that the Canadian economy will remain relatively stable and will achieve moderate growth in GDP and consumer spending over the near term. Management also expects that Canadian consumers will continue to be cautious and seek value in their purchasing decisions. Achievement of the financial aspirations also depends on the Company's ability to offer products and services and a customer experience that serves the needs of its core customers, to operate in an increasingly competitive Canadian retail market and to deploy capital in an efficient manner and make its existing assets more productive.

The Company reports on its progress toward achievement of the financial aspirations annually. In addition, on a quarterly basis, Management reviews the material risks and underlying assumptions that will impact the achievement of its aspirational targets over the five-year period. Based on its assessment as at the date of this MD&A, Management still aspires to achieve the consolidated EPS annual growth, Financial Services ROR and

Total Return to Shareholders ("TRS") aspirations within the stated five-year period. The next update will be reported in the Company's 2014 Annual Report.

While Management continues to aspire to achieve the Canadian Tire retail sales growth aspiration of three per cent to five per cent annually, Management does not believe this metric will be achieved when calculated on a cumulative average basis over the outlook period ending 2014. The ROIC measure of 10 per cent is the most aggressive of the financial aspirations and, while progress continues to be made, reaching this aspiration is dependent upon the Company's continued focus on deploying capital in an efficient manner and increasing the earnings generated by its existing retail assets. Based on the expected deployment of capital and anticipated earnings from the Company's retail assets, Management does not believe that the Company will achieve this aspiration by the end of the five-year strategic plan period. However, the Company continues to aspire to this level of performance.

3.2 Strategic objectives and initiatives

3.2.1 Objectives for 2014

The strength and value of the Company's brands are directly correlated to the strength of its business results. In the 2013 Annual MD&A, the Company identified its objectives for 2014, which are underpinned by a commitment to being a brand-led organization. Successful achievement of the objectives will ensure that the Company's brands are supported and enhanced in the eyes of our customers and other key stakeholders.

Management has identified key assumptions and material risk factors that may affect the achievability of its 2014 objectives. For a discussion of these key assumptions and material risk factors, refer to sections 5.2.2 and 11.2 of the MD&A contained in the Company's 2013 Annual Report.

Q1 2014 objectives update

There have been no changes to the underlying assumptions and significant risk factors that were identified in the MD&A contained in the Company's 2013 Annual Report. The Company remains on track to achieve its 2014 objectives as stated in the MD&A contained in the Company's 2013 Annual Report.

4.0 Financial performance in 2014

4.1 Consolidated financial performance

4.1.1 Consolidated key operating performance measures

Readers are reminded that key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3 in this MD&A and to the Company's MD&A contained in the 2013 Annual Report for definitions and further information on changes made to performance measures.

(year-over-year percentage change, C$ in millions, except where noted)	**Q1 2014**	Q1 2013	Change
Revenue[1]	**$ 2,573.1**	$ 2,479.8	3.8%
ROIC[2,3]	**7.32%**	7.33%	

[1] Inter-segment revenue within the retail banners and with CT REIT has been eliminated upon consolidation.

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

[3] ROIC has been restated. Refer to section 8.3 in this MD&A for additional information.

4.1.2 Consolidated financial results

(C$ in millions, except where noted)		**Q1 2014**		Q1 2013	Change
Retail sales[1]	**$**	**2,460.5**	$	2,431.2	1.2%
Revenue	**$**	**2,573.1**	$	2,479.8	3.8%
Gross margin dollars	**$**	**835.3**	$	766.7	8.9%
Gross margin (% of revenue)		**32.5%**		30.9%	154bps
Selling, general and administrative expenses (excluding depreciation & amortization)		**621.4**		562.7	10.4%
Other (expense) income		**(1.5)**		7.7	(119.8)%
EBITDA[2]	**$**	**212.4**	$	211.7	0.3%
Depreciation and amortization		**84.7**		82.7	2.4%
Net finance costs		**24.1**		28.7	(16.1)%
Income before income taxes	**$**	**103.6**	$	100.3	3.3%
Income taxes		**28.0**		27.3	2.4%
Effective tax rate		**27.0%**		27.3%	
Net income	**$**	**75.6**	$	73.0	3.6%
Net income attributable to:					
Owners of Canadian Tire Corporation	**$**	**70.6**	$	73.0	(3.3)%
Non-controlling interests		**5.0**		-	
	$	**75.6**	$	73.0	3.6%
Basic earnings per share attributable to owners of Canadian Tire Corporation	**$**	**0.88**	$	0.90	(1.8)%
Diluted earnings per share attributable to owners of Canadian Tire Corporation	**$**	**0.88**	$	0.90	(2.2)%

[1] Retail sales for the prior year have been restated. Refer to section 8.3 in this MD&A for additional information on the restatement and on retail sales.

[2] Non-GAAP measure. Refer to section 8.3 in this MD&A for additional information.

Consolidated first quarter 2014 versus first quarter 2013

Earnings summary
Diluted EPS attributable to owners of Canadian Tire Corporation were $0.88 in the quarter, down 2.2 per cent over the prior year. The earnings performance largely reflects strong top-line revenue and gross margin contributions from the Retail segment as well as solid revenue from accounts receivables growth at Financial Services, offset by increased marketing and advertising expenses related to Olympic and sports sponsorships, higher stock-based compensation expenses and the impact of approximately $5.0 million, or $0.06 per share related to earnings attributable to the public unitholders of CT REIT (non-controlling interests).

Retail sales
Consolidated retail sales increased $29.3 million (1.2 per cent) due to:

- higher sales of seasonal and winter-related assortments and products across the Canadian Tire, FGL Sports and Mark's retail banners; and
- increased gasoline prices and higher non-gasoline sales at Petroleum.

Revenue
Consolidated revenue increased $93.3 million (3.8 per cent) as a result of:

- higher shipment levels from increased Dealer replenishment in key categories at Canadian Tire;
- increased sales across FGL Sports, Mark's and Petroleum banners; and
- increased credit charges related to gross average receivables growth at Financial Services.

Gross margin
Consolidated gross margin dollars increased $68.6 million or 8.9 per cent. The increased gross margin contribution is partly attributable to increases in shipment volumes at Canadian Tire and higher revenue across the Retail and Financial Services businesses.

Selling, general and administrative expenses (excluding depreciation and amortization)
Consolidated selling, general and administrative expenses (excluding depreciation and amortization) increased $58.7 million (10.4 per cent) due primarily to:

- higher personnel costs due to increased stock-based compensation expenses from recent share price appreciation and a higher number of corporate stores at FGL Sports and PartSource;
- increased marketing, advertising and other costs for Olympics and sports sponsorship activities;
- higher occupancy costs due to new stores in the network and the addition of PHL at FGL Sports;
- increased information systems and technology spending; and
- costs associated with account acquisition and volume related increases in credit card operations costs at Financial Services.

Depreciation and amortization expense
Consolidated depreciation and amortization expense increased $2.0 million (2.4 per cent) due to capitalized costs associated with increased IT initiatives and intangible software assets, as well as Petroleum, Mark's and FGL Sports banner network updates and expansion projects.

Other (expense) / income
Consolidated other expense of $1.5 million in the first quarter of 2014 compared to consolidated other income of $7.7 million a year ago resulted in a net decline of $9.2 million over the prior year. The net decline is largely due to a different approach to the treatment of surplus or non-strategic real estate properties following the formation of CT REIT. Previously, the Company would have recorded gains and losses on disposals of surplus or non-strategic properties in other (expense) / income. Beginning after the formation of CT REIT, however, these amounts will not typically be recorded in the Company's consolidated income statements as most realized real estate gains and losses would be included in transactions with the REIT and would eliminate upon consolidation. The year-over-year increase includes approximately $3.5 million in real estate gains in the prior year, compared to a loss of approximately $3.1 million relating to a write-down for one property during the current quarter.

Net finance costs
Net finance costs decreased $4.6 million (16.1 per cent) largely due to lower interest expense on notes issued by Glacier Credit Card Trust ("Glacier"), a special purpose entity created to securitize credit card loans receivable, which were refinanced at a lower rate and a lower aggregate principal amount of notes outstanding compared to the prior year, as well as higher capitalized interest relating to the development of the new distribution centre.

4.1.3 Seasonal trend analysis

Over the past two years, the Company's quarterly revenue and earnings have steadily increased with the second and fourth quarters of each year typically generating stronger revenue 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:

(C$ in millions, except where noted)	**Q1 2014**	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Revenue	**$ 2,573.1**	$ 3,328.7	$ 2,956.0	$ 3,021.1	2,479.8	$ 3,166.7	$ 2,829.8	$ 2,991.2
Net income	**75.6**	191.0	145.5	154.9	73.0	162.8	131.4	133.7
Basic earnings per share attributable to owners of Canadian Tire Corporation	**0.88**	2.34	1.81	1.92	0.90	2.00	1.61	1.64
Diluted earnings per share attributable to owners of Canadian Tire Corporation	**0.88**	2.32	1.79	1.91	0.90	1.99	1.61	1.63

4.2 Business segment performance

4.2.1 Retail segment key operating performance measures

Readers are reminded that key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3 in this MD&A and to section 10.3 in the MD&A contained in the Company's 2013 Annual Report for definitions and further information on changes made to performance measures.

(year-over-year percentage change, C$ in millions, except where noted)		**Q1 2014**		Q1 2013	Change
Retail segment – total					
Retail sales growth[1,2]		**1.2%**		0.9%	
Revenue[3]	**$**	**2,293.1**	$	2,216.9	3.4%
Retail segment – by banner					
Canadian Tire					
Retail sales growth[4]		**0.0%**		(1.6)%	
Same store sales growth[4]		**(0.5)%**		(2.4)%	
Sales per square foot[5]	**$**	**388**	$	386	0.7%
Revenue[3, 6]	**$**	**1,218.9**	$	1,174.3	3.8%
FGL Sports					
Retail sales growth[1,7,8]		**1.7%**		5.7%	
Same store sales growth[7,8]		**6.4%**		9.1%	
Sales per square foot[7,9]	**$**	**282**	$	268	4.9%
Revenue[3]	**$**	**379.4**	$	367.4	3.3%
Mark's					
Retail sales growth[10]		**2.7%**		1.6%	
Same store sales growth[11]		**2.9%**		1.5%	
Sales per square foot[11]	**$**	**324**	$	311	4.4%
Revenue[3, 12]	**$**	**204.3**	$	194.1	5.3%
Petroleum					
Gasoline volume growth in litres		**0.0%**		2.7%	
Retail sales growth		**3.3%**		3.7%	
Revenue[3]	**$**	**499.1**	$	485.5	2.8%
Gross margin dollars	**$**	**36.5**	$	33.1	10.4%

[1] Retail sales for the prior year have been restated. Refer to section 8.3 in this MD&A for additional information.

[2] Refer to section 8.3 in this MD&A for additional information on retail sales.

[3] Inter-segment revenue within the retail banners of $9.3 million in the first quarter ($4.4 million for Q1 2013) has been eliminated at the Retail segment level. Revenue reported for Canadian Tire, FGL Sports, Mark's and Petroleum includes inter-segment revenue.

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

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

[6] Includes revenue from Canadian Tire, PartSource and Franchise Trust.

[7] 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 Canadian Tire and Mark's. Refer to section 8.3 in this MD&A for additional information.

[8] Year to date sales metrics have been restated. Refer to section 8.3 in this MD&A for additional information.

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

[12] Includes sale of goods to Mark's franchise stores and retail sales from Mark's corporate stores and includes ancillary revenue related to embroidery and alteration services.

4.2.2 Retail banner network at a glance

Number of stores and retail square footage	March 29, 2014	December 28, 2013	March 30, 2013
Consolidated store count			
Canadian Tire stores[1]			
Smart stores	**309**	308	248
Updated and expanded stores	**125**	125	180
Traditional stores	**36**	36	43
Small Market stores	**21**	21	19
Express	**1**	1	N/A
Total Canadian Tire stores	**492**	491	490
PartSource stores	**91**	90	87
FGL Sports stores			
Sport Chek	**170**	171	162
Sports Experts	**71**	72	72
Atmosphere	**65**	66	57
Other[2,3]	**111**	112	97
Total FGL Sports stores	**417**	421	388
Mark's stores[1]			
Mark's	**216**	206	160
Mark's Work Wearhouse	**165**	178	224
Work World	**1**	1	2
Total Mark's stores	**382**	385	386
Canadian Tire gas bar locations	**301**	300	299
Total stores	**1,683**	1,687	1,650
Consolidated retail square footage[4] (in millions)			
Canadian Tire	**20.3**	20.2	20.0
PartSource	**0.3**	0.3	0.3
FGL Sports[5]	**6.7**	6.7	6.1
Mark's	**3.4**	3.5	3.4
Total retail square footage[4,5] (in millions)	**30.7**	30.7	29.8

[1] Store count numbers reflect individual selling locations. Both Canadian Tire and Mark's totals include stores that are co-located.

[2] Pro Hockey Life business was acquired by FGL Sports in Q3 2013 and includes 23 corporate stores.

[3] Store count has been adjusted. Refer to section 8.3 in this MD&A for additional information.

[4] The average retail square footage for Petroleum's convenience stores was 528 square feet per store in Q1 2014 (517 square feet per store in Q1 2013). It is not included in the above.

[5] Retail square footage has been adjusted. Refer to section 8.3 in this MD&A for additional information.

The Company continues to retrofit its store network with a focus on converting selected existing stores to the latest formats. As at the end of Q1 2014, 309 Canadian Tire stores had been converted to the Smart store format and all stores had access to the Living concept assortment.

The Q1 2014 FGL Sports total store count reflects the addition of 23 PHL stores in Q3 2013 and the removal of buying office locations. Refer to section 8.3.1 for additional information.

Mark's continues to focus on its rebranding efforts across the network with both existing and new stores. As at the end of Q1 2014, Mark's had 216 Mark's branded locations in its network.

4.3 Retail segment financial results

(C$ in millions)		Q1 2014		Q1 2013	Change
Retail sales[1]	**$**	**2,460.5**	$	2,431.2	1.2%
Revenue	**$**	**2,293.1**	$	2,216.9	3.4%
Gross margin dollars	**$**	**656.3**	$	599.5	9.5%
Gross margin (% of revenue)		**28.6%**		27.0%	158bps
Selling, general and administrative expenses (excluding depreciation & amortization)		**598.9**		486.3	23.2%
Other (expense) income		**23.0**		7.5	202.8%
EBITDA[2]	**$**	**80.4**	$	120.7	(33.6)%
Depreciation and amortization		**69.1**		80.2	(13.8)%
Net finance (income) costs		**(5.3)**		17.5	(130.6)%
Income before income taxes	**$**	**16.6**	$	23.0	(28.2)%

[1] Retail sales for the prior year have been restated. Refer to section 8.3 in this MD&A for additional information.

[2] Non-GAAP measure. Refer to non-GAAP measures in section 8.3 in this MD&A for additional information.

Retail segment first quarter 2014 versus first quarter 2013

Earnings summary

Income before income taxes in the Retail segment was $16.6 million in the quarter, down 28.2 per cent over the prior year. This amount includes the impact of the operations of CT REIT during the quarter which includes a shift from bearing depreciation costs to payment of rent expense at market rates for properties acquired by CT REIT, partially offset by distributions earned.

First quarter earnings also reflect strong gross margin performance across all retail businesses which was offset by increased marketing and advertising expenses due to Olympic and sports sponsorship activities, higher stock-based compensation expenses and personnel and other costs associated with increased corporate stores in the network.

Retail sales

First quarter retail sales growth was flat to the prior year (same-store sales decline of 0.5 per cent) at Canadian Tire driven by strong sales of winter weather-related automotive and outdoor tools products in the months of January and February which were offset by softness in retail sales in the last two weeks of March due to the delayed start to the spring selling season across the country.

At FGL Sports, retail sales growth of 1.7 per cent (same-store sales up 6.4 per cent) was led by higher sales of winter weather-related apparel and hard goods, as well as incremental sales of Olympic performance apparel products and Team Canada hockey apparel resulting from positive momentum created by the Sochi Olympic Games. The retail sales performance reflects solid growth given that Q1 2013 results include strong sales from the stores which were being liquidated and closed as part of the banner rationalization initiative.

At Mark's, sales growth of 2.7 per cent (same-store sales up 2.9 per cent) was driven by strong industrial apparel and footwear and men's apparel and footwear sales. Winter weather led to strong sales performances in January and February and fewer clearance sales due to continuing demand for cold weather products. March sales were soft and reflected the delayed start to the spring selling season across the country.

Petroleum sales were up 3.3 per cent in the quarter largely related to higher gasoline prices and increased non-gasoline sales.

Revenue
Revenue increased $76.2 million in the quarter, or 3.4 per cent, as a result of:

- higher shipments related to increased Dealer replenishment of key automotive and seasonal category assortments at Canadian Tire; and
- higher sales at FGL Sports, Mark's and Petroleum.

Gross margin
Retail segment margin dollars increased $56.8 million in the quarter, or 9.5 per cent. The improved retail gross margin performance was partly attributable to increases in shipment volumes at Canadian Tire and higher revenue across the Retail businesses. Gross margin performance was also influenced by a gross margin rate increase primarily due to:

- the timing of certain payments and costs at Canadian Tire;
- the inclusion of PHL and strong sales performance and mix at FGL Sports compared to the prior year which included the impact of lower margin sales resulting from liquidating stores as part of the banner rationalization initiative;
- fewer clearance sales and lower mark-downs resulting from lower inventory levels at Mark's; and
- higher margins and increased non-gasoline sales at Petroleum.

Selling, general and administration (excluding depreciation and amortization)
Retail segment selling, general and administration expenses (excluding depreciation and amortization) increased $112.6 million (23.2 per cent) due primarily to:

- higher occupancy costs primarily related to market rent paid on the retail properties sold to CT REIT as well as an increase in the number of corporate owned FGL Sports and PartSource stores;
- increased advertising and marketing spending related to Olympic and sports sponsorship activities;
- higher personnel costs related to stock-based compensation expenses from recent share price appreciation and a higher number of corporate stores at FGL Sports and PartSource; and
- higher information systems and technology spending.

Other income
Retail segment other income was $23.0 million which includes distributions earned on CT REIT Class B LP Units and Units held by the Company.

Depreciation and amortization expense
Retail segment depreciation and amortization expense decreased $11.1 million in the quarter (13.8 per cent) as properties that have been sold to CT REIT are no longer depreciated in the Retail segment.

Net finance costs
Net finance costs decreased $22.8 million in the quarter (130.6 per cent) due primarily to income earned on the CT REIT Class C LP Units held by CTC and by an increase in capitalized interest from information technology and real estate projects.

4.3.1 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. Refer to section 11.2 of the MD&A contained in the 2013 Annual Report for a discussion of these business-specific risks. Also refer to section 7.4.1.3 of the MD&A contained in the Company's 2013 Annual Report for a discussion of some other industry-wide and company-wide risks affecting the business.

4.4 CT REIT segment

4.4.1 CT REIT segment key operating performance measures

Readers are reminded that key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3 in this MD&A and section 10.3 in the MD&A contained in the Company's 2013 Annual Report for definitions and for further information on changes made to performance measures.

(C$ in millions)	Q1 2014	Financial Forecast	Variance
Net operating income[1]	**$ 58.0**	**$ 57.4**	$ 0.6
Funds from operations[1]	**42.7**	**42.2**	0.5
Adjusted funds from operations[1]	**32.3**	**31.6**	0.7

[1] Non-GAAP measures. Refer to section 8.3 in this MD&A for additional information.

4.4.2 CT REIT segment financial results

CT REIT's operations for the first quarter of 2014 have been compared to the financial forecast included in its final Prospectus dated October 10, 2013. Results of CT REIT operations in the first quarter of 2014 were largely in line with the financial forecast, except as noted below.

(C$ in millions)	Q1 2014	Financial Forecast	Variance
Property revenue	**$ 82.7**	$ 83.2	$ (0.5)
Property expense	**(17.9)**	(18.8)	0.9
General and administrative expense	**(1.9)**	(2.0)	0.1
Interest income	**0.2**	-	0.2
Interest and other financing charges	**(20.4)**	(20.1)	(0.3)
Fair value adjustment on investment properties	**127.0**	-	127.0
Net income	**$ 169.7**	$ 42.2	$ 127.5

Revenue

Revenue for the first quarter of 2014 was $82.7 million, of which $80.3 million was received from CTC. Revenue consists of base rent, operating cost and property tax recoveries.

Property expense

Property expense for the first quarter of 2014 was $17.9 million, of which the majority of costs are recoverable from tenants. Property expense consists primarily of realty taxes and costs pursuant to the property management agreement between CT REIT and the Company.

General and administrative expense

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

Interest and other financing charges

Interest expense for the first quarter of 2014 is primarily related to distributions on the Class C LP Units held by CTC.

Fair value adjustment on investment properties

During the quarter, CT REIT recorded a fair value gain of $127.0 million on the portfolio of investment properties. Management's determination of value as at March 31, 2014 incorporated valuation parameters used by the external appraisers, which gave rise to a fair value adjustment of $123.1 million. The valuation parameters have remained unchanged since CT REIT's initial public offering ("IPO"); Management had previously placed greater weight on the valuations implied by the IPO. In addition, there was a fair value adjustment of $3.9 million as a result of increased cash flows during the time frame of the valuation models.

Net operating income
During the first quarter of 2014, NOI was $58.0 million which consists of cash rental revenue less property operating costs. NOI is a non-GAAP measure. Refer to section 8.3 for additional information.

Funds from operations and adjusted funds from operations
FFO and AFFO for the first quarter of 2014 were $42.7 million and $32.3 million, respectively. FFO and AFFO are non-GAAP measures. Refer to section 8.3 for additional information.

During the first quarter, CTC, as tenant, assigned a lease to CT REIT for a retail store property. CT REIT then exercised an option, contained in the lease, to purchase the property from the third party landlord. The total cost to CT REIT, including both the option exercise price and a payment to CTC for the assignment, was approximately $14.1 million which was settled with a combination of cash and additional Class C LP Units.

4.4.3 CT REIT segment business risks

CT REIT 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, financial risks, real property ownership and tenant risks and tax-related risks. Refer to section 7.4.2.3 of the MD&A contained in the Company's 2013 Annual Report for a discussion of these business-specific risks. Also refer to section 4 in CT REIT's Annual Information Form ("AIF") for the period ended December 31, 2013 for a comprehensive discussion of risks that affect its operations and also to section 11.2 in CT REIT's 2013 MD&A for a discussion of industry-wide and company-wide risks affecting the business.

4.5 Financial Services segment

4.5.1 Financial Services segment key operating performance measures

Readers are reminded that key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3 in this MD&A and to section 10.3 in the MD&A contained in the Company's 2013 Annual Report for definitions and further information on changes made to performance measures.

(year-over-year percentage change, C$ in millions, except where noted)		**Q1 2014**		Q1 2013	Change
Revenue	**$**	**264.6**	$	250.0	5.8%
Credit card sales growth[1]		**5.5%**		(1.3)%	
Gross average accounts receivable (GAAR)	**$**	**4,542.1**	$	4,251.1	6.8%
Revenue[2] (as a % of GAAR)		**23.40%**		23.83%	
Average number of accounts with a balance[3] (thousands)		**1,797**		1,736	3.5%
Average account balance[3] (whole $)	**$**	**2,524**	$	2,444	3.3%
Net credit card write-off rate[2,3]		**5.85%**		6.17%	
Past due credit card receivables[3,4] (PD2+)		**3.27%**		3.11%	
Allowance rate[5]		**2.83%**		2.73%	
Operating expenses[2] (as a % of GAAR)		**6.42%**		6.44%	
Return on receivables[2]		**7.31%**		6.77%	

[1] Credit card sales excludes balance transfers.

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

[3] Credit card portfolio only.

[4] Credit card receivables more than 30 days past due as a percentage of total ending credit card receivables.

[5] The allowance rate was calculated on the total managed portfolio of loans receivable.

4.5.2 Financial Services segment financial results

(C$ in millions)		**Q1 2014**		Q1 2013	Change
Revenue	**$**	**264.6**	$	250.0	5.8%
Gross margin dollars		**150.4**		139.8	7.6%
Gross margin (% of revenue)		**56.8%**		55.9%	93bps
Other (expense) income		**(0.2)**		0.2	(226.7)%
Selling, general and administrative expenses		**70.0**		62.9	11.3%
Net finance (income) costs		**(2.0)**		(0.2)	701.8%
Income before income taxes	**$**	**82.2**	$	77.3	6.4%

Financial Services segment first quarter 2014 versus first quarter 2013

Earnings summary
Financial Services income before income taxes was $82.2 million, an increase of 6.4 per cent in the quarter compared to Q1 2013 due to higher revenue from gross average receivables growth and interest expense savings, partially offset by increased credit card net write-offs and incremental allowance for future write-offs.

Revenue
Financial Services revenue increased 5.8 per cent in the quarter compared to the prior year due to higher credit charges related to gross average receivables growth.

Gross margin
Financial Services gross margin dollars increased $10.6 million from the prior year due to higher credit charges related to gross average receivables growth and lower interest expense due to lower interest rates and a smaller balance of outstanding Glacier notes, offset by higher net write-offs and incremental allowance for future write-offs of the credit card portfolio.

Selling, general and administrative expenses
Financial Services operating expenses increased 11.3 per cent in the quarter from the prior year due primarily to increased marketing costs related to account acquisition, higher costs related to credit card operations and increased personnel costs related to stock-based compensation expenses.

Net finance income
Net finance income increased $1.8 million in the quarter due primarily to higher inter-company interest earned on loans.

4.5.3 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 risk, securitization funding risk, interest rate and regulatory risk. Refer to sections 7.4.3.3 of the MD&A contained in the Company's 2013 Annual Report for a discussion of these business-specific risks. Also refer to section 11.2 in the MD&A contained in the Company's 2013 Annual Report for a discussion of additional industry-wide and company-wide risks.

5.0 Liquidity, capital resources and contractual obligations

5.1 Balance sheet and cash flows

5.2 Summary balance sheet highlights

Selected line items from the Company's assets, liabilities and shareholders' equity for the quarters ended March 29, 2014, March 30, 2013 and December 28, 2013 are noted below.

(C$ in millions)		**March 29, 2014**		March 30, 2013[1]		December 28, 2013
Assets						
Cash and cash equivalents	**$**	**576.4**	$	311.8	$	643.2
Short-term investments		**342.8**		187.9		416.6
Long-term investments		**70.4**		191.0		134.7
Property and equipment		**3,500.6**		3,328.9		3,516.1
Loans receivable		**4,411.7**		4,141.6		4,569.7
Total assets	**$**	**13,586.7**	$	12,681.9	$	13,630.0
Liabilities						
Deposits	**$**	**1,118.8**	$	1,425.0	$	1,178.4
Trade and other payables		**1,779.9**		1,648.5		1,817.4
Current portion of long-term debt		**271.7**		22.3		272.2
Long-term debt		**2,337.0**		2,336.5		2,339.1
Long-term deposits		**1,221.0**		1,030.6		1,152.0
Total liabilities		**8,117.7**		7,866.0		8,180.1
Total equity	**$**	**5,469.0**	$	4,815.9	$	5,449.9

[1] Prior year figures have been restated. Refer to note 16 of the condensed consolidated financial statements.

The year-over-year increase in total assets of $904.8 million is due primarily to:

- an increase in loans receivable of $270.1 million largely related to credit card receivables growth at Financial Services;
- an increase in cash and cash equivalents and short-term investments of $419.5 million largely related to cash from operations from a strong fourth quarter in 2013 combined with the net cash proceeds received from the CT REIT IPO and exercise of the over-allotment option; and
- an increase in property and equipment of $171.7 million for investments in retail store assets and supporting technology investments as well as land purchased for potential future distribution capacity.

The $251.7 million increase in total liabilities reflects a net increase of $264.6 million in securitized debt issued by Glacier in November 2013 and an increase in trade and other payables from improved working capital management, the PHL acquisition and an increase in stock-based compensation accruals offset by a net decrease in deposits of $115.8 million at Financial Services.

For the complete balance sheet, please refer to the condensed consolidated balance sheets for the period ended March 29, 2014 and March 30, 2013.

The Company's financial position as at March 29, 2014 is not materially different than the financial position as at December 28, 2013. Total assets at the end of the first quarter of 2014 were lower by $43.3 million as an increase in inventory for the spring/summer season was more than offset by a reduction in cash and short and long-term investments.

Total liabilities as at March 29, 2014 were lower than year-end total liabilities by $62.4 million, primarily due to a lower accounts payable balance as a result of year-end accruals being paid during the quarter.

5.3. Summary cash flows

The Company's cash and cash equivalents position, net of bank indebtedness, was $497.1 million as at March 29, 2014.

The decrease in cash used in the quarter compared to the prior year was primarily driven by the financing and operating activities at Financial Services as $634.9 million in Glacier term debt was repaid during the prior year.

The Company's consolidated statements of cash flows for the quarters ended March 29, 2014 and March 30, 2013 are noted below.

(C$ in millions)	**Q1 2014**	Q1 2013	Change
Cash generated from operating activities before the undernoted items	**$ 309.8**	$ 289.5	$ 20.3
Change in operating working capital and other	**(314.3)**	(201.3)	(113.0)
Change in loans receivable	**56.7**	41.4	15.3
Change in deposits	**8.5**	31.9	(23.4)
Cash generated from operating activities before interest and income taxes	**60.7**	161.5	(100.8)
Interest paid	**(15.3)**	(31.7)	16.4
Interest received	**3.5**	3.9	(0.4)
Income taxes paid	**(82.8)**	(68.0)	(14.8)
Cash (used for) generated from operating activities	**(33.9)**	65.7	(99.6)
Cash generated from (used for) investing activities	**38.8**	(100.0)	138.8
Cash used for financing activities	**(81.9)**	(689.2)	607.3
Cash used in the period	**$ (77.0)**	$ (723.5)	$ 646.5

5.4 Capital management

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

5.4.1 Capital management objectives

The Company's objectives when managing capital are:

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

The current economic environment, as described in section 6.0 of the MD&A contained in the Company's 2013 Annual Report, has not changed the Company's objectives in managing capital.

5.4.2 Capital under management

The definition of capital varies from company to company, from industry to industry and for different purposes. The Company's definition of capital is the same as that detailed in note 4 of the annual financial statements contained in the Company's 2013 Annual Report, which includes Glacier indebtedness but excludes Franchise Trust indebtedness.

The Company monitors its capital structure through measuring various debt-to-capitalization and debt-to-earnings ratios and ensures its ability to service debt and meet other fixed obligations by tracking its interest and other fixed-charge coverage ratios. As part of this process, Management calculates and monitors its consolidated adjusted net debt metric which includes Glacier indebtedness but excludes Franchise Trust indebtedness. A reconciliation of the Company's adjusted net debt as at March 29, 2014 to reported GAAP measures is provided in section 8.3.1 of this MD&A.

The Company manages its capital structure with a view to maintaining an investment-grade rating from two credit rating agencies. Management calculates its ratios to approximate the methodology of debt rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, Management monitors these ratios against targeted ranges.

The Company was in compliance with key covenants as at March 29, 2014 and 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 all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions of Canada and its Internal Capital Adequacy Assessment Process which it utilizes to achieve its goals and objectives associated with the operations of CTB, a federally chartered bank.

5.5 Liquidity and financing

The Company is in a strong liquidity position with the ability to access multiple sources of funding to ensure that the appropriate level of liquidity is available to meet the Company's strategic objectives. 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 2013 Annual Report. Bank lines of credit totaling $1.5 billion are available to the Corporation and Glacier through a four-year $1.2 billion syndicated credit facility that expires in June 2017, and $300.0 million is available to the Company pursuant to bilateral credit agreements. Bank lines totaling $200.0 million are available to CT REIT under a four-year syndicated revolving credit facility maturing in October 2017.

5.6 Capital expenditures

The Company's capital expenditures for the quarters ended March 29, 2014 and March 30, 2013 as follows:

(C$ in millions)		**Q1 2014**		Q1 2013
Real estate projects	**$**	**43.8**	$	42.2
Information technology		**18.3**		13.4
Supply chain and distribution centres		**1.6**		4.2
CT REIT		**5.7**		-
Other purposes		**4.6**		2.2
Total capital expenditures[1]	**$**	**74.0**	$	62.0

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

There have been no material changes to the Company's previously disclosed planned capital expenditures for 2014. Refer to section 8.2.1 in the MD&A contained in the Company's 2013 Annual Report.

5.7 Business acquisition

As part of its growth strategy, the Company actively pursues acquisition candidates that are a strategic fit with its retail and retail-related businesses. Major acquisitions are only consummated, however, when the acquiree's business complements the Company's major offering of products and services and is expected to be accretive to earnings and strengthen its market position. As a result of its measured approach to acquiring new businesses, the Company has completed two major acquisitions within the past twelve years: Mark's Work Wearhouse Limited in 2002 and The Forzani Group Limited in 2011.

In addition, in August 2013, the Company acquired 100 per cent of the issued and outstanding shares of PHL, a Canadian retailer of sporting goods, with 23 urban, high-end hockey stores operating in five provinces across Canada under various trade names. The acquisition was a natural extension of the Company's sporting goods business. Refer to section 8.2.3 of the MD&A contained in the Company's 2013 Annual Report for additional information including the details of the consideration transferred and the estimates of the fair value of identifiable assets acquired, liabilities assumed and goodwill recognized as a result of the acquisition.

5.8 Funding requirements

The Company funds capital expenditures, working capital needs, dividend payments and other financing needs, such as debt repayments and Class A Non-Voting Share purchases under a normal course issuer bid ("NCIB") program, from a combination of sources. In addition, the Company has a number of obligations related to finance leases, operating leases and purchase obligations. For a complete description of amounts outstanding for the year ended December 28, 2013, refer to section 8.3.1 of the MD&A contained in the Company's 2013 Annual Report. There were no significant changes to the outstanding contractual obligations as identified at year-end. The Company believes it has sufficient liquidity available to meet its contractual obligations as at March 29, 2014.

6.0 Equity

6.1 Shares outstanding

(C$ in millions)	**March 29, 2014**	March 30, 2013	December 28, 2013
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (March 30, 2013 - 3,423,366; December 28, 2013 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
76,265,951 Class A Non-Voting Shares (March 30, 2013 - 77,526,952; December 28, 2013 - 76,560,851)	**557.2**	674.0	586.8
	$ 557.4	$ 674.2	$ 587.0

On February 21, 2014 the TSX accepted the Company's notice of intention to make a normal course issuer bid (the "2014/15 NCIB") to purchase, between February 26, 2014 and February 25, 2015, up to 2.5 million Class A Non-Voting Shares.

As at March 29, 2014, the Company had purchased 294,900 Class A Non-Voting Shares at a cost of $29.2 million towards its previously announced share repurchase commitment consisting of:

- 194,900 shares purchased under the 2014/2015 NCIB at a cost of $19.4 million; and
- 100,000 shares at a cost of $9.8 million under its NCIB which expired on February 25, 2014.

In addition, during the quarter the Company purchased 16,419 Class A Non-Voting Shares at a cost of $1.6 million for anti-dilutive purposes.

6.2 Dividends

As of March 29, 2014, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $34.9 million (2013 – $28.3 million) at a rate of $0.4375 per share (2013 – $0.35 per share).

6.3 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. Equity derivatives commonly used by the Company include total return swaps, floating-rate equity forwards and fixed-rate equity forwards.

During the first quarter of 2014, a fixed rate equity forward which had hedged 140,000 PSUs settled, resulting in a payment to the Company of $4.4 million. Prior to quarter end, the Company entered into new fixed rate equity forwards to offset its exposure to 140,000 PSUs at a weighted average purchase price of $107.66 and floating-rate equity forwards to offset its exposure to 525,000 stock options at a purchase price of $103.88.

7.0 Tax matters

In the ordinary course of business, the Company is subject to on-going 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 2013 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 matters will not have a material adverse effect on its liquidity, consolidated financial position or net income because the Company has determined that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provision, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved.

The effective tax rate for the 13 weeks ended March 29, 2014 was approximately 27.0% (Q1 2013 - 27. 3%). The decrease in the rate is mainly due to the non-taxability to the Company of the non-controlling interests' share of CT REIT's income, partially offset by adjustments to prior year's tax estimates of $1.0 million (Q1 2013 – $nil).

8.0 Accounting policies and estimates

8.1 Critical accounting estimates

The Company estimates certain amounts reflected in its Annual Consolidated 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 and note 3 of the notes to the Annual Consolidated Financial Statements do not require Management to make assumptions about matters that are highly uncertain and, accordingly, none of the estimates are considered a "critical accounting estimate" as defined in Form 51-102F1 published by the Ontario Securities Commission except as noted below.

In the Company's view, the allowance for loan impairment 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. Future customer behaviour may be affected by a number of factors, including changes in interest and unemployment rates and program design changes. The estimated loss is the difference between the present value of the expected future cash flows, discounted at the original effective interest rate of the portfolio and the carrying amount of the portfolio. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

8.2 Changes in accounting policies

New standards implemented

Financial instruments: Asset and liability offsetting

In December 2011, the International Accounting Standard Board ("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 were applied retrospectively for annual periods beginning on or after January 1, 2014. The implementation of IAS 32 amendments did not have a significant impact on the Company.

Financial Instruments: Novation of derivatives and continuation of hedge accounting
In June 2013, the IASB issued *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*. This amendment to IAS 39 *Financial Instruments: Recognition and Measurement* provides an exception to the requirement to discontinue hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. The IAS 39 amendments were applied retrospectively for annual periods beginning on or after January 1, 2014. The implementation of IAS 39 amendments did not have a significant impact on the Company.

Levies
In May 2013, the IASB issued International Financial Reporting Interpretations Committee ("IFRIC") IFRIC Interpretation 21 – *Levies* ("IFRIC 21"), which is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. The implementation of IFRIC 21 did not have a significant impact on the Company.

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 January 3, 2015, and, accordingly, have not been applied in preparing the interim financial statements for the quarter ended March 29, 2014.

Financial instruments
In November 2009, the IASB issued IFRS 9 – *Financial Instruments* ("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. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income ("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.

In November 2013, the IASB issued a new version of IFRS 9 which incorporates a new general hedge accounting model. The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures as it provides more opportunities to apply hedge accounting.

IFRS 9 does not have a mandatory effective date. Early adoption is permitted. The Company is assessing the potential impact of this standard.

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

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

8.3.1 Key operating performance measures

Retail sales
Retail sales refers to the point of sale (i.e., cash register) value of all goods and services sold to retail customers at Canadian Tire Dealer-operated, Mark's, PartSource and FGL Sports franchisee-operated, Petroleum retailer-operated and corporately owned stores across the retail banners and for services provided as part of the Home Services offering as well as through its online sales channels and in aggregate does not form part of the Company's consolidated financial statements. Revenue, as reported in the Company's consolidated financial statements, is comprised primarily of the sales of goods to Canadian Tire Dealers and to Mark's, PartSource and FGL Sports franchisees, the sale of gasoline through Petroleum agents and the sale of goods to retail customers by Mark's, PartSource and FGL Sports corporately owned stores.

In addition, in Q3 2013, FGL Sports made a change to how it defines its retail sales. As a result of the change, sales from 18 of the Company's non-franchised retail locations that participate in wholesale buying shows on an ad hoc basis were removed from the calculation of retail sales, store count and retail square footage. Prior year figures and metrics have been restated.

Sales definitions for the Retail banners can be found in sections 4.2.1 and 8.3 of this MD&A as well as in the glossary contained in the Company's 2013 Annual Report.

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

Same-store sales
Same-store sales is a metric used by Management and is also commonly used in the retail industry to identify sales growth generated by a Company's existing store network and removes the effect of opening and closing stores. For Canadian Tire stores, the calculation also excludes stores that have been retrofitted, replaced or expanded where the percentage change in square footage exceeds 25% of the original store size, and includes sales from all stores that have been open for a minimum of one year and one week. For Mark's and FGL Sports, same-store sales include sales from all stores that have been open since at least the beginning of the comparative quarter period in the prior year. Prior year same-store sales results have been restated for the retail sales definition change made by FGL Sports as noted above. Additional information on same-store sales definitions for Canadian Tire, Mark's and FGL Sports can be found in section 4.2.1 of this MD&A.

Sales per square foot
Management and investors use comparisons of sales per square foot metrics over several periods to help identify whether existing assets are being made more productive by the Company's introduction of new store layouts and merchandising strategies. Q1 2013 and prior period sales results have been restated for the retail sales definition change made by FGL Sports as noted above. Sales per square foot definitions for Canadian Tire, Mark's and FGL Sports can also be found in section 4.2.1 of this MD&A.

ROIC
The Company believes ROIC is useful in assessing the return on capital invested in various assets. In Q4 2013, with the addition of CT REIT to the Company's financial results and operations, Management changed the definition of ROIC to better reflect the manner in which Management views ROIC. The new definition is the consolidated after-tax earnings and non-controlling interest before interest expense and minimum lease payments on operating leases and excluding operations of the Financial Services business, divided by average invested capital. Invested capital is defined as consolidated assets net of Financial Services, less current liabilities, excluding the current portion of long-term debt plus capitalized operating leases. Prior year metrics have been restated. An aspiration with respect to ROIC has been included as one of the Company's financial aspirations. Refer to section 5.1 in the MD&A contained in the Company's 2013 Annual Report for additional information regarding the Company's ROIC performance in 2013.

Return on receivables
ROR is used by Management to assess the profitability of the Financial Services total portfolio of receivables. ROR is calculated by dividing income before income tax and gain/loss on disposal of property and equipment by the average total managed portfolio over a 12-month period. An aspiration with respect to ROR has been included as one of the Company's financial aspirations. Refer to section 5.1 in the MD&A contained in the Company's 2013 Annual Report for additional information on the Company's ROR performance in 2013.

8.3.2 Non-GAAP financial measures

EBITDA
The following table reconciles consolidated income before income taxes, net finance costs and depreciation and amortization to net income which is a GAAP measure reported in the Annual Consolidated Financial Statements for the periods ended March 29, 2014 and March 30, 2013. Management uses EBITDA as a supplementary measure when assessing the performance of its on-going operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital expenditures.

(C$ in millions, except where noted)	**Q1 2014**	Q1 2013	Change
EBITDA	**$ 212.4**	$ 211.7	0.3%
Depreciation and amortization	**84.7**	82.7	2.4%
Net finance costs	**24.1**	28.7	(16.1)%
Income before income taxes	**$ 103.6**	$ 100.3	3.3%
Income taxes	**28.0**	27.3	2.4%
Effective tax rate	**27.0%**	27.3%	
Net income	**$ 75.6**	$ 73.0	3.6%
Net income attributable to:			
Owners of Canadian Tire Corporation	**$ 70.6**	$ 73.0	(3.3)%
Non-controlling interests	**5.0**	-	
	$ 75.6	$ 73.0	3.6%
Basic earnings per share attributable to owners of Canadian Tire Corporation	**$ 0.88**	$ 0.90	(1.8)%
Diluted earnings per share attributable to owners of Canadian Tire Corporation	**$ 0.88**	$ 0.90	(2.2)%

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

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

(C$ in millions)	**Consolidated Q1 2014**	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	**$ 79.3**	$ 79.3	$ -	$ -
Short-term deposits	**1,118.8**	-	-	1,118.8
Long-term deposits	**1,221.0**	-	-	1,221.0
Short-term borrowings	**120.7**	-	-	120.7
Current portion of long-term debt	**271.7**	19.1	-	252.6
Long-term debt	**2,337.0**	1,177.2	-	1,159.8
Debt	**5,148.5**	1,275.6	-	3,872.9
Less: Liquid assets[1]	**989.6**	592.0	46.6	351.0
Net debt (cash)	**4,158.9**	683.6	(46.6)	3,521.9
Inter-company debt (cash)	-	(2,204.8)	1,807.1	397.7
Adjusted net debt (cash)	**$ 4,158.9**	$ (1,521.2)	$ 1,760.5	$ 3,919.6

[1] *Liquid assets includes cash, short-term investments and long-term investments.*

(C$ in millions)	Consolidated Q1 2013	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ 106.3	$ 106.3	$ -	$ -
Short-term deposits	1,425.0	-	-	1,425.0
Long-term deposits	1,030.6	-	-	1,030.6
Short-term borrowings	119.2	-	-	119.2
Current portion of long-term debt	22.3	22.3	-	-
Long-term debt	2,336.5	1,184.4	-	1,152.1
Debt	5,039.9	1,313.0	-	3,726.9
Less: Liquid assets[1]	690.7	322.4	-	368.3
Net debt (cash)	4,349.2	990.6	-	3,358.6
Inter-company debt	-	(70.3)	-	70.3
Adjusted net debt	$ 4,349.2	$ 920.3	$ -	$ 3,428.9

[1] *Liquid assets includes cash, short-term investments and long-term investments.*

CT REIT Non-GAAP Financial Measures

Net operating income

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

CT REIT evaluates its performance by comparing the performance of the portfolio adjusted for the effects of one-time items and current year acquisitions. The following table shows the relationship of NOI to GAAP property revenue and property expense to the Consolidated Statement of Income and Comprehensive Income for the period ended March 29, 2014.

(C$ in millions)	**Q1 2014**	Financial Forecast	Variance
Property revenue	**$ 82.7**	$ 83.2	$ (0.5)
Less:			
Property expense	**(17.9)**	(18.8)	0.9
Straight-line rent adjustment	**(6.8)**	(7.0)	0.2
Add:			
Straight-line land lease expense adjustment	**-**	-	-
Net operating income[1]	**$ 58.0**	$ 57.4	$ 0.6

1 Non-GAAP key performance measure. Refer to section 8.3 in this MD&A for further information.

Funds from operations

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

Management believes that FFO provides an operating performance measure that, when compared period-over-period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and realty taxes, acquisition activities and interest costs and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

Adjusted funds from operations

AFFO is a supplemental measure of operating performance widely used in the real estate industry. Management believes that AFFO is an effective measure of the cash generated from operations, after providing for operating capital requirements which are referred to as “productive capacity maintenance expenditures”.

CT REIT calculates AFFO by adjusting FFO for non-cash income and expense items such as amortization of straight-line rents. FFO is also adjusted for expenditures for maintaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly over the fiscal year. The property capital expenditures in the AFFO calculation are adjusted to reflect an average annual spending level.

The following table reconciles FFO and AFFO to GAAP net income and comprehensive income as reported in the Consolidated Statement of Income and Comprehensive Income for the period ended March 29, 2014.

(C$ in millions, except per unit amounts)	**Q1 2014**	Financial Forecast	Variance
Property revenue	**$ 82.7**	$ 83.2	$ (0.5)
Property expense	**(17.9)**	(18.8)	0.9
General and administrative expense	**(1.9)**	(2.0)	0.1
Interest income	**0.2**	-	0.2
Interest and other financing charges	**(20.4)**	(20.1)	(0.3)
Fair value adjustment on investment properties	**127.0**	-	127.0
Net income and comprehensive income	**169.7**	42.2	127.4
Fair value adjustment of investment property	**(127.0)**	-	(127.0)
Funds from operations	**42.7**	42.2	0.5
Properties straight-line rent adjustment	**(6.8)**	(7.0)	0.2
Land lease straight-line expense adjustment	**0.1**	-	0.1
Capital expenditure reserve	**(3.7)**	(3.7)	**-**
Adjusted funds from operations	**$ 32.3**	$ 31.6	$ 0.7

9.0 Enterprise risk management

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

The ERM Program provides an integrated approach to the management of risks, supporting the Company's strategies and objectives and is described in detail in sections 11.0 and 11.2, respectively, in the MD&A contained in the Company's 2013 Annual Report.

The Company's ERM Program continues to further develop and refine underlying processes and tools aimed at supporting the identification, evaluation, monitoring and reporting of key risks across the Company. Management reviews risks on an ongoing basis and did not identify any new principal risks during Q1 2014.

10.0 Controls and procedures

Details related to disclosure controls and procedures and internal controls over financial reporting are disclosed in section 13.0 of the MD&A contained in the Company's 2013 Annual Report.

Changes in internal control over financial reporting
During the quarter ended March 29, 2014, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting except as noted below.

In accordance with the provisions of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, Management, including the CEO and CFO, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude such controls, policies and procedures of PHL. The scope limitation is primarily based on the time required to assess

PHL's disclosure controls and procedures and internal controls over financial reporting in a manner consistent with the Company's other operations. Further details related to the acquisition of PHL are disclosed in section 8.2.3 of the MD&A contained in the Company's 2013 Annual Report.

11.0 Social and environmental responsibility

11.1 Overview

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

11.2 Community activities

The Company's charitable efforts are reflected in the work of Canadian Tire Jumpstart Charities ("Canadian Tire Jumpstart"). Canadian Tire Jumpstart helps financially disadvantaged children gain the life benefits associated with participating in organized sports and recreational activities. The program assists with the cost of registration, equipment and transportation. Through its 330 active chapters, Canadian Tire Jumpstart has funded the programming costs for over 715,000 children since the launch of the program in 2005.

During Q1 2014, Jumpstart raised over $5.5 million across Canada, helping over 17,000 children participate in sports and recreation programs.
Helping Canadians enjoy life in Canada has always been at the centre of the Company's activities. The Canadian Tire family of companies is proud to support local initiatives across all its banners through community and organizational support, including support of amateur sport, injury prevention programs and disaster relief.

11.3 Sustainability

Strategy
The Company's sustainability strategy supports its corporate strategic objectives as outlined in section 5.2 of the MD&A contained in the Company's 2013 Annual Report. It is an innovation strategy that aims to achieve productivity gains and economic benefits from enhanced environmental and social outcomes by integrating sustainability into business operations. Through this strategy, the Company aims to serve its customers, communities, employees and shareholders, both now and in the future. Refer to section 13.3 in the MD&A contained in the Company's 2013 Annual Report for further information on the Company's sustainability imperatives.

Sustainability reporting
The Company reports annually on the environmental footprint and quarterly on the benefits from sustainability initiatives. Beginning in Q1 2014, the Company will report on realized benefits achieved over the preceding 12-month period from projects completed in Q1 2013. This methodology moves the Company's sustainability reporting away from forecasted annual benefits to reporting actual results which will enable the Company to create a foundation for measuring multi-year benefits from initiatives. The Company expects to capture the benefits of all new and ongoing projects which will continue to grow on a cumulative basis over time.

Environmental footprint
Refer to section 13.3 in the MD&A contained in the Company's 2013 Annual Report for the latest measurement of the Company's extended value-chain footprint.

Sustainability initiatives
During the first quarter of 2014, the Company realized benefits of approximately $2.2 million over the preceding 12 month period as a result of projects completed in Q1 2013. In addition, environmental benefits from these initiatives resulted in energy use improvements of 10 per cent and annual waste avoidance of over 180 tonnes. The energy use and greenhouse gas emissions avoidance are equivalent to powering more than 1,160 Canadian homes for a year. Included in these initiatives is the realized energy cost avoidance of $1.2 million from the roll-out of demand-control ventilation systems at 129 Canadian Tire stores in Ontario.

($C in millions, except where indicated)	Enterprise Cost avoidance ($M)	Waste avoidance (tonnes)	Energy use avoidance (per cent improvement[1])	GHG emissions avoidance (tonnes CO_2e)
Product & Packaging[2]	**$ 0.3**	177	2%	151
Product Transport[3]	**0.3**	n/a	52%	288
Business & Retail Operations[4]	**1.5**	6	10%	5,446
Total	**$ 2.2**	183	10%	5,885

[1]Improvements refer to the savings in comparison to the baseline scenario, where baseline scenario is defined as "what it would have been in the absence of the sustainability projects". Improvements are related to the specific projects reported and do not represent total improvements to the value-chain segment.
[2]Realized reductions in energy use from transportation of optimized product and packaging as well as waste reductions (reduced packaging, damages and product waste).
[3]Realized reductions in energy use from increased energy efficiency in transportation modes, vehicles and distribution centres (e.g. use of long-combination vehicles).
[4]Realized reductions in energy use in buildings and their operations through energy efficiency initiatives as well as water use reductions (e.g. new construction, retrofits and signage optimization, irrigation system retrofits).

For further details, refer to the Company's Business Sustainability Performance Reports on Making a Difference at: corp.canadiantire.ca/EN/MAD/BusinessSustainability/Pages/OurProgressReports.aspx.

12.0 Subsequent event

On May 8, 2014, the Company entered into a strategic partnership under which Scotiabank will acquire 20.0% of the Company's financial services business for proceeds of $500 million. The agreement includes a credit card funding facility from Scotiabank of up to $2.25 billion of credit card receivables and an option for the Company to sell an additional 29.0% of the financial services business to Scotiabank within 10 years at fair market value. The agreement also includes an option for Scotiabank to sell its shares in the Company's financial services business back to Canadian Tire Corporation after 10 years at fair market value. Scotiabank's option will be recorded as a liability in Canadian Tire Corporation's consolidated financial statements. The deal is subject to customary closing conditions and regulatory approvals, and the transaction is expected to close by September 30, 2014.

13.0 Forward-looking statements and other investor communication

Caution regarding forward-looking statements
This document contains forward-looking statements that reflect management's current expectations 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:

- financial aspirations in section 3.1;
- strategic objectives and initiatives in section 3.2;
- capital management objectives in section 5.4.1;
- liquidity and availability of financing in sections 5.5 and 8.1;
- capital expenditures in section 5.6; and
- tax matters in section 7.0.

Forward-looking statements are provided 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 financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other circumstances.

All statements other than statements of historical facts included in this document may constitute forward-looking statements, including but not limited to, statements concerning Management's expectations relating to possible or assumed future prospects and results, the Company's strategic goals and priorities, its actions and the results of those actions and the economic and business outlook for the Company. Often but not always, forward-looking

statements can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “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 statements are based on the reasonable assumptions, estimates, analyses, beliefs and opinions of Management, made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that Management believes to be relevant and reasonable at the date that such statements are made.

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

For more information on the risks, uncertainties and assumptions that could cause the Company’s actual results to differ from current expectations, please refer to sections 7.4.1.3 (Retail segment business risks), 7.4.2.3 (CT REIT segment business risks), 7.4.3.3 (Financial Services segment business risks) and 11.0 (Enterprise risk management) and all subsections thereunder of MD&A contained in the Company’s 2013 Annual Report. Also refer to the “Risk Factors” section of the Company’s Annual Information Form for fiscal 2013, as well as the Company’s other public filings, available on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com and at www.corp.canadiantire.ca.

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

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

The Company strives to maintain a high standard of disclosure and investor communication and has been recognized as a leader in financial reporting practices. Reflecting the Company's commitment to full and transparent disclosure, the Investor Relations section of the Company's website, at: corp.canadiantire.ca/en/investors includes the following documents and information of interest to investors:

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

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

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

May 8, 2014

CANADIAN TIRE CORPORATION, LIMITED

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Q1 2014

Condensed Consolidated Balance Sheets (Unaudited)

As at (C$ in millions)		**March 29, 2014**		March 30, 2013 (Note 16)		December 28, 2013
ASSETS						
Cash and cash equivalents (Note 12)	**$**	**576.4**	$	311.8	$	643.2
Short-term investments		**342.8**		187.9		416.6
Trade and other receivables		**853.0**		793.0		758.5
Loans receivable (Note 5)		**4,411.7**		4,141.6		4,569.7
Merchandise inventories		**1,678.8**		1,674.9		1,481.0
Income taxes recoverable		**51.4**		70.3		31.5
Prepaid expenses and deposits		**84.3**		81.6		68.2
Assets classified as held for sale		**3.8**		7.8		9.1
Total current assets		**8,002.2**		7,268.9		7,977.8
Long-term receivables and other assets		**693.8**		688.1		686.0
Long-term investments		**70.4**		191.0		134.7
Goodwill and intangible assets		**1,179.5**		1,078.8		1,185.5
Investment property		**100.8**		92.6		93.5
Property and equipment		**3,500.6**		3,328.9		3,516.1
Deferred income taxes		**39.4**		33.6		36.4
Total assets	**$**	**13,586.7**	$	12,681.9	$	13,630.0
LIABILITIES						
Bank indebtedness (Note 12)	**$**	**79.3**	$	106.3	$	69.0
Deposits		**1,118.8**		1,425.0		1,178.4
Trade and other payables		**1,779.9**		1,648.5		1,817.4
Provisions		**194.9**		184.0		196.1
Short-term borrowings		**120.7**		119.2		120.3
Loans payable		**602.1**		619.8		611.2
Income taxes payable		**24.5**		35.0		57.5
Current portion of long-term debt		**271.7**		22.3		272.2
Total current liabilities		**4,191.9**		4,160.1		4,322.1
Long-term provisions		**38.6**		49.7		38.2
Long-term debt		**2,337.0**		2,336.5		2,339.1
Long-term deposits		**1,221.0**		1,030.6		1,152.0
Deferred income taxes		**103.9**		78.8		100.4
Other long-term liabilities		**225.3**		210.3		228.3
Total liabilities		**8,117.7**		7,866.0		8,180.1
EQUITY						
Share capital (Note 6)		**557.4**		674.2		587.0
Contributed surplus		**6.8**		3.0		6.2
Accumulated other comprehensive income		**59.3**		18.9		47.4
Retained earnings		**4,562.4**		4,119.8		4,526.7
Equity attributable to owners of Canadian Tire Corporation		**5,185.9**		4,815.9		5,167.3
Non-controlling interests		**283.1**		-		282.6
Total equity		**5,469.0**		4,815.9		5,449.9
Total liabilities and equity	**$**	**13,586.7**	$	12,681.9	$	13,630.0

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 29, 2014	13 weeks ended March 30, 2013
Revenue (Note 8)	**$ 2,573.1**	$ 2,479.8
Cost of producing revenue (Note 9)	**(1,737.8)**	(1,713.1)
Gross margin	**835.3**	766.7
Other (expense) income	**(1.5)**	7.7
Selling, general and administrative expenses (Note 10)	**(706.1)**	(645.4)
Net finance costs (Note 11)	**(24.1)**	(28.7)
Income before income taxes	**103.6**	100.3
Income taxes	**(28.0)**	(27.3)
Net income	**$ 75.6**	$ 73.0
Net income attributable to:		
Owners of Canadian Tire Corporation	**$ 70.6**	$ 73.0
Non-controlling interests	**5.0**	-
	$ 75.6	$ 73.0
Basic earnings per share attributable to owners of Canadian Tire Corporation	**$ 0.88**	$ 0.90
Diluted earnings per share attributable to owners of Canadian Tire Corporation	**$ 0.88**	$ 0.90
Weighted average number of Common and Class A Non-Voting Shares outstanding:		
Basic	**79,886,504**	81,128,860
Diluted	**80,524,425**	81,405,372

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

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(C$ in millions)	13 weeks ended March 29, 2014	March 30, 2013
Net income	**$ 75.6**	$ 73.0
Other comprehensive income (loss)		
Items that may be reclassified subsequently to net income:		
Cash flow hedges:		
Gains, net of tax of $13.5 (2013 - $7.8)	**39.9**	21.4
Reclassification of gains to non-financial asset, net of tax of $9.3 (2013 - $0.4)	**(27.5)**	(1.0)
Reclassification of (gains) losses to income, net of tax of $0.2 (2013 - $nil)	**(0.5)**	0.1
Available-for-sale financial assets:		
Gains, net of tax of $nil (2013 - $nil)	**-**	0.1
Other comprehensive income	**11.9**	20.6
Comprehensive income	**$ 87.5**	$ 93.6
Comprehensive income attributable to:		
Owners of Canadian Tire Corporation	**$ 82.5**	$ 93.6
Non-controlling interests	**5.0**	-
	$ 87.5	$ 93.6

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 29, 2014	13 weeks ended March 30, 2013
Cash generated from (used for):		
Operating activities		
Net income	**$ 75.6**	$ 73.0
Adjustments for:		
Gross impairment loss on loans receivable (Note 5)	**90.9**	82.1
Depreciation on property and equipment and investment property (Note 10)	**63.1**	60.7
Income tax expense	**28.0**	27.3
Net finance costs	**24.1**	28.7
Amortization of intangible assets (Note 10)	**21.6**	22.0
Changes in fair value of derivative instruments	**1.7**	(2.6)
Loss on disposal of property and equipment, investment property and assets held for sale	**(0.3)**	(3.7)
Other	**5.1**	2.0
	309.8	289.5
Change in operating working capital and other (Note 12)	**(314.3)**	(201.3)
Change in loans receivable	**56.7**	41.4
Change in deposits	**8.5**	31.9
Cash generated from operating activities before interest and income taxes	**60.7**	161.5
Interest paid	**(15.3)**	(31.7)
Interest received	**3.5**	3.9
Income taxes paid	**(82.8)**	(68.0)
Cash (used for) generated from operating activities	**(33.9)**	65.7
Investing activities		
Acquisition of short-term investments	**(127.5)**	(25.6)
Proceeds from the maturity and disposition of short-term investments	**258.0**	28.7
Acquisition of long-term investments	**-**	(30.0)
Proceeds from the disposition of long-term investments	**7.6**	0.2
Additions to property and equipment and investment property	**(75.4)**	(75.2)
Proceeds on disposition of property and equipment, investment property and assets held for sale	**0.3**	8.4
Additions to intangible assets	**(26.5)**	(10.7)
Long-term receivables and other assets	**2.2**	4.0
Other	**0.1**	0.2
Cash generated from (used for) investing activities	**38.8**	(100.0)
Financing activities		
Net issuance of short-term borrowings	**0.3**	0.3
Issuance of loans payable	**27.4**	64.6
Repayment of loans payable	**(36.4)**	(68.5)
Issuance of share capital (Note 6)	**1.6**	1.6
Repurchase of share capital (Note 6)	**(30.8)**	(15.3)
Issuance of long-term debt	**0.6**	-
Repayment of long-term debt and finance lease liabilities	**(4.7)**	(643.6)
Dividends paid	**(35.0)**	(28.3)
Distributions paid to non-controlling interests	**(4.5)**	-
Payment of transaction costs related to long-term debt	**(0.4)**	-
Cash used for financing activities	**(81.9)**	(689.2)
Cash used in the period	**(77.0)**	(723.5)
Cash and cash equivalents, net of bank indebtedness, beginning of period	**574.2**	929.5
Effect of exchange rate fluctuations on cash held	**(0.1)**	(0.5)
Cash and cash equivalents, net of bank indebtedness, end of period (Note 12)	**$ 497.1**	$ 205.5

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

Condensed Consolidated Statements of Changes in Equity (Unaudited)

(C$ in millions)	Share capital	Contributed surplus	Cashflow hedges	Fair value changes in available-for-sale financial assets	Total accumulated other comprehensive income (loss)	Retained earnings	Equity attibutable to owners of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
Balance at December 28, 2013	**$ 587.0**	**$ 6.2**	**$ 47.0**	**$ 0.4**	**$ 47.4**	**$ 4,526.7**	**$ 5,167.3**	**$ 282.6**	**$ 5,449.9**
Total comprehensive income									
Net income						**70.6**	**70.6**	**5.0**	**75.6**
Other comprehensive income (loss)									
Items that may be reclassified subsequently to net income:									
Cash flow hedges:									
Gains, net of tax of $13.5			**39.9**		**39.9**		**39.9**		**39.9**
Reclassification of gains to non-financial asset, net of tax of $9.3			**(27.5)**		**(27.5)**		**(27.5)**		**(27.5)**
Reclassification of gains to income, net of tax of $0.2			**(0.5)**		**(0.5)**		**(0.5)**		**(0.5)**
Available-for-sale financial assets:									
Gains, net of tax of $nil				**-**	**-**		**-**		**-**
Total other comprehensive income	**-**	**-**	**11.9**	**-**	**11.9**	**-**	**11.9**	**-**	**11.9**
Total comprehensive income	**-**	**-**	**11.9**	**-**	**11.9**	**70.6**	**82.5**	**5.0**	**87.5**
Contributions by and distributions to owners of Canadian Tire Corporation									
Issue of Class A Non-Voting Shares (Note 6)	**1.6**				**-**		**1.6**		**1.6**
Repurchase of Class A Non-Voting Shares (Note 6)	**(30.8)**				**-**		**(30.8)**		**(30.8)**
Excess of issue price over repurchase price (Note 6)	**(0.4)**	**0.4**			**-**		**-**		**-**
Dividends					**-**	**(34.9)**	**(34.9)**		**(34.9)**
Contributed surplus arising on sale of property to CT REIT		**0.2**					**0.2**		**0.2**
Contributions by and distributions to non-controlling interests									
Issuance of Units								**0.4**	**0.4**
Distributions								**(4.9)**	**(4.9)**
Total contributions and distributions	**(29.6)**	**0.6**	**-**	**-**	**-**	**(34.9)**	**(63.9)**	**(4.5)**	**(68.4)**
Balance at March 29, 2014	**$ 557.4**	**$ 6.8**	**$ 58.9**	**$ 0.4**	**$ 59.3**	**$ 4,562.4**	**$ 5,185.9**	**$ 283.1**	**$ 5,469.0**
Balance at December 29, 2012	$ 688.0	$ 2.9	$ (2.0)	$ 0.3	$ (1.7)	$ 4,075.1	$ 4,764.3	$ -	$ 4,764.3
Total comprehensive income									
Net income						73.0	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		21.4
Reclassification of gains to non-financial asset, net of tax of $0.4			(1.0)		(1.0)		(1.0)		(1.0)
Reclassification of losses to income, net of tax of $nil			0.1		0.1		0.1		0.1
Available-for-sale financial assets:									
Gains, net of tax of $nil				0.1	0.1		0.1		0.1
Total other comprehensive income (loss)	-	-	20.5	0.1	20.6	-	20.6	-	20.6
Total comprehensive income (loss)	-	-	20.5	0.1	20.6	73.0	93.6	-	93.6
Contributions by and distributions to owners of Canadian Tire Corporation									
Issue of Class A Non-Voting Shares (Note 6)	1.6				-		1.6		1.6
Repurchase of Class A Non-Voting Shares (Note 6)	(15.3)				-		(15.3)		(15.3)
Excess of issue price over repurchase price (Note 6)	(0.1)	0.1			-		-		-
Dividends					-	(28.3)	(28.3)		(28.3)
Total contributions and distributions	(13.8)	0.1	-	-	-	(28.3)	(42.0)	-	(42.0)
Balance at March 30, 2013	$ 674.2	$ 3.0	$ 18.5	$ 0.4	$ 18.9	$ 4,119.8	$ 4,815.9	$ -	$ 4,815.9

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

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

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 29, 2014 (and comparative results for the 13 weeks ended March 30, 2013) in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting.* These interim financial statements should be read in conjunction with the annual consolidated financial statements contained in the Company's 2013 Annual Report. They have been prepared using the same accounting policies that were described in Note 3 to the annual consolidated financial statements contained in the Company's 2013 Annual Report, except as described in this note under New standards implemented.

These interim financial statements were authorized for issuance by the Company's Board of Directors on May 8, 2014.

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

- financial instruments at fair value through profit or loss;
- derivative financial instruments;
- available-for-sale financial assets;
- liabilities for share-based payment plans; and
- initial recognition of assets acquired and liabilities assumed in a business combinations.

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

Functional and presentation currency
These interim financial statements are presented in Canadian dollars ("C$"), the Company's functional currency. All financial information is presented in millions, except per share amounts, which are presented in dollars, and the number of shares or the weighted average number of shares, which are presented in whole numbers.

Judgments and estimates
The preparation of these interim financial statements in accordance with IFRS requires management to make judgments and estimates that affect the application of accounting policies 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.

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

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 2 to the annual consolidated financial statements contained in the Company's 2013 Annual Report.

New standards implemented

Financial instruments: Asset and liability offsetting
In December 2011, the International Accounting Standard Board ("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 were applied retrospectively for annual periods beginning on or after January 1, 2014. The implementation of IAS 32 amendments did not have a significant impact on the Company.

Financial Instruments: Novation of derivatives and continuation of hedge accounting
In June 2013, the IASB issued *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*. This amendment to IAS 39 Financial Instruments: Recognition and Measurement provides an exception to the requirement to discontinue hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. The IAS 39 amendments were applied retrospectively for annual periods beginning on or after January 1, 2014. The implementation of IAS 39 amendments did not have a significant impact on the Company.

Levies
In May 2013, the IASB issued IFRIC Interpretation 21 – *Levies* ("IFRIC 21"), which is an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. The implementation of IFRIC 21 did not have a significant impact on the Company.

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 January 3, 2015, and, accordingly, have not been applied in preparing these interim financial statements.

Financial instruments
In November 2009, the IASB issued IFRS 9 – *Financial Instruments* ("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. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income ("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.

In November 2013, the IASB issued a new version of IFRS 9 which incorporates a new general hedge accounting model. The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures as it provides more opportunities to apply hedge accounting.

IFRS 9 does not have a mandatory effective date. Early adoption is permitted. The Company is assessing the potential impact of this standard.

3. Capital management

The Company's objectives when managing capital are:

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

The definition of capital varies from company to company, industry to industry and for different purposes. The Company's definition of capital is the same as that detailed in Note 4 to the annual consolidated financial statements contained in the Company's 2013 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 as at March 29, 2014. Under these covenants, the Company currently has sufficient flexibility to fund business growth and maintain or amend dividend rates within its existing dividend policy. The Company was in compliance with all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions of Canada and its Internal Capital Adequacy Assessment Process which it utilizes to achieve its goals and objectives associated with the operations of Canadian Tire Bank ("Bank"), a federally chartered bank.

4. Operating segments

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

- Retail is comprised of the Living, Playing, Fixing, Automotive, Seasonal & Gardening, Apparel and Sporting Goods categories. The retail business is conducted through a number of banners, including Canadian Tire, Canadian Tire Gas ("Petroleum"), Mark's, PartSource, and various FGL Sports banners. Retail also includes the Dealer Loan Program (the portion (silo) of Franchise Trust that issues loans to Dealers), a financing program established to provide an efficient and cost-effective way for Dealers to access the majority of the financing required for their store operations. Non-CT REIT real estate is included in Retail.

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

- Financial Services markets a range of Canadian Tire-branded credit cards, including the Canadian Tire Options MasterCard, the Cash Advantage MasterCard, the GasAdvantage MasterCard and the SportChek 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 includes GCCT, a financing program established to purchase co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases.

Performance is measured based on segment income before income taxes, as included in the internal management reports reviewed by the Company's chief operating decision maker. Management has determined that this measure is the most relevant in evaluating segment results.

Information regarding the results of each reportable operating segment is as follows:

	13 weeks ended March 29, 2014				
(C$ in millions)	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	$ 2,291.0	$ 2.4	$ 261.0	$ 18.7	$ 2,573.1
Intercompany revenue	2.1	80.3	3.6	(86.0)	-
Total revenue	2,293.1	82.7	264.6	(67.3)	2,573.1
Cost of producing revenue	1,636.8	-	114.2	(13.2)	1,737.8
Gross margin	656.3	82.7	150.4	(54.1)	835.3
Other income (expense)	23.0	-	(0.2)	(24.3)	(1.5)
Selling, general and administrative expenses	668.0	19.8	70.0	(51.7)	706.1
Net finance (income) costs	(5.3)	20.2	(2.0)	11.2	24.1
Fair value adjustment on investment properties	-	127.0	-	(127.0)	-
Income before income taxes	$ 16.6	$ 169.7	$ 82.2	$ (164.9)	$ 103.6
Items included in the above:					
Depreciation and amortization	$ 69.1	$ -	$ 2.0	$ 13.6	$ 84.7
Interest income	29.0	0.2	195.6	(23.8)	201.0
Interest expense	20.1	20.4	28.1	(24.0)	44.6

	13 weeks ended March 30, 2013			
(C$ in millions)	Retail	Financial Services	Eliminations and adjustments	Total
External revenue	$ 2,216.8	$ 246.5	$ 16.5	$ 2,479.8
Intercompany revenue	0.1	3.5	(3.6)	-
Total revenue	2,216.9	250.0	12.9	2,479.8
Cost of producing revenue	1,617.4	110.2	(14.5)	1,713.1
Gross margin	599.5	139.8	27.4	766.7
Other income (expense)	7.5	0.2	-	7.7
Selling, general and administrative expenses	566.5	62.9	16.0	645.4
Net finance (income) costs	17.5	(0.2)	11.4	28.7
Fair value adjustment on investment properties	-	-	-	-
Income before income taxes	$ 23.0	$ 77.3	$ -	$ 100.3
Items included in the above:				
Depreciation and amortization	$ 80.2	$ 2.5	$ -	$ 82.7
Interest income	9.2	182.6	(0.5)	191.3
Interest expense	20.6	32.6	(0.5)	52.7

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

Capital expenditures by reportable operating segment are as follows:

	13 weeks ended March 29, 2014			
(C$ in millions)	Retail	CT REIT	Financial Services	Total
Capital expenditures[1]	$ 65.6	$ 5.8	$ 2.6	$ 74.0

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

(C$ in millions)	13 weeks ended March 30, 2013 Retail	Financial Services	Total
Capital expenditures[1]	$ 61.8	$ 0.2	$ 62.0

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

Total assets by reporting operating segment are as follows:

(C$ in millions)	**March 29, 2014**	March 30, 2013	December 28, 2013
Retail	**$ 10,452.7**	$ 7,914.7	$ 10,509.0
CT REIT[1]	**3,770.0**	-	3,611.2
Financial Services	**5,527.4**	4,847.8	5,384.6
Eliminations[1]	**(6,163.4)**	(80.6)	(5,874.8)
Total assets[2]	**$ 13,586.7**	$ 12,681.9	$ 13,630.0

[1]CT REIT uses the fair value model for its investment properties. The adjustment to convert to the Company's cost basis is included in Eliminations.
[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, expenses related to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated between segments in the presented measures of segmented assets and liabilities.

Total liabilities by reporting operating segment are as follows:

(C$ in millions)	**March 29, 2014**	March 30, 2013	December 28, 2013
Retail	**$ 4,291.1**	$ 3,896.9	$ 4,322.1
CT REIT	**1,848.8**	-	1,830.9
Financial Services	**4,492.4**	4,049.7	4,408.3
Eliminations	**(2,514.6)**	(80.6)	(2,381.2)
Total liabilities[1]	**$ 8,117.7**	$ 7,866.0	$ 8,180.1

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

5. Loans receivable

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

	Total principal amount of receivables[1]			**Average balance[1]**	
(C$ in millions)	**March 29, 2014**	March 30, 2013	December 28, 2013	**March 29, 2014**	March 30, 2013
Credit card loans	**$ 4,384.9**	$ 4,115.8	$ 4,522.7	**$ 4,413.2**	$ 4,130.1
Line of credit loans	**6.1**	7.2	6.5	**6.3**	7.4
Personal loans[2]	**0.2**	0.2	0.1	**0.2**	0.3
Total Financial Services' loans receivable	**4,391.2**	4,123.2	4,529.3	**$ 4,419.7**	$ 4,137.8
Dealer loans[3]	**602.2**	619.8	611.2		
Other loans	**6.0**	7.2	6.4		
Total loans receivable	**4,999.4**	4,750.2	5,146.9		
Less: long-term portion[4]	**587.7**	608.6	577.2		
Current portion of loans receivable	**$ 4,411.7**	$ 4,141.6	$ 4,569.7		

[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 $582.0 million (March 30, 2013 – $602.1 million and December 28, 2013 – $571.6 million).

The gross impairment loss on loans receivable for the 13 weeks ended March 29, 2014 was $90.9 million (2013 – $82.1 million). Recoveries of bad debts for the 13 weeks ended March 29, 2014 was $13.5 million (2013 – $14.8 million).

For the 13 weeks ended March 29, 2014, the amount of cash received from interest earned on credit cards and loans was $183.1 million (2013 – $171.4 million).

6. Share capital

(C$ in millions)	March 29, 2014	March 30, 2013	December 28, 2013
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (March 30, 2013 - 3,423,366; December 28, 2013 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
76,265,951 Class A Non-Voting Shares (March 30, 2013 - 77,526,952; December 28, 2013 - 76,560,851)	**557.2**	674.0	586.8
	$ 557.4	$ 674.2	$ 587.0

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 2014 and 2013, the Company issued and repurchased Class A Non-Voting Shares. The net excess of the issue price over the repurchase price results in contributed surplus. The net excess of the repurchase 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 2014 and 2013:

	13 weeks ended			
	March 29, 2014		March 30, 2013	
(C$ in millions)	Number	$	Number	$
Shares outstanding at beginning of the year	**76,560,851**	**$ 586.8**	77,720,401	$ 687.8
Issued				
Dividend reinvestment plan	**16,419**	**1.6**	19,826	1.4
Stock option plan	**-**	**-**	2,625	0.2
Repurchased	**(311,319)**	**(30.8)**	(215,900)	(15.3)
Excess of issue price over repurchase price	**-**	**(0.4)**	-	(0.1)
Shares outstanding at end of the period	**76,265,951**	**$ 557.2**	77,526,952	$ 674.0

As of March 29, 2014, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $34.9 million (2013 – $28.3 million) at a rate of $0.4375 per share (2013 – $0.35 per share).

On May 8, 2014 the Company's Board of Directors declared a dividend of $0.50 per share payable on September 1, 2014 to shareholders of record as of July 31, 2014.

7. Share-based payments

During the 13 weeks ended March 29, 2014, the Company issued the following share-based payment awards:

Stock options

The Company granted 323,112 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 $99.72.

Performance share unit plans

The Company granted 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 price of Class A Non-Voting Shares traded on the Toronto Stock Exchange during the 10 calendar 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.

8. Revenue

	13 weeks ended			
(C$ in millions)[1]		**March 29, 2014**		March 30, 2013
Sale of goods	**$**	**2,191.4**	$	2,110.3
Interest income on loans receivable		**195.4**		185.2
Services rendered		**85.9**		84.7
Royalties and licence fees		**88.0**		87.1
Rental income		**12.4**		12.5
	$	**2,573.1**	$	2,479.8

[1]The prior period's figures have been restated to correspond to the current period presentation.

Major customers

The Company does not have reliance on any one customer.

9. Cost of producing revenue

	13 weeks ended			
(C$ in millions)		**March 29, 2014**		March 30, 2013
Inventory cost of sales	**$**	**1,636.6**	$	1,617.2
Net impairment loss on loans receivable		**75.8**		65.7
Finance costs on deposits		**14.9**		17.9
Other		**10.5**		12.3
	$	**1,737.8**	$	1,713.1

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 weeks ended March 29, 2014 were $15.8 million (2013 – $17.8 million).

Inventory writedowns recognized in prior periods and reversed in the 13 weeks ended March 29, 2014 were $1.6 million (2013 – $3.4 million). The reversal of writedowns was the result of actual losses being lower than previously estimated.

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

10. Selling, general and administrative expenses by nature

	13 weeks ended			
(C$ in millions)		**March 29, 2014**		March 30, 2013
Personnel expenses	**$**	**266.3**	$	236.6
Occupancy		**156.3**		147.8
Marketing and advertising		**75.8**		64.7
Depreciation of property and equipment and investment property		**63.1**		60.7
Amortization of intangible assets		**21.6**		22.0
Other		**123.0**		113.6
	$	**706.1**	$	645.4

11. Net finance costs

	13 weeks ended			
(C$ in millions)		**March 29, 2014**		March 30, 2013
Finance income	**$**	**(5.6)**	$	(6.1)
Finance costs		**29.7**		34.8
	$	**24.1**	$	28.7

12. Notes to the condensed consolidated statements of cash flows

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

(C$ in millions)	**March 29, 2014**	March 30, 2013	December 28, 2013
Cash	**$ 77.1**	$ 61.3	$ 91.5
Cash equivalents	**485.6**	240.7	546.1
Restricted cash and cash equivalents[1]	**13.7**	9.8	5.6
Total cash and cash equivalents	**576.4**	311.8	643.2
Bank indebtedness	**(79.3)**	(106.3)	(69.0)
Cash and cash equivalents, net of bank indebtedness	**$ 497.1**	$ 205.5	$ 574.2

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

Changes in operating working capital and other comprise the following:

	13 weeks ended	
(C$ in millions)	**March 29, 2014**	March 30, 2013
Change in operating working capital		
Trade and other receivables	**$ (63.1)**	$ (16.5)
Merchandise inventories	**(205.6)**	(178.6)
Income taxes	**(1.4)**	(0.1)
Prepaid expenses and deposits	**(16.1)**	(42.2)
Trade and other payables	**(29.1)**	45.6
Total	**(315.3)**	(191.8)
Changes in other		
Provisions	**0.6**	(3.0)
Long-term provisions	**(0.8)**	(4.2)
Other long term liabilities	**1.2**	(2.3)
Total	**1.0**	(9.5)
Changes in operating working capital and other	**$ (314.3)**	$ (201.3)

Supplementary information

During the 13 weeks ended March 29, 2014, the Company acquired property and equipment and investment property at an aggregate cost of $57.6 million (2013 – $52.1 million). During the 13 weeks ended March 29, 2014, intangible assets were internally developed or acquired at an aggregate cost of $16.4 million (2013 – $9.9 million).

The amount related to property and equipment and investment property acquired that is included in trade and other payables at March 29, 2014, is $37.3 million (2013 – $21.0 million). The amount related to intangible assets that is included in trade and other payables at March 29, 2014, is $7.2 million (2013 – $4.6 million).

During the 13 weeks ended March 29, 2014, the Company also included in the property and equipment, investment property and intangible assets acquired non-cash items relating to finance leases, asset retirement obligations and capitalized interest in the amount of $4.9 million (2013 – $3.5 million).

Capital Commitments

The Company has commitments of approximately $50.8 million at March 29, 2014 for the acquisition of property and equipment (2013 – $35.3 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 condensed 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 $28.8 million at March 29, 2014.

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 18 to the annual consolidated financial statements contained in the Company's 2013 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

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

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

The carrying amount 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 or because they are derivatives.

Fair values of financial instruments reflect the credit risk of the Company and counterparties when appropriate.

Investments in equity and debt securities
The fair values of financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments and available-for-sale financial assets that are traded in active markets are determined by reference to their quoted closing bid price or dealer price quotations at the reporting date. For investments that are not traded in active markets, the Company determines fair values using a combination of discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models. The fair values of loans and receivables and held-to-maturity investments are determined for disclosure purposes only.

Derivatives
The fair value of a forward exchange contract is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

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

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

The fair value measurement of debt and deposits is categorized within Level 2 of the fair value hierarchy as described in Note 35 to the annual consolidated financial statements contained in the Company's 2013 Annual Report.

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

	March 29, 2014		March 30, 2013		December 28, 2013	
(C$ in millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities carried at amortized cost						
Debt	**$ 2,608.7**	**$ 2,758.7**	$ 2,358.8	$ 2,520.0	$ 2,611.3	$ 2,707.4
Deposits	**$ 2,339.8**	**$ 2,356.3**	$ 2,455.6	$ 2,482.2	$ 2,330.4	$ 2,341.4

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

15.2 Fair value hierarchy

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

		March 29, 2014		March 30, 2013		December 28, 2013	
Balance sheet line	**Category**	**Level**		Level		Level	
Short-term investments	Fair value through profit or loss	**2**	**$ 102.4**	2	$ -	2	$ 211.9
Short-term investments	Available for sale	**2**	**240.4**	2	187.9	2	204.7
Long-term investments	Fair value through profit or loss	**2**	**-**	2	7.4	2	7.6
Long-term investments	Available for sale	**2**	**70.4**	2	183.6	2	127.1
Trade and other receivables	Derivatives	**2**	**102.0**	2	28.5	2	72.9
Long-term receivables and other assets	Derivatives	**2**	**34.0**	2	7.9	2	40.3
Trade and other payables	Derivatives	**2**	**0.5**	2	2.9	2	-
Other long-term liabilities	Derivatives	**2**	**0.3**	2	-	2	-

16. Comparative figures

Certain of the prior period's figures have been restated to correspond to the current period presentation.

17. Subsequent event

On May 8, 2014, the Company entered into a strategic partnership under which Scotiabank will acquire 20.0% of the Company's financial services business for proceeds of $500.0 million. The agreement includes a credit card funding facility from Scotiabank of up to $2.25 billion of credit card receivables and an option for the Company to sell an additional 29.0% of the financial services business to Scotiabank within 10 years at fair market value. The agreement also includes an option for Scotiabank to sell its shares in the Company's financial services business back to Canadian Tire Corporation after 10 years at fair market value. Scotiabank's option will be recorded as a liability in Canadian Tire Corporation's consolidated financial statements. The deal is subject to customary closing conditions and regulatory approvals, and the transaction is expected to close by September 30, 2014.