



# CANADIAN TIRE

## **CANADIAN TIRE REPORTS YEAR-END NET EARNINGS OF \$176.7 MILLION; up 19.3 percent**

**(Toronto, Ontario), February 7, 2002:** Canadian Tire Corporation, Limited (CTR.a, CTR) today reported that unaudited 2001 consolidated net earnings were up 19.3 percent to \$176.7 million, or \$2.25 per share, compared to \$148.0 million or \$1.89 per share recorded in 2000. Consolidated net earnings for the fourth quarter were up 28.8 percent, to \$41.0 million or \$0.53 per share compared to \$31.9 million or \$0.41 per share a year earlier. Retail sales in 2001 increased 6.9 percent and comparable store sales increased 2.2 percent.

"During 2001 it became clear the retail sector would be impacted by economic uncertainty. Canadian Tire's ability to increase sales by 6.9 percent in this environment demonstrated the strength of our position in the marketplace and the value we provide to our customers," said Wayne C. Sales, president and CEO, Canadian Tire. While we are pleased with our financial performance, we are very excited with our opportunity to continue to accelerate our growth in earnings even further," added Sales.

"While our 19.3 percent earnings per share growth benefited from certain one-time gains and year-over-year reductions in specific expenses, our earnings excluding these items exceeded the upper end of our previously released forecast. These results were delivered by a team totally focused on our operations, adjusting our plans and strategies to drive top-line growth, reduce costs and strengthen our balance sheet, ultimately increasing shareholder value," added Sales.

Several factors enhanced the Corporation's earnings before tax in 2001, including: \$15.4 million from the sale of credit charge receivables; \$8.0 million from the sale of Hamilton Discount Corporation, Limited (HDCL); and \$11.8 million from the disposition of redundant real estate properties. Both the proceeds from the sale of redundant real estate properties and gains from the sale of credit charge receivables are expected to provide recurring earnings contributions during the outlook period of 2002-2005.

These positive contributions to earnings before tax were partially offset by several factors, including: \$10.5 million in net expenses in [www.canadiantire.ca](http://www.canadiantire.ca), which is targeted to break even on an operating basis in 2002; \$3.8 million invested to accelerate conversion of Canadian Tire retail cards to Options Mastercard® accounts; \$6.2 million in expenses for CustomerLink, Canadian Tire's supply chain initiative to develop and deploy multi-channel capability in its Distribution Centres in Brampton and Calgary; and an estimated \$3.5 million in lost earnings contributions due to the sale of HDCL early in 2001.

The Corporation also benefited from reduced effective tax rates due to working capital initiatives and lower rates associated with the mix of income.

Consolidated gross operating revenue increased 3.2 percent to \$5.4 billion from the \$5.2 billion reported in 2000. Fourth quarter consolidated gross operating revenue was \$1.4 billion, up 4.2 percent from the fourth quarter in 2000. Canadian Tire Retail gross operating revenue was up 4.0 percent in 2001, while Canadian Tire Financial Services gross operating revenue rose 6.9 percent. Canadian Tire Petroleum's gross operating revenue declined 1.8 percent.

"We continued to make progress during the year in improving Canadian Tire's financial flexibility and strengthening our balance sheet," noted Sales. "Cash generated from operations reached \$362 million. In addition, our Treasury group undertook a series of successful financing activities that were well received by the capital markets. We closed the year with a cash position of \$579 million."

Total capital expenditures in 2001 were \$358 million, down \$70 million from the original plan. Canadian Tire's capital expenditure plan for 2002 is approximately \$300 million, a further reduction of about \$60 million from the previous year. During the past several years Canadian Tire has invested in growth and in required infrastructure such as supply chain capacity and capability. Starting in 2002, a larger percentage of our capital investments will be deployed to areas of profitable growth as infrastructure investments are completed.

During the year, Canadian Tire made significant progress in a number of key areas, including:

- the development and implementation of the Corporation's strategic agenda for the period of 2002 through 2005;
- driving top-line growth and performance of our core business. Retail sales increased 6.9 percent to reach a record \$5.3 billion;
- making significant progress in our Customer Values initiative to improve customer service, including the roll-out of Canadian Tire's proprietary eLearning online training. This system is focused on customer service and product knowledge training for front-line store team members. Significant improvement was also made to store in-stock position with record service levels for shipments to stores from the supply chain;
- opening of 37 new-format stores, including 9 incremental stores, for a total of 270 new-format stores opened since this program began in 1994, bringing Canadian Tire's total store count to 450;
- implementing the *Next Generation* merchandising concept in 15 existing new-format stores opened prior to 2001;
- commissioning the 500,000 square foot distribution centre in Calgary, Alberta, which is now shipping to 140 Western Canadian stores as part of a broader supply chain improvement initiative;
- achieving status as one of Canada's most-visited retail eCommerce sites, reaching 2 million visitors in the month of October: CTR's online operations are targeted to break-even on an operational basis in 2002;
- converting 450,000 retail cards over to Canadian Tire's Options MasterCard®, now representing more than two-thirds of Financial Services' outstanding receivables, bringing outstanding receivables in Financial Services to an all-time high of \$1.4 billion;
- completing the integration of the Auto Village/Drivers banners under the PartSource format, bringing the total to 30 PartSource stores opened across Canada. PartSource achieved double-digit growth in comparable store sales in 2001;
- continuing to outperform the gasoline industry in sales volume per site, with record sales volume and continued marketshare gains in 2001.

## **CANADIAN TIRE RETAIL (CTR)**

### **Retail Sales**

Total retail sales for 2001 were \$5.3 billion, a 6.9 percent increase over 2000. Comparable store sales increased by 2.2 percent. This sales performance reflects strong marketing programs and customer acceptance of our unique product assortment, offering basic goods for every day use. Retail sales for the fourth quarter were up 5.7 percent from the same quarter last year, with a resulting 1.7 percent increase in comparable store sales.

"Our retail sales performance was encouraging, particularly in view of the strong, non-promotional sales growth we experienced in core, competitive categories such as hardware, housewares, automotive accessories, tires and lawn and garden. Throughout the year we continued to experience sales growth and market share gains in these key categories," commented Sales. "Our retail sales momentum continued through January 2002," he added.

### **Operating Performance**

CTR closed 2001 with gross operating revenue of \$4.2 billion compared to the \$4.0 billion recorded in 2000. The increase was due to the year-over-year 4.0 percent increase in shipments to Associate Dealers, highlighted by an 8.9 percent increase in the fourth quarter as Canadian Tire Retail enjoyed strong sales during the key holiday period. CTR earnings before taxes for the year were \$171.7 million, equal to 2000. While the Corporation enjoyed strong retail sales in 2001, earnings were impacted as Associate Dealers focused on reducing excess store inventory resulting in shipments that lagged sales. Lower growth in shipments also reduced purchase discounts from vendors, impacting CTR earnings before taxes. While in the short-term this reduction in excess store inventory impacted CTR's results, the reduction will enable CTR to exploit merchandising and marketing opportunities going forward.

During 2001, significant improvements were made in the CTR supply chain, and service levels to stores reached a record 91.7 percent.

Fourth quarter CTR gross operating revenue totaled \$1,154.1 million, up 8.9 percent from \$1,060.2 million in 2000, reflecting an 8.9 percent rise in shipments. Earnings before taxes for the quarter were \$47.3 million, compared to \$34.6 million a year earlier. The primary reason for this performance was the increase in gross operating revenue. This increase was partially offset by higher net advertising and marketing program expenses resulting from a reduction in vendor contributions totaling \$13 million. On a year-over-year comparative basis, 2000 results were negatively impacted by \$10.9 million in product clearance costs for Christmas lights and \$4.0 million in restructuring costs.

## **CANADIAN TIRE PETROLEUM (CTP)**

### **Operating Performance**

Canadian Tire Petroleum reported 2001 gross operating revenue of \$837.8 million, down 1.8 percent from \$853.5 million recorded in 2000. Increased CTP gasoline litre volume was offset by lower prices at the pump, resulting in the revenue decline. In spite of reduced revenues, CTP continued to gain marketshare with a 1.3 percent increase in gasoline litre sales in an environment of limited industry volume growth.

Earnings before taxes for the year were \$17.8 million, a 44.1 percent increase from the \$12.4 million earned in 2000 due primarily to improved margins. Ancillary businesses in Petroleum such as car washes and propane experienced double-digit growth.

Petroleum's fourth quarter gross operating revenue totaled \$190.1 million, down 17.3 percent from the \$229.8 million recorded in the fourth quarter of 2000. This reflected significantly lower pump prices and a decline in gasoline litre sales volume of 0.6 percent, due to 3 fewer CTP gasoline stations that were in the process of being redeveloped or replaced in the fourth quarter compared to 2000. Strong gross margins resulted in earnings before tax for the quarter of \$4.7 million, 17.7 percent higher than the \$4.0 million recorded in 2000.

## **CANADIAN TIRE FINANCIAL SERVICES (CTFS)**

### **Operating Performance**

Canadian Tire Financial Services reported 2001 gross operating revenue of \$352.3 million, up 6.9 percent from the \$329.6 million recorded a year earlier. Earnings before taxes in 2001 were \$87.5 million, up 54.4 percent from \$56.6 million recorded in 2000. Revenue and earnings were positively impacted by gains from the sale of credit charge receivables and from the sale of HDCL, in addition to the rapid growth of credit receivables due to the accelerated growth of Options MasterCard® accounts. Excluding earnings contributions from the sale of receivables and from the sale of HDCL earnings before taxes would have been \$67.6 million, up 19.4 percent from 2000.

Accelerating Options MasterCard® account growth resulted in an 8.9 percent increase in gross credit charge receivables to \$1.4 billion, which more than offset the reduction in charge card receivables associated with the first quarter sale of all third-party charge card receivables including Hamilton Discount. Excluding third-party charge card receivables, the year-over-year value of the portfolio would have grown by 19.1 percent. As of the end of 2001, Financial Services managed over 1.7 million MasterCard® accounts, an increase of more than 30 percent from a year earlier.

The quality of CTFS's portfolio remains strong, with an improvement in aging of accounts and write-down rates remaining virtually unchanged at year-end.

Fourth quarter gross operating revenue was up 4.6 percent to \$93.9 million, reflecting continued credit charge receivables growth, partially offset by the loss of contributions from HDCL and third-party processing contracts. Earnings before taxes in the fourth quarter declined 13.8 percent from \$13.2 million to \$11.4 million, due to \$3.8 million in expenses for the launch of Project Accelerate, a program designed to encourage the conversion of Canadian Tire retail cards to Options MasterCards®.

## **LOOKING FORWARD**

Commenting on 2002, Sales said: "Our results in 2001 have set the stage for us to continue making excellent progress across our network of businesses to drive top-line sales and reduce costs in order to accelerate earnings growth. In addition to our existing businesses, the acquisition of Mark's Work Wearhouse in February 2002 will create \$500 million in incremental revenue growth and provide immediate accretion to our earnings."

Sales added: "Mark's is a very strong, growing business that is highly compatible with our corporate growth strategy, which includes the development of new businesses. Mark's also offers opportunities to leverage Canadian Tire's core strengths and assets. It has demonstrated strong financial performance, has in place a targeted growth strategy and is led by a talented management team."

### **EARNINGS FORECAST**

In 2002 the Corporation expects to achieve total earnings per share in the range of \$2.39 to \$2.44. This estimate includes a strong contribution from increased gross operating revenue as well as continuing revenues from the sale of redundant real estate assets and credit charge receivables. The sale of redundant real estate assets and credit charge receivables are associated with the Corporation's major new-format store real estate program and its acceleration of the conversion of Canadian Tire Retail cards to Options Mastercard®. These strategic initiatives are part of the Corporation's ongoing operations and will continue to contribute to earnings at least throughout the outlook period of 2002-2005. Mark's Work Wearhouse is expected to contribute \$0.08 to \$0.10 on a per share basis towards this earnings forecast, prior to the realization of operational synergies. The Corporation is currently completing an analysis on how much of the estimated \$5-7 million in ongoing annualized savings can be captured in 2002 and will communicate the benefit of this expense reduction on the Corporation's earnings forecast once that process is complete.

### **DIVIDENDS**

On December 6, 2001 the Board of Directors declared a dividend of \$0.10 per share on each Common and Class A Non-Voting share. The dividend is payable on March 1, 2002 to holders of record on January 31, 2002.

### **FORWARD-LOOKING STATEMENTS**

This disclosure contains certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events predicted in this disclosure to differ materially from actual results or events. Factors which could cause the results or events to so differ include but are not limited to: the impact of competition; consumer confidence and spending levels; general economic conditions; interest and currency exchange rates; seasonal weather patterns; customer preferences regarding in-store and online product offerings; conditions affecting the acquisition and development of real estate properties; the cost and availability of capital; and the ability of Canadian Tire to attract and retain quality employees, Associate Dealers, PartSource and Mark's Work Wearhouse franchisees and Petroleum agents. Canadian Tire disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

### **CONFERENCE CALL**

Canadian Tire will conduct a conference call to discuss information included in this news release and related matters at 4:30 p.m. EST on Thursday, February 7, 2002. The conference call will be available simultaneously and in its entirety to all interested investors and the news media through a webcast at <http://investor.relations.canadiantire.ca>, and will be available through replay at this website for one week.

**Canadian Tire Corporation, Limited** (TSE: CTR.a, CTR) operates an inter-related network of businesses engaged in retail, financial services and petroleum. *Canadian Tire Retail*, with 450 stores across the country, is the country's most-shopped retailer, offering a unique mix of products and services through three specialty categories in which the organization is the market leader — Automotive, Sports and Leisure, and Home Products. [www.canadiantire.ca](http://www.canadiantire.ca) offers Canadians the opportunity to shop online. *PartSource* is an automotive parts specialty chain with 30 stores designed to meet the needs of major purchasers of automotive parts – professional automotive installers and serious do-it-yourselfers. *Canadian Tire Financial Services* manages related financial products and services for retail and petroleum customers, and also markets other value-added products to our customers. *Canadian Tire Petroleum* is one of the country's largest and most productive independent retailers of gasoline, with 203 outlets. Mark's Work Wearhouse Ltd. is a specialty retail organization that operates 325 stores in Canada. More than 40,000 Canadians work across the Canadian Tire organization from coast-to-coast in our corporate, retail, financial services and petroleum businesses.

- 30 -

**For more information:**

**Media**

Scott Bonikowsky  
Senior Director, Corporate Communication  
(416) 480-8570  
[bonikowsky@cantire.com](mailto:bonikowsky@cantire.com)

**Investors**

Bob Tait,  
Director, Investor Relations  
(416) 480-3207  
[btait@cantire.com](mailto:btait@cantire.com)

**General**

Alan Goddard  
Vice-President, Corporate Affairs  
(416) 480-3660

## Financial Highlights - Fourth Quarter 2001 (52 weeks ended December 29, 2001)

<b>Consolidated Results</b> <i>(Dollars in thousands, except where noted)</i>	<b>Q4-2001</b>	<b>Q4-2000</b>	<b>% Change</b>	<b>YTD 2001</b>	<b>YTD 2000</b>	<b>% Change</b>
Gross Operating Revenue	\$ 1,438,051	\$ 1,379,818	4.2%	\$ 5,374,759	\$ 5,207,574	3.2%
Earnings Before Interest, Taxes, Depreciation and Amortization and Minority Interest	120,116	111,420	7.8%	501,313	462,395	8.4%
Earnings Before Interest, Taxes and Minority Interest	84,744	76,672	10.5%	365,012	335,374	8.8%
Interest (Long-term and short-term)	21,338	24,867	-14.2%	88,036	94,687	-7.0%
Depreciation and Amortization	35,372	34,748	1.8%	136,301	127,021	7.3%
Income Taxes	21,764	19,945	9.1%	99,712	92,665	7.6%
Net Earnings before Minority Interest	41,642	31,860	30.7%	177,264	148,022	19.8%
Minority Interest	611	-	N/A	611	-	N/A
Net Earnings after Minority Interest	41,031	31,860	28.8%	176,653	148,022	19.3%
Earnings Per Share (dollars)	0.53	0.41	29.3%	2.25	1.89	19.0%
Earnings Per Share (dollars, fully diluted)	0.52	0.41	26.8%	2.23	1.89	18.0%
Before-tax Gain on the Sale of Credit Charge Receivables	405	-	N/A	15,437	-	N/A

<b>Year-over-year Sales</b>						
Comparable Store Sales	1.7%	-1.8%	N/A	2.2%	-1.7%	N/A
Retail Sales	5.7%	4.2%	N/A	6.9%	4.2%	N/A
Net Shipments to Associate Dealers	8.9%	3.5%	N/A	4.0%	6.0%	N/A

### Financial Ratios\*

Current Ratio	1.8	1.4
Quick Ratio	1.4	1.0
Return on Equity (rolling 12-mth)	11.5%	10.6%
Return on Capital Employed (rolling 12-mth)	12.4%	12.3%
Long-term Debt to Total Capitalization	41.1%	43.0%
Interest Coverage (rolling 12-mth)	4.1	3.5
Book Value per Share	\$ 20.41	\$ 18.58

### Canadian Tire Key Performance Ratios\*

	<b>2001-2005 Target</b>
Earnings Per Share (EPS) - year-over-year change	18.9% 12-15% CAGR
Return on Invested Capital (ROIC) - rolling 12-month	7.2% 10% After Tax (Minimum)
EBITDA - year-over-year change	8.4% 10-15% CAGR
Gross Operating Revenue - year-over-year change	3.2% 10% CAGR (Minimum)
Comparable Store Sales - year-over-year change	2.2% 3-5% CAGR

### 2002 Forecast

	<b>2002</b>
Earnings Per Share Year-over-year Estimate	\$2.39 - \$2.44

### Stock Price Activity - Common Voting (Ticker: CTR)

<i>(Share prices in dollars, volume in thousands)</i>	<b>Q4-2001</b>	<b>Q4-2000</b>	<b>YTD 2001</b>	<b>YTD 2000</b>
High	\$ 42.00	\$ 46.50	\$ 42.00	\$ 56.00
Low	36.50	37.00	30.45	37.00
Close	41.99	38.25	41.99	38.25
Volume (thousands of shares)	24.6	22.5	89.1	165.3

### Stock Price Activity - Class A Non-Voting (Ticker: CTR.A)

<i>(Share prices in dollars, volume in thousands)</i>				
High	\$ 28.20	\$ 19.30	\$ 28.20	\$ 37.00
Low	21.31	15.05	18.50	15.05
Close	25.70	18.60	25.70	18.60
Volume (thousands of shares)	12,716.8	17,734.3	57,786.3	86,236.2

### \* Definitions and Formulae

Current Ratio: Current Assets ÷ Current Liabilities

Quick Ratio: (Current Assets - Inventory) ÷ Current Liabilities

Return on Equity (rolling 12-mth): Net Earnings ÷ Average Shareholders' Equity

Return on Capital Employed (rolling 12-mth): EBIT ÷ Average Capital Employed

Long-term Debt to Total Capitalization: Long-term Debt ÷ (Long-term debt + Short-term Debt + Future Income Tax Liability + Minority Interest + Shareholders' Equity)

Interest Coverage (rolling 12 mth): EBITDA ÷ Total Interest Expense

Book Value per Share: Shareholders' Equity ÷ Number of Shares Outstanding

Return on Invested Capital (rolling 12 mth): After-tax earnings before interest ÷ Average Invested Capital

Earnings per Share: Net earnings ÷ Weighted average number of shares outstanding

CAGR: Compound Annual Growth Rate

## Consolidated Statements of Earnings and Retained Earnings (Unaudited)

(Dollars in thousands except per share amounts)	13 weeks ended,		52 weeks ended,	
	December 29, 2001	December 30, 2000	December 29, 2001	December 30, 2000
<b>Gross operating revenue</b>	<b>\$ 1,438,051</b>	<b>\$ 1,379,818</b>	<b>\$ 5,374,759</b>	<b>\$ 5,207,574</b>
<b>Operating expenses</b>				
Cost of merchandise sold and all expenses except for the undernoted items	1,313,849	1,265,267	4,854,801	4,729,112
Interest				
Long-term debt	20,483	18,428	81,389	74,851
Short-term debt	855	6,439	6,647	19,836
Depreciation and amortization	35,372	34,748	136,301	127,021
Employee profit sharing plans	4,086	3,131	18,645	16,067
<b>Total operating expenses</b>	<b>1,374,645</b>	<b>1,328,013</b>	<b>5,097,783</b>	<b>4,966,887</b>
<b>Earnings before income taxes</b>	<b>63,406</b>	<b>51,805</b>	<b>276,976</b>	<b>240,687</b>
<b>Income taxes</b>				
Current	27,145	32,471	102,445	97,370
Future	(5,381)	(12,526)	(2,733)	(4,705)
<b>Total income taxes</b>	<b>21,764</b>	<b>19,945</b>	<b>99,712</b>	<b>92,665</b>
<b>Net earnings before minority interest</b>	<b>41,642</b>	<b>31,860</b>	<b>177,264</b>	<b>148,022</b>
<b>Minority Interest (Note 3)</b>	<b>611</b>	<b>-</b>	<b>611</b>	<b>-</b>
<b>Net earnings</b>	<b>\$ 41,031</b>	<b>\$ 31,860</b>	<b>\$ 176,653</b>	<b>\$ 148,022</b>
<b>Net earnings per share (Note 2)</b>	<b>\$ 0.53</b>	<b>\$ 0.41</b>	<b>\$ 2.25</b>	<b>\$ 1.89</b>
<b>Diluted earnings per share (Note 2)</b>	<b>\$ 0.52</b>	<b>\$ 0.41</b>	<b>\$ 2.23</b>	<b>\$ 1.89</b>
<b>Weighted average number of Common and Class A Non-Voting Shares outstanding</b>			<b>78,652,610</b>	<b>78,349,097</b>
<b>Retained earnings, beginning of period</b>			<b>\$ 860,129</b>	<b>\$ 763,651</b>
<b>Net earnings</b>			<b>176,653</b>	<b>148,022</b>
<b>Dividends</b>			<b>(31,482)</b>	<b>(31,328)</b>
<b>Repurchase of Class A Non-Voting Shares</b>			<b>(32,250)</b>	<b>(20,216)</b>
<b>Retained earnings, end of period</b>			<b>\$ 973,050</b>	<b>\$ 860,129</b>



## Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)	13 weeks ended,		52 weeks ended,	
	December 29, 2001	December 30, 2000	December 29, 2001	December 30, 2000
<b>Cash generated from (used for):</b>				
<b>Operating activities</b>				
Net earnings	\$ 41,031	\$ 31,860	\$ 176,653	\$ 148,022
Items not affecting cash				
Depreciation and amortization of property and equipment	32,360	31,290	125,592	119,726
Net provision for credit charge receivables	21,628	20,205	82,469	73,665
Amortization of other assets	3,012	3,458	10,709	7,295
Future income tax	(5,381)	(6,001)	(2,733)	1,820
Post retirement benefits	306	230	1,701	1,432
Gain on sale of credit charge receivables (Note 4)	(405)	-	(15,437)	-
Gain on sale of subsidiary (Note 5)	-	-	(8,128)	-
(Gain) loss on disposals of property and equipment	(1,183)	(3,127)	(9,184)	354
<b>Cash generated from operations</b>	<b>91,368</b>	<b>77,915</b>	<b>361,642</b>	<b>352,314</b>
<b>Changes in other working capital components</b>	<b>188,664</b>	<b>451,681</b>	<b>(174,699)</b>	<b>150,024</b>
<b>Cash generated from operating activities</b>	<b>280,032</b>	<b>529,596</b>	<b>186,943</b>	<b>502,338</b>
<b>Investing activities</b>				
Proceeds on sale of subsidiary (Note 5)	-	-	135,590	-
Disposals of property and equipment	45,565	22,754	93,659	29,085
Additions to property and equipment	(93,677)	(110,168)	(358,229)	(382,172)
Credit charge receivables (Note 4)	(236,997)	(156,028)	(317,597)	(253,043)
Long-term receivables and other assets	(9,159)	(5,821)	(22,256)	(24,800)
<b>Cash used for investing activities</b>	<b>(294,268)</b>	<b>(249,263)</b>	<b>(468,833)</b>	<b>(630,930)</b>
<b>Financing activities</b>				
Proceeds on sale of limited partnership interest	300,000	-	300,000	-
Issuance of long-term debt	-	65,000	225,000	65,000
Securitization of credit charge receivables	(1,851)	41,957	53,116	115,217
Sale of dealer receivables	188,594	-	188,594	-
Commercial paper	-	(360,153)	-	(234,025)
Dividends	(7,856)	(7,835)	(31,482)	(31,328)
Class A Non-Voting Share transactions	936	4,772	(5,263)	5,999
Repayment of long-term debt	(81)	(75)	(315)	(200,292)
<b>Cash generated from (used for) financing activities</b>	<b>479,742</b>	<b>(256,334)</b>	<b>729,650</b>	<b>(279,429)</b>
<b>Cash generated (used) in the period</b>	<b>465,506</b>	<b>23,999</b>	<b>447,760</b>	<b>(408,021)</b>
<b>Cash position, beginning of period</b>	<b>113,253</b>	<b>107,000</b>	<b>130,999</b>	<b>539,020</b>
<b>Cash position, end of period</b>	<b>\$ 578,759</b>	<b>\$ 130,999</b>	<b>\$ 578,759</b>	<b>\$ 130,999</b>

## Consolidated Balance Sheets (Unaudited)

(Dollars in thousands)

As at December 29, 2001    December 30, 2000

### ASSETS

#### Current Assets

Cash and short-term investments	\$	578,759	\$	130,999
Accounts receivable (Note 6)		433,825		515,130
Credit charge receivables (Note 4)		525,317		453,412
Merchandise inventories		440,935		412,381
Prepaid expenses and deposits		14,297		15,777
<b>Total current assets</b>		<b>1,993,133</b>		<b>1,527,699</b>
<b>Long-term receivables and other assets</b>		<b>134,414</b>		<b>122,867</b>
<b>Property and equipment</b>		<b>2,243,609</b>		<b>2,097,095</b>
<b>Total assets</b>	<b>\$</b>	<b>4,371,156</b>	<b>\$</b>	<b>3,747,661</b>

### LIABILITIES

#### Current liabilities

Accounts payable and other	\$	1,009,598	\$	1,038,471
Income taxes payable		70,425		85,965
Current portion of long-term debt		30,027		315
<b>Total current liabilities</b>		<b>1,110,050</b>		<b>1,124,751</b>
<b>Long-term debt</b>		<b>1,310,000</b>		<b>1,115,027</b>
<b>Long-term liability for post retirement benefits</b>		<b>28,280</b>		<b>26,579</b>
<b>Future income tax liability</b>		<b>19,132</b>		<b>21,865</b>
<b>Total liabilities</b>		<b>2,467,462</b>		<b>2,288,222</b>
<b>Minority Interest (Note 3)</b>		<b>300,000</b>		<b>-</b>

### SHAREHOLDERS' EQUITY

Share capital (Note 8)		622,104		595,116
Accumulated foreign currency translation adjustment		8,540		4,194
Retained earnings		973,050		860,129
<b>Total shareholders' equity</b>		<b>1,603,694</b>		<b>1,459,439</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$</b>	<b>4,371,156</b>	<b>\$</b>	<b>3,747,661</b>

## Notes to the Consolidated Financial Statements (Unaudited)

1. The unaudited interim consolidated financial statements (the "financial statements") have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and include the accounts of Canadian Tire Corporation, Limited and its subsidiaries. These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements, and accordingly, the financial statements should be read in conjunction with the most recently prepared annual financial statements for the 52 week period ended December 30, 2000.

2. These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the 52 week period ended December 30, 2000 except as follows:

Effective December 31, 2000, the Corporation elected early adoption, on a retroactive basis, of the new recommendations issued by The Canadian Institute of Chartered Accountants relating to the calculation of earnings per share. Earnings per share is calculated using the weighted average number of shares outstanding during the period. Under the new standard, the diluted earnings per share calculation increases the number of shares used in the calculation, determined using the treasury stock method.

Merchandise inventories are valued at the lower of cost and estimated net realizable value. Effective May 27, 2001, the Corporation changed its method of determining cost for merchandise inventories from the first-in, first-out basis to the average cost method. Had this change been applied retroactively, there would have been no material changes to the consolidated statements of earnings or consolidated balance sheets in the current or preceding periods.

Effective July 1, 2001, the Corporation adopted the Canadian Institute of Chartered Accountants' Accounting Guideline ("AcG") 12, "Transfers of Receivables". Under the new policy, the Corporation is required to recognize gains on its credit card securitizations subsequent to June 30, 2001 which qualify as sales. Sales of credit charge receivables prior to July 1, 2001 were accounted for under the accounting guidelines in effect at that time. The gain or loss on sale of the credit charge receivables depends in part on the previous carrying amount of the receivables involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer. The Corporation estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions.

3. As announced in November 2001, the Corporation formed a limited partnership for the purpose of raising \$300 million of capital in relation to a portfolio of its retail properties. The Corporation is the general partner in this partnership. A third party investor group invested \$300 million in the partnership for a limited partnership interest with preferential rights to distribution of income and capital. The preferred interest is entitled to a cumulative, quarterly preferred distribution on its capital account (approximately 3.6% or \$611,000 after tax as of December 29, 2001) and the partnership intends to follow a full distribution policy. The partnership invested in the retail properties by way of a note and equity in an entity that holds the properties. The partnership has an indefinite life, but could be liquidated in certain circumstances including shortfalls in cash flows generated by the retail properties. The assets and liabilities, results of operations and cash flows of the partnership are included in the financial statements of the Corporation. The preferred interest is treated as Minority Interest on the Consolidated Balance Sheet and in the Consolidated Statement of Earnings. The Corporation has not recognized a gain or loss on the formation of the partnership.
4. During the year ended December 29, 2001, the Corporation sold undivided co-ownership interests in credit charge receivables to an independent trust (the "Trust"). As the Trust is not controlled by the Corporation, it has not been consolidated in these financial statements. In those securitizations, the Corporation retained full servicing responsibilities for which it received no compensation. Any income generated on the sold co-ownership interest in excess of the Trust's stipulated share of service charges is retained by the Corporation. The Trust's recourse to the Corporation is limited and is based on income. Since July 1, 2001, when the Corporation adopted AcG-12, the Corporation has recognized pre-tax gains of \$15.4 million on the securitization of credit charge receivables. Average key economic assumptions for the third and fourth quarter used in measuring the gains on sale and retained interests at the date of securitization included a liquidation rate of 21.75%, an expected yield of 18.8%, net of expected credit losses of 4.87%, an assumed servicing liability of 2.0%, and a discount rate of 12.0%. Quantitative information about securitized receivables managed by the Corporation is as follows:

(\$ in millions)	Total principal amount of receivables as at		Average balances for the 52 weeks ended		Net credit losses <sup>2</sup> for the 52 weeks ended	
	<b>December 29, 2001</b>	December 30, 2000	<b>December 29, 2001</b>	December 30, 2000	<b>December 29, 2001</b>	December 30, 2000
Total managed portfolio	<b>\$ 1,426.0</b>	\$ 1,309.3	<b>\$ 1,211.1</b>	\$ 1,144.6		
Receivables sold <sup>1</sup>	<b>(900.7)</b>	(855.9)	<b>(837.7)</b>	(776.7)		
Receivables held	<b>\$ 525.3</b>	\$ 453.4	<b>\$ 373.4</b>	\$ 367.9	<b>\$ 70.0</b>	\$ 63.3

<sup>1</sup> Includes receivables sold pre and post adoption of AcG12 "Transfers of Receivables" on July 1, 2001.

<sup>2</sup> Net credit losses are charge-offs net of recoveries and are based on the total managed portfolio.

## Notes to the Consolidated Financial Statements (Unaudited) (continued)

5. On March 1, 2001, the Corporation sold a non-securitized third-party portfolio of receivables and its investment in one of its subsidiaries, Hamilton Discount Corporation Limited (HDCL). The Corporation received \$135 million in cash proceeds, of which \$75 million was used to extinguish HDCL's debt to the Corporation. The transaction resulted in a total positive earnings impact of \$8 million pre-tax. HDCL operated as part of Financial Services and earned its revenues from the management of third-party credit card portfolios and transaction processing.
6. During December 2001, the Corporation sold certain associate dealer receivables to independent investors. In the sale, the Corporation retained full servicing responsibilities for which it received no compensation. The Corporation has recognized a loss of \$1.2 million on the sale of the associate dealer receivables, which assumes no expected credit losses and a servicing liability of 1.0%. Quantitative information about accounts receivable managed by the Corporation is as follows:

(\$ in millions)	Total principal amount of receivables as at	
	December 29, 2001	December 30, 2000
Accounts receivable	\$ 278.4	\$ 161.8
Associate dealer receivables	344.0	353.3
Associate dealer receivables sold	(188.6)	-
Receivables held	<u>\$ 433.8</u>	<u>\$ 515.1</u>

7. A reconciliation of the number of shares used in the earnings per share calculation is as follows:

52 week period ending	December 29, 2001	December 30, 2000
Average number of shares per basic earnings per share calculations	78,652,610	78,349,097
Dilutive options	579,167	147,378
Average number of shares per diluted earning per share calculations	79,231,777	78,496,475

8. Share Capital

(Dollars in thousands)	December 29, 2001	December 30, 2000
Authorized		
3,423,366 Common Shares (2000 – 3,423,366)		
100,000,000 Class A Non-Voting Shares		
Issued		
3,423,366 Common Shares (2000 – 3,423,366)	\$ 177	\$ 177
75,155,479 Class A Non-Voting Shares (2000 – 75,129,333)	621,927	594,939
	<u>\$ 622,104</u>	<u>\$ 595,116</u>

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

(Dollars in thousands)	December 29, 2001		December 30, 2000	
	Number	\$	Number	\$
Shares outstanding at the beginning of the period	75,129,333	594,939	74,716,081	568,724
Issued	1,922,688	42,356	1,813,252	37,120
Repurchased	(1,896,542)	(47,618)	(1,400,000)	(31,121)
Excess of repurchase price over average cost	---	32,250	---	20,216
Shares outstanding at the end of the period	75,155,479	621,927	75,129,333	594,939

## Notes to the Consolidated Financial Statements (Unaudited) (continued)

### 9. Segmented Information – Income Statement

(Dollars in thousands)	13 weeks ended		52 weeks ended	
	December 29, 2001	December 30, 2000	December 29, 2001	December 30, 2000
Gross operating revenue <sup>1</sup>				
CTR	\$ 1,154,074	\$ 1,060,219	\$ 4,184,664	\$ 4,024,406
Financial Services	93,925	89,809	352,297	329,642
Petroleum	190,052	229,790	837,798	853,526
Total gross operating revenue	\$ 1,438,051	\$ 1,379,818	\$ 5,374,759	\$ 5,207,574
Earnings before interest, taxes, depreciation and amortization (EBITDA)				
CTR	\$ 99,168	\$ 89,349	\$ 368,881	\$ 365,553
Financial Services	16,890	18,929	116,631	86,522
Petroleum	6,844	6,049	25,995	20,061
Eliminations	(2,786)	(2,907)	(10,194)	(9,741)
Total EBITDA	\$ 120,116	\$ 111,420	\$ 501,313	\$ 462,395
Earnings before taxes				
CTR	\$ 47,314	\$ 34,599	\$ 171,694	\$ 171,680
Financial Services	11,396	13,215	87,464	56,639
Petroleum	4,696	3,991	17,818	12,368
Total earnings before taxes	\$ 63,406	\$ 51,805	\$ 276,976	\$ 240,687
Income taxes	21,764	19,945	99,712	92,665
Minority Interest	611	-	611	-
<b>Net earnings</b>	<b>\$ 41,031</b>	<b>\$ 31,860</b>	<b>\$ 176,653</b>	<b>\$ 148,022</b>

<sup>1</sup> Gross operating revenue includes dividend and interest income.

### Segmented Information – Total Assets

(Dollars in thousands)					
As at	CTR	Financial Services	Petroleum	Elimination	Total
December 29, 2001	\$ 4,143,042	\$ 741,486	\$ 341,587	\$ (854,959)	<b>\$ 4,371,156</b>
December 30, 2000	\$ 3,700,654	\$ 557,213	\$ 538,543	\$ (1,048,749)	<b>\$ 3,747,661</b>

10. The Corporation paid during the fourth quarter of 2001 income taxes amounting to \$47.9 million (2000 - \$12.6 million) and interest payments of \$33 million (2000 - \$36 million). The Corporation paid during fiscal 2001 income taxes amounting to \$117.8 million (2000 - \$98 million) and interest payments of \$89 million (2000 - \$107 million).
11. On December 19, 2001 the Corporation announced an all cash offer to acquire all of the outstanding common shares of Mark's Work Wearhouse Ltd. (Mark's). The offer was made pursuant to a Support Agreement signed between the Corporation and Mark's. The offer was conditional on 66 2/3rds of the outstanding common shares on a fully-diluted basis being deposited in acceptance of the offer. On December 27, 2001, the Corporation mailed to shareholders of Mark's its offer to acquire all of the outstanding common shares of Mark's on the basis of \$4.10 cash per common share. The offer was open for acceptance until February 1, 2002 and on February 4, 2002, the Corporation announced the successful completion of the offer. The Corporation has taken up all Mark's shares deposited to the offer (26,050,615 common shares or 98.3% of the outstanding shares) at \$4.10 per share for a cost of \$106.8 million. The Corporation plans to exercise its compulsory acquisition rights and take up all Mark's shares that have not been deposited to the offer which will bring the total cost to \$108.7 million.

## **Notes to the Consolidated Financial Statements (Unaudited) (continued)**

12. The Corporation and certain of its subsidiaries are party to a number of legal proceedings. The Corporation believes that each such proceeding constitutes routine litigation incident to the business conducted by the Corporation and that the ultimate disposition of the matters will not have a material adverse effect on its consolidated earnings, cash flow or financial position.
13. Certain of the prior period's figures have been reclassified to conform to the current presentation.

## **Interest Coverage Exhibit to the Consolidated Financial Statements**

---

The Corporation's long-term interest requirements for the 52 weeks ended December 29, 2001, after annualizing interest on long-term debt issued during this period, amounted to \$88.6 million. The Corporation's earnings before interest on long-term debt, income taxes and minority interest for the 52 weeks then ended were \$356.7 million, which is 4.0 times the Corporation's long-term interest requirements for this period.