



CANADIAN TIRE CORPORATION, LIMITED

**ANNUAL
INFORMATION
FORM**

May 11, 2004

ANNUAL INFORMATION FORM
CANADIAN TIRE CORPORATION, LIMITED
TABLE OF CONTENTS

1.	CORPORATE STRUCTURE	1
1.1	NAME AND INCORPORATION.....	1
1.2	INTERCORPORATE RELATIONSHIPS	1
2.	GENERAL DEVELOPMENT OF THE BUSINESS.....	1
2.1	SUMMARY OF THE BUSINESS	1
2.2	THREE YEAR HISTORY	2
2.2.1	<i>Strategic Plan</i>	2
2.2.2	<i>Store Improvement Program</i>	2
2.2.3	<i>PartSource</i>	3
2.2.4	<i>Automotive Infrastructure</i>	3
2.2.5	<i>Other CTR Initiatives</i>	3
2.2.6	<i>Mark's Work Wearhouse Ltd.</i>	3
2.2.7	<i>Distribution</i>	4
2.2.8	<i>MasterCard</i>	4
2.2.9	<i>Bank Licence</i>	4
2.2.10	<i>Financing</i>	5
2.3	SIGNIFICANT ACQUISITIONS AND DISPOSITIONS	6
2.4	TRENDS.....	6
2.4.1	<i>Store Improvement</i>	6
2.4.2	<i>Improving Technology</i>	6
2.4.3	<i>Credit Card Receivables Growth</i>	7
2.4.4	<i>Petroleum</i>	7
2.4.5	<i>PartSource</i>	7
2.4.6	<i>Mark's Superbranding Strategy</i>	7
3.	NARRATIVE DESCRIPTION OF THE BUSINESS.....	8
3.1	CANADIAN TIRE RETAIL	8
3.1.1	<i>Marketing</i>	8
3.1.2	<i>Supply Chain</i>	9
3.1.3	<i>Dealer Operations</i>	10
3.1.4	<i>Real Estate and Construction</i>	11
3.1.5	<i>PartSource</i>	11
3.2	CANADIAN TIRE STORES AND ASSOCIATE DEALERS.....	12
3.3	CANADIAN TIRE FINANCIAL SERVICES LIMITED AND CANADIAN TIRE BANK	13
3.4	PETROLEUM	14
3.5	MARK'S WORK WEARHOUSE LTD.	14
3.6	INFORMATION TECHNOLOGY	15
3.7	EMPLOYEES.....	15
3.8	FIXED ASSETS AND CAPITAL EXPENDITURES	16
3.9	BUSINESS DEVELOPMENT INITIATIVES	16
3.10	COMPETITIVE CONDITIONS.....	16
3.10.1	<i>Canadian Tire Retail</i>	16
3.10.2	<i>Petroleum</i>	17
3.10.3	<i>Canadian Tire Financial Services Limited and Canadian Tire Bank</i>	17
3.10.4	<i>Mark's Work Wearhouse Ltd.</i>	18
3.11	CUSTOMERS AND SUPPLIERS	18
3.12	SEASONALITY OF CANADIAN TIRE RETAIL	18
3.13	ENVIRONMENTAL MATTERS	18
3.14	INTANGIBLE ASSETS	18
3.15	CONTRACT RE-NEGOTIATIONS AND TERMINATIONS	19
3.16	FOREIGN OPERATIONS.....	19
3.16.1	<i>Canadian Tire Retail</i>	19

3.16.2	<i>Canadian Tire Financial Services Limited and Canadian Tire Bank</i>	20
3.16.3	<i>Mark's Work Wearhouse Ltd</i>	20
4.	SELECTED CONSOLIDATED FINANCIAL INFORMATION	20
4.1	ANNUAL INFORMATION	20
4.2	FACTORS AFFECTING COMPARABILITY	21
4.2.1	<i>Year Ended January 3, 2004 Compared to Year Ended December 28, 2002</i>	21
4.2.2	<i>Year Ended December 28, 2002 Compared to Year Ended December 29, 2001</i>	21
4.2.3	<i>Year Ended December 29, 2001 Compared to Year Ended December 30, 2000</i>	22
4.3	DIVIDENDS	22
5.	MANAGEMENT'S DISCUSSION AND ANALYSIS	22
6.	MARKET FOR SECURITIES	22
7.	DIRECTORS AND OFFICERS	23
8.	ADDITIONAL INFORMATION	27

Copies of the Annual Information Form, as well as copies of the Company's 2003 Annual Report and Management Information Circular may be obtained from:

<http://investor.relations.canadiantire.ca>

or

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2180 Yonge Street
P.O. Box 770, Station K
Toronto, Ontario
M4P 2V8

Attention: Vice-President, Secretary and General Counsel

ANNUAL INFORMATION FORM

CANADIAN TIRE CORPORATION, LIMITED

Unless otherwise indicated herein, the information set out in this annual information form is current to May 11, 2004.

1. Corporate Structure

1.1 Name and Incorporation

Canadian Tire Corporation, Limited (the “Company” or “Canadian Tire”, which terms refer to Canadian Tire Corporation, Limited, its predecessor corporations and all of its Canadian subsidiaries unless the context otherwise requires) was incorporated under the laws of the Province of Ontario by letters patent dated December 1, 1927 and is governed by the Business Corporations Act (Ontario). The Company was amalgamated with four of its wholly-owned subsidiaries pursuant to Articles of Amalgamation which became effective January 1, 1980. The Company’s articles were amended effective December 15, 1983 to reorganize the capital of the Company, among other things. The registered and principal office of the Company is located at 2180 Yonge Street, P.O. Box 770, Station K, Toronto, Ontario, M4P 2V8.

1.2 Intercorporate Relationships

All of the subsidiaries of Canadian Tire are beneficially wholly-owned, either directly or indirectly, except that a limited partnership (of which Canadian Tire is the general partner) owns all of the preference shares with limited voting rights of Canadian Tire Real Estate Limited (“CTREL”). The only subsidiaries of the Company whose total assets constituted more than 10 percent of the consolidated assets of the Company as at January 3, 2004, or whose total sales and operating revenues constituted more than 10 percent of the consolidated sales and operating revenues of the Company during 2003 are Canadian Tire Financial Services Limited (“Financial Services”), which was continued under the laws of Canada, CTREL, which was incorporated under the laws of Ontario, Canadian Tire Bank, which was incorporated under the laws of Canada, CTC Capital Corp., which was incorporated under the laws of Delaware, and CTC Holdings Inc., which was incorporated under the laws of Vermont. The business of each subsidiary and other entity under Canadian Tire’s direction or control functions so as to contribute to the merchandising, financial and petroleum businesses carried on by the Company.

2. General Development of the Business

2.1 Summary of the Business

Reference is made to Management’s Discussion and Analysis (the “MD&A”) on page 29 in the Company’s 2003 Annual Report for an overview of the business.

2.2 Three Year History

During the past three financial years Canadian Tire has expanded its core businesses, Canadian Tire Retail ("CTR"), Canadian Tire Petroleum ("Petroleum") and Financial Services and other retailing initiatives including PartSource stores. In early 2002 Canadian Tire acquired Mark's Work Wearhouse Ltd. ("Mark's"), which operates as a separate business unit of the Company. During 2003, Financial Services' application for a bank charter was approved by the Office of the Superintendent of Financial Institutions and as a result, Canadian Tire Bank began operations on July 1, 2003. Canadian Tire Bank operates as a wholly-owned subsidiary of Financial Services and owns and operates the retail and *Options* MasterCard credit card businesses.

Set out below are highlights of developments in the businesses of the Company over the past three years.

2.2.1 *Strategic Plan*

Reference is made to the MD&A on pages 29 and 30 of the Company's 2003 Annual Report for a discussion of the Company's strategic plan.

2.2.2 *Store Improvement Program*

The purpose of the Company's store improvement program, which began in 1994, is to renew the Canadian Tire store network, in most cases by creating new-format stores. To date the Company has built 317 new-format Canadian Tire stores. As most of these new-format stores replaced or expanded existing traditional stores, the Canadian Tire store network has increased by only 30 stores to 455 stores in total since the commencement of the store improvement program.

In the years 2001, 2002 and 2003, the Company continued its program to replace or expand its network of Canadian Tire stores by building 37, 20 and 19 stores respectively.

In 2000, the Company began to roll out its 'Next Generation' concept that implemented accumulated learning about store productivity and customer values to provide an enhanced customer experience. The concept includes more closely related groupings of products and departments, expanded assortments in key categories such as kitchen and hardware and more open sight lines and easier navigation throughout the stores. The Next Generation concept was implemented in all stores built in 2001, 2002 and all stores built in 2003 except for four 'Concept 20/20' format stores, and retrofitted in some of the new-format Canadian Tire stores opened prior to 2000.

In 2003, the Company continued development of its Concept 20/20 merchandising format. This format introduces an updated layout and new and expanded merchandise assortments, a customer care centre, new store signage and a revitalized exterior façade, and is designed to boost store sales by up to 20 percent in the first year following a retrofit to the Concept 20/20 format. In 2003, the first four Concept 20/20 stores opened on a test basis in four distinct markets across Canada: Markham, Kitchener and Pembroke, Ontario and Prince George, British Columbia. While it is still early in the operation

of these test stores, sales within the first 12 weeks were on average more than 30 percent higher than the sales CTR expects at a typical new-format store. In 2004, Concept 20/20 format stores will supersede Next Generation format stores in the Company's store replacement and expansion program.

2.2.3 PartSource

During 1996, the Company proposed several initiatives in the automotive category, including the concept of a stand-alone store for brand-name auto parts targeted at medium to heavy do-it-yourselfers, automotive enthusiasts and commercial installers. The Company has opened 40 PartSource stores to date in Ontario and Western Canada. PartSource continues to improve its operations, and comparable store sales growth was within or above the target range in each of the last 12 consecutive quarters. In 2003, sales and earnings surpassed expectations.

2.2.4 Automotive Infrastructure

In 2003, CTR opened a new prime auto parts distribution centre in Vaughan, Ontario to complement the new centres commissioned in Calgary, Alberta and Montreal, Quebec in 2002. Also, in 2002, CTR signed a five-year agreement with NAPA Canada to share NAPA's technology and to supply Canadian Tire stores with low-velocity parts more efficiently. The parts covered by the agreement with NAPA Canada comprise about 15 percent of the Company's automotive hardparts business.

2.2.5 Other CTR Initiatives

In 2003, the Company introduced or continued from previous years certain other initiatives including 'exciting, new and exclusive products' ("ENE") (formerly known as "innovation dominance"), 'auto service' and 'customer values'. The ENE initiative is designed to improve the initial sales impact of innovative products when they are introduced. During 2003, over 50 new and innovative products were launched through the ENE speed-to-market program. The goal of the auto service initiative is to capture 10 percent of the automotive service market, equivalent to CTR's share of automotive after-market service bays in Canada. The customer values initiative is intended to improve in-stock positions on all products with particular emphasis on promotional merchandise, and includes an eLearning program that has improved store staff product knowledge and confidence to better serve customers.

2.2.6 Mark's Work Wearhouse Ltd.

Mark's is a chain of 323 stores across Canada that offer casual clothing and footwear for work and leisure. In February 2002, the Company acquired all of the shares of Mark's for \$110.8 million including transaction costs. Mark's operates as a separate business unit of the Company. Mark's business focus, financial performance, growth strategy and management team made it a very attractive acquisition for Canadian Tire and it was immediately accretive to the Company's earnings. Mark's is currently completing the implementation of its 'superbranding' strategy which includes many initiatives to elevate customer awareness, brand loyalty and market share.

Further information concerning Mark's superbranding strategy is set out under the heading "Mark's Superbranding Strategy" on page 7.

2.2.7 *Distribution*

The Company continued to invest in the development of 'CustomerLink', its multi-year supply chain upgrade program aimed at increasing supply chain capacity, improving productivity and allowing CTR to improve service levels for merchandise shipments to Canadian Tire stores. In January 2002, the Company opened a 500,000 square foot distribution centre in southeast Calgary, Alberta. This facility, which is operated by Genco Distribution System of Canada, Inc., has the capacity to ship more than 12 million cubic feet of product annually to over 140 Canadian Tire stores in Western Canada. The CustomerLink initiative is on schedule and on budget, including a planned allowance for project contingencies. As of January 3, 2004, CTR had invested \$235 million in CustomerLink and expects to spend another \$42 million to complete the project.

The CustomerLink improvements are currently operational in CTR's Calgary Distribution Centre in Calgary, Alberta and the A.J. Billes Distribution Centre in Brampton, Ontario. The improvements are scheduled to become operational in the Brampton Distribution Centre in 2005. With CustomerLink fully implemented, management expects that supply chain costs as a percentage of retail sales will be more than 100 basis points lower than would have been the case had CustomerLink not been implemented.

2.2.8 *MasterCard*

Since 2000, Financial Services has undergone significant restructuring to position itself for growth within the Canadian credit card market. During 2003, Financial Services substantially completed Project Accelerate, the program in which qualifying Canadian Tire retail card accounts were converted to *Options* MasterCard accounts. As well, the division increased its customer base by focusing on the generation of new accounts through Canadian Tire's low-cost in-store acquisition program. As of January 3, 2004, Financial Services, through its wholly-owned subsidiary Canadian Tire Bank, managed over 3.3 million MasterCard accounts, an increase of 32 percent from a year earlier.

2.2.9 *Bank Licence*

During 2003, Financial Services' application for a bank charter was approved by the Office of the Superintendent of Financial Institutions and as a result, Canadian Tire Bank began operations on July 1, 2003. Canadian Tire Bank operates as a wholly-owned subsidiary of Financial Services and owns and operates the retail and *Options* MasterCard credit card businesses. Operating the credit card businesses in Canadian Tire Bank enables the Company to offer credit card services consistently across the country. Credit card marketing programs are now streamlined under a common regulatory framework across Canada. This is expected to reduce marketing costs and complexity while increasing Financial Services' overall competitiveness.

2.2.10 *Financing*

The Company's public medium term note program was continued for a two-year period under a shelf prospectus filed with the securities regulatory authorities in each province and territory of Canada during December, 2002. The Company had outstanding \$1,110 million of medium term notes and debentures as at January 3, 2004.

Early in 2004, the Company issued \$200 million of 30-year medium term notes under the shelf prospectus. Management expects to apply the proceeds of this transaction to the repayment of medium term notes that are maturing in 2004 and subsequent years. This financing increases the average term of the Company's debt to more closely match the long-term life of its real estate assets. The Company obtained this 30-year financing at a rate of 6.32 percent.

In previous years Financial Services, and during 2003 Canadian Tire Bank, sold undivided co-ownership interests in a pool of credit charge receivables to Glacier Credit Card Trust (formerly Canadian Tire Receivables Trust) (the "Trust"). Canadian Tire Receivables Trust changed its name to Glacier Credit Card Trust on June 30, 2003 to comply with federal regulatory requirements, following approval from the Office of the Superintendent of Financial Institutions for the formation of Canadian Tire Bank. The Trust's recourse to Canadian Tire Bank and Financial Services in connection with the receivables is generally limited to the income earned on the receivables and any contractual recourse it may have against those entities in connection with their obligations as "seller" and "servicer" or "sub-servicer" of accounts in the pool. As at January 3, 2004, the Trust's undivided co-ownership interest in the pool of credit charge receivables was \$1,871 million. The Trust had outstanding \$1,766 million of Senior and Subordinated Asset-Backed Promissory Notes and \$99 million of Asset-Backed Commercial Paper at year-end. The Trust is not owned or controlled by the Company, and as a result the financial statements of the Trust are not consolidated with those of the Company.

In November 2001, the Company formed a limited partnership for the purpose of raising \$300 million of capital in relation to a portfolio of CTREL's retail properties. The Company 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 the distribution of income and capital. The partnership has an indefinite life, but could be liquidated in certain circumstances including if there are shortfalls in cash flows generated by the retail properties. Further information on the limited partnership is set out in Note 16 in the Notes to the Consolidated Financial Statements on page 75 of the Company's 2003 Annual Report.

The Company intends to continue to fund its growth through a combination of internal cash generation and accessing the public and private markets, as appropriate. In addition, Canadian Tire Bank intends to sell additional credit charge receivables to the Trust or other entities which will continue to finance the acquisition of such receivables by issuing securities to investors.

2.3 Significant Acquisitions and Dispositions

During the most recently completed fiscal year, the Company did not make any significant acquisitions for which financial statement disclosure would be required if this Annual Information Form were a short form prospectus.

Similarly, the Company did not make any dispositions during the most recently completed fiscal year for which financial statement disclosure would be required if this Annual Information Form were a short form prospectus.

2.4 Trends

2.4.1 *CTR Store Improvement*

The Company considers the renewal of its store network to be a key priority. Results have demonstrated that the 317 new-format stores already built represent a much stronger competitive advantage for Canadian Tire than its traditional stores. The Company currently expects to open 21 new-format stores in 2004, 11 of which will be in the Concept 20/20 format, and also plans to retrofit 5 to 7 new-format stores to the Concept 20/20 format. Most of CTR's existing new-format stores are expandable to the Concept 20/20 format with modest capital investment. The Company will adjust the pace of store openings in the years ahead to the appropriate level after determining the best use of capital based on the estimated return on that capital.

During 2004, in up to six small market locations in western Canada and Ontario, Mark's and CTR plan to test combination stores with a Mark's store and a Canadian Tire store under one roof.

Further information concerning test combination Mark's and Canadian Tire stores is set out under the heading "Marks Work Wearhouse Ltd." on page 14.

2.4.2 *Improving Technology*

Over the six-year period ending 2004, the Company will have invested approximately \$277 million in its CustomerLink strategy. This investment includes construction of the Company's distribution centre in Calgary, Alberta which opened in January, 2002, as well as re-configuration of the two distribution centres in Brampton, Ontario. Approximately 60 percent of the investment will involve the development, licensing and implementation of multi-channel, supply-chain technology for the distribution centre in Calgary, Alberta, and two existing distribution centres in Brampton, Ontario. The CustomerLink improvements to CTR's Calgary Distribution Centre and A.J. Billes Distribution Centre are currently operational and are scheduled to become operational in the Brampton Distribution Centre in 2005. This investment will enable the Company to increase its shipping capacity, and cause product handling, inventory carrying and transportation costs as a percentage of sales to be at least 100 basis points lower than would have been the case had CustomerLink not been implemented. These benefits are expected to generate, in 2005 and beyond, an appropriate return on the capital invested.

2.4.3 *Credit Card Receivables Growth*

Financial Services grew gross credit charge receivables to \$2.5 billion by January 3, 2004. Financial Services intends to continue to grow its gross credit charge receivables by increasing the penetration and growing the average balance of its *Options* MasterCard business in Canada, and has set a target balance of \$2.8 billion in gross credit charge receivables for the end of 2004.

2.4.4 *Petroleum*

In 2003, Petroleum continued executing its growth plan that includes re-branding and co-branding competitors' gas bar sites, opening new gas bar sites, building/acquiring car washes, retrofitting convenience stores to a new convenience store design and upgrading kiosks. The 2003 results of this growth plan included a 60.6 percent increase in car wash sales, an 18.5 percent increase in convenience store sales and an increase in gasoline sales volume of 115.9 million litres over 2002. During 2004, Petroleum intends to continue this plan by retrofitting or upgrading up to 20 sites, and by re-branding or co-branding approximately 30 additional sites. In addition, Petroleum expects to open 8 to 12 new gas bars and build 10 to 15 new car washes in 2004. These car washes are planned at new gas bar sites and at gas bar sites opened in prior years.

During 2004, Petroleum plans to test its new state-of-the-art gas bar and convenience store format called 'Project Leapfrog' to better serve the needs of its customers. This convenience store format, or 'C-store', is larger than Petroleum's existing convenience stores, and will be integrated with a gas bar and car wash and co-located with other key retail banners.

Further information concerning Petroleum's strategy is set out under the heading "Petroleum" on page 14.

The terms "co-branding" and "re-branding" are defined on pages 80 and 81 respectively of the Company's 2003 Annual Report.

2.4.5 *PartSource*

The growth of the PartSource chain will continue during 2004. The Company plans to open up to eight PartSource stores in 2004.

2.4.6 *Mark's Superbranding Strategy*

In 2003, Mark's continued to implement its 'superbranding' strategy, which includes many initiatives to elevate customer awareness, brand loyalty and market share. Such initiatives include the conversion of Work World stores to Mark's Work Warehouse stores, the closure or conversion of all Docker's stores, and the introduction of Mark's private label brands to these converted sites. In 2003, Mark's completed the conversion of 77 Work World stores to the Mark's Work Warehouse banner, which brought the total number of converted stores to 86. Currently there are 323 stores operating under the Mark's and Work World banners. Mark's plans to open 17 to 22 new stores, renovate 15 to 20 existing stores and convert 14 more stores from Work World to the Mark's banner during 2004.

Changes in the Company's business that are expected to occur during the 2004 financial year are discussed for each business segment in the "Strategy Update and Outlook" sections of the MD&A on pages 32 to 42.

3. Narrative Description of the Business

3.1 Canadian Tire Retail

Canadian Tire Retail, a division of the Company, offers consumers approximately 100,000 stock-keeping units of auto parts and accessories, sports and leisure products and home products through Canadian Tire stores located throughout Canada. CTR supports Canadian Tire Associate Dealers ("Associate Dealers") with marketing, supply chain management, purchasing and administrative, financial and information services. Real estate and construction services required by the Company are primarily provided by CTREL. Associate Dealers are Canadian Tire retailers who own the fixtures, equipment and inventory of the stores they operate. To date there are 455 Canadian Tire stores operated by 443 Associate Dealers.

A description of the various business functions of CTR, which include Marketing, Supply Chain, Dealer Operations, Real Estate and Construction and PartSource is set out below. Further information as to recent and proposed activities of CTR is included in the MD&A on pages 32 to 36 of the Company's 2003 Annual Report.

3.1.1 *Marketing*

The marketing functions of CTR encompass the selection and purchase of products and the planning and co-ordination of the presentation and offering of these products to the consuming public. The marketing division of CTR is engaged in a broad range of activities that includes the purchasing of products from domestic and international suppliers, inventory management, advertising and promotional programs, customer loyalty programs, market research and various ancillary marketing support services.

The products sold by Canadian Tire stores are primarily those of nationally known manufacturers and/or suppliers with which CTR generally has excellent relationships. Over 30 percent of retail sales by Canadian Tire stores are comprised of Canadian Tire-branded products, which include products under brand names licensed by the Company. CTR proposes to launch additional products under such brand names in selected product categories during 2004. CTR's purchasing activities are centralized at its home office in Toronto except for buying offices maintained and operated by subsidiaries of the Company which assist CTR in the acquisition of products in markets outside Canada.

To achieve a high level of consumer acceptance of Canadian Tire products, CTR controls the products sold by the Associate Dealers, their related warranties and after-sale service policies and sets the maximum prices to be paid by consumers for such products. Consumer acceptance is also enhanced by the Associate Dealers' adoption of Canadian Tire concepts in merchandising, store fixturing and other operational procedures. In addition, the involvement of CTR and CTREL in site selection, construction and maintenance and store planning has contributed significantly to the consistency of the presentation of the Canadian Tire image to the consumer.

In order to promote the sale of its products, CTR annually publishes and distributes in excess of ten million copies of a merchandise catalogue printed in both English and French that offers customers a choice of shopping in store, online or by telephone. CTR, in conjunction with the Associate Dealers, builds customer awareness and traffic in Canadian Tire stores through weekly promotional flyers, electronic “flyers” distributed over the internet, radio, television, newspaper, magazine and internet advertising and event sponsorship. Although CTR engages an advertising agency to co-ordinate television advertising, a great deal of the advertising initiatives and material, including the form and content of the catalogue and most of the newspaper and flyer advertising, originates within Canadian Tire.

The Company’s electronic commerce web-site, www.canadiantire.ca, was launched in November 2000. As of March 2004, approximately 10,000 products were available on www.canadiantire.ca.

A unique feature of Canadian Tire’s marketing program is the issuance of its well known Canadian Tire ‘*Money*’, which is given to customers paying by cash, cheque or debit card at Petroleum outlets and Canadian Tire stores. The coupons are issued for a percentage of all cash purchases and may be used as a cash substitute in the purchase of merchandise at Canadian Tire stores. The Canadian Tire ‘*Money*’ on the Card loyalty program provides Canadian Tire ‘*Money*’ on the Card to holders of the *Options* MasterCard and the Canadian Tire retail credit cards based on purchases of goods and services at Canadian Tire stores and Petroleum outlets and, for holders of the Canadian Tire *Options* MasterCard, based on world-wide purchases of goods and services at other places where MasterCard is accepted. Canadian Tire ‘*Money*’ on the Card entitles the holders to redeem the ‘*Money*’ on purchases of merchandise or services at Canadian Tire stores.

3.1.2 *Supply Chain*

CTR’s supply chain (“Supply Chain”) is responsible for managing the flow of goods and information between approximately 1,600 sources of supply and 455 Canadian Tire stores across Canada, and to do this in a manner that achieves the highest level of service at the lowest possible cost. To accomplish these objectives, Supply Chain uses a number of distribution channels, facilities and modes of transportation. Supply Chain involves most aspects of product replenishment and product information flow at Canadian Tire.

Approximately 1,200 full-time employees are engaged in the physical distribution element of CTR’s operations. During 2003, approximately 134 million cubic feet of merchandise were shipped to Canadian Tire stores by CTR.

Most of CTR’s products are distributed to Associate Dealers from the A.J. Billes Distribution Centre, the Brampton Distribution Centre and the Calgary Distribution Centre. CTR also engages a third-party logistics company to provide distribution capability in Montreal and Toronto. In addition, CTR from time to time utilizes additional distribution centre space that it owns or leases. To support growth, CTR opened two auto parts distribution centres during 2002 (in Calgary and Montreal) and an additional auto parts distribution centre in Vaughan, Ontario in 2003. CTR also signed five-year parts and technology agreements with NAPA Canada in 2002 to supply Canadian Tire stores with emergency auto parts that are not normally in-stock items. During 2002 and 2003, CTR closed 16 Express Auto Parts Depots across Canada. CTR continues to operate Express Auto Parts Depots at three locations in

Canada to provide overnight order processing six nights per week to all Canadian Tire and PartSource stores. Depending upon store location, these auto parts orders are delivered between 24 to 96 hours from receipt.

The A.J. Billes Distribution Centre, which became operational in 1991, is located in Brampton, Ontario and occupies an area of 1.2 million square feet. The facility includes a computer controlled pick-to-conveyor sortation system using bar code identification, a computer-driven, facility-wide in-floor towline system with radio frequency identification and tracking of carts, an automated storage and retrieval system and a computerized carousel system that simplifies the picking of products.

The Brampton Distribution Centre, which is located in Brampton, Ontario, employs modern techniques in materials handling and at 1.4 million square feet is one of the largest facilities of its kind in Canada. The centre has interrelated processing areas for efficient flow of pallet loads and bulk product through receiving, picking and shipping functions.

In January 2002, CTR opened the Calgary Distribution Centre, a 500,000 square foot distribution facility in southeast Calgary, Alberta. The site has the capability to ship more than 12 million cubic feet of product annually to over 140 Canadian Tire stores in Western Canada, and receives product directly from manufacturers and distributors from across Canada, the United States and Asia. The distribution facility also enables CTR's supply chain to efficiently handle the increased volume of products that CTR's growth strategies are expected to generate while improving service to customers.

CTR plans to have invested up to \$277 million in the CustomerLink program by the end of 2004 to construct or reconfigure facilities and to develop multi-channel supply-chain technology for its new distribution centre in Calgary, Alberta and its two distribution centres in Brampton, Ontario. Of the planned \$277 million investment, \$235 million was invested prior to January 3, 2004. CustomerLink will increase capacity for growth immediately and, in the future, will cause supply-chain expenses for handling, carrying inventory and transportation to be 100 basis points lower as a percentage of sales than would have been the case had CustomerLink not been implemented.

To facilitate the prompt distribution of its products, Canadian Tire currently owns or leases 2,962 trailers, 443 chassis and 1,257 intermodal containers. CTR uses various modes of transportation including common carriers and railway transit to co-ordinate inbound and outbound deliveries on a timely basis throughout its network.

3.1.3 *Dealer Operations*

The Company's Dealer operations group ("Dealer Operations") provides support to CTR and the Associate Dealers by selecting and training new Associate Dealers and advising Associate Dealers in their efforts to develop and maintain high-quality business practices in areas such as merchandising, staff training, providing consistent customer experience, financial management and securing financing. Dealer Operations is also responsible for monitoring the operating performance of Canadian Tire stores and managing the Associate Dealer mobility and changeover process. In addition, Dealer Operations assists customers and Associate Dealers in resolving disputes through the customer relations

department, located in Welland, Ontario, which responds to both written and telephone requests for assistance.

Further information concerning Associate Dealers is set out under the heading "Canadian Tire Stores and Associate Dealers" on page 12.

3.1.4 *Real Estate and Construction*

Commencing in the late 1950s, as the cost of suitable premises became too great for most new Associate Dealers to finance on their own, the Company became increasingly involved in the ownership and leasing of premises which in turn are rented to Associate Dealers. At year-end, the premises occupied by 440 of the 452 Canadian Tire stores, including all of the newer and larger stores, were rented by Associate Dealers from the Company. The remainder were owned by Associate Dealers or leased by them from other lessors. Of the premises leased by the Company to Associate Dealers, the Company or CTREL owns 340 and leases 100 from third parties.

CTREL is involved in many aspects of the establishment of premises used for Canadian Tire stores, PartSource stores, Petroleum outlets and Mark's stores. These functions include the identification and leasing or acquisition of real estate suitable for new, replacement or expanded stores, the design and development of stores, property management and maintenance of completed stores and various accounting and administrative matters related to the ownership and leasing of the premises. CTREL also acquires most new real property upon which Canadian Tire stores are built.

3.1.5 *PartSource*

PartSource stores typically have approximately 3,600 square feet of retail selling space offering a selection of approximately 15,000 brand name auto parts and accessories with access to 90,000 additional products available on a same-day basis. PartSource stores are franchisee-run and are designed to appeal to serious "do-it-yourselfers", automotive enthusiasts and commercial installers who do not typically frequent a Canadian Tire Store for their automotive needs. Existing PartSource stores are conveniently located, feature competitive pricing and are staffed by expert auto parts professionals and licensed automotive technicians. Convenient shopping hours are offered to meet customer needs. Product assortment at PartSource stores is tailored to regional variations in ages and types of vehicles. PartSource stores also feature many value-added services such as loan-a-tool programs, brake drum and rotor turning and "look-up" systems to locate make/model-specific repair instructions.

The Company opened six new PartSource stores in 2003, bringing to 39 the number of these stand-alone specialty stores in operation at year end. During 2003, PartSource added incremental business, in particular with commercial customers, through PartSource's comprehensive product range of national brands, emergency parts sourcing and delivery, and specialized, knowledgeable service in PartSource stores. The PartSource concept has achieved strong market acceptance, as evidenced by superior comparable store sales growth in the flat to negative auto parts aftermarket of recent years.

3.2 Canadian Tire Stores and Associate Dealers

Fundamental to the success of the Company are Canadian Tire stores, which are well-known retail outlets and automotive service centres. Canadian Tire stores are easily identified by the Canadian Tire name and trade-mark and have established a strong reputation and high recognition throughout the communities served. Substantially all Canadian Tire stores contain service bays for automobiles which provide a significant revenue source for Associate Dealers as well as an outlet for auto parts. The Company has attempted to create a distinctive image for Canadian Tire stores, that of retailers offering a balanced and interesting assortment of many staple and seasonal automotive, sports and leisure and home products.

The contractual arrangement between the Company and individual Associate Dealers permits Associate Dealers to own and operate the retail business of the Canadian Tire stores under the Canadian Tire name. In order to provide controls on the quality, range and price of products and services offered at Canadian Tire stores, each Associate Dealer agrees to purchase merchandise primarily from the Company and to offer merchandise for sale at prices not exceeding those set by the Company. Each Associate Dealer agrees to exert his or her best efforts personally to ensure the operation of the Canadian Tire store at its maximum capacity and efficiency and that he or she will comply with the policies, marketing plans and operating standards prescribed by CTR. These obligations are specified under Associate Dealer contracts, which expire at various times for individual Associate Dealers.

Information concerning the agreement in principle reached by CTR and the Associate Dealers in connection with a new commercial contract between the parties is set out under the heading “Contract Re-negotiations and Terminations” on page 19.

The policy of the Company is to offer new Associate Dealers smaller stores and, based upon successful operation of their Canadian Tire stores, to offer them larger locations from time to time pursuant to the Associate Dealer mobility system. This policy provides an advancement opportunity for Associate Dealers and therefore tends to encourage them to strive for superior performance. The Canadian Tire store concept combines the flexibility of an independent business with the advantages of a central marketing and purchasing organization.

The combined experience of Associate Dealers provides individual Associate Dealers, directly or through the Company, with a valuable source of assistance and guidance in all phases of store operations. Also, by combining their efforts, a number of Associate Dealers with the same objectives or problems are often able to conduct programs, study problems and undertake expenditures not practicable on an individual basis.

The number of Canadian Tire stores by Province and Territory is indicated below.

<u>Province or Territory</u>	<u>Number of Canadian Tire Stores</u>
British Columbia	50
Alberta	39
Saskatchewan	12
Manitoba	15
Ontario	194
Quebec	92
New Brunswick	17
Nova Scotia	20
Prince Edward Island	2
Newfoundland	12
Yukon	1
Northwest Territories	1

The retail selling space of Canadian Tire stores ranges from approximately 3,000 square feet to approximately 84,000 square feet. New-format stores currently built as part of Canadian Tire's replacement and expansion program have standardized store sizes as follows:

<u>Store Class</u>	<u>Size Range</u>
A	Over 47,950 square feet
B	36,000 – 47,950 square feet
C	25,000 – 35,999 square feet
D	19,000 – 24,999 square feet
E	13,000 – 18,999 square feet

3.3 Canadian Tire Financial Services Limited and Canadian Tire Bank

Financial Services markets a variety of products to Canadian Tire customers, including the *Options* MasterCard, the Canadian Tire retail card, a Canadian Tire-branded line of credit, accident, creditor, and life insurance and product warranties. It also offers an emergency roadside assistance program to Canadian Tire customers under the name "Canadian Tire Auto Club" and for third-party clients under the name "Professional Dispatch Group". Some of these products are offered as a complement to Canadian Tire credit cards. Financial Services' products that are offered to Canadian Tire customers are offered through its in-store acquisition program and customer call centre and by direct mail, as well as through Canadian Tire's web site.

Canadian Tire Bank operates as a wholly-owned subsidiary of Financial Services and owns and operates the *Options* MasterCard and retail credit card businesses. As at January 3, 2004, Canadian Tire Bank managed over 3.3 million *Options* MasterCard accounts, and receivables on those cards exceeded \$2.4 billion.

Information concerning Canadian Tire '*Money*' on the Card is set out under the heading "Marketing" on page 9.

3.4 Petroleum

As at January 3, 2004, the Company was responsible for the operation of 232 Petroleum outlets located in 9 provinces, 124 of which are in Ontario and 53 of which are in Quebec. Of these locations, 14 include separate facilities for lubrication services, 47 include car washes and 64 supply propane directly to customers. Petroleum outlets also sell convenience products to the public.

A substantial majority of the Company's gas bars are operated by independent agents pursuant to agreements governing the sale of petroleum products using the Canadian Tire name and logo.

In keeping with CTR's new-format image, Petroleum is in the process of upgrading, replacing and expanding its network of outlets. Petroleum opened 16 new car washes in 2003 and closed two others, which brought the total number of car washes to 47. Three of these sites were acquired as a result of the re-branding initiative. Petroleum plans to open between 10 and 15 car washes in 2004.

During 2003, Petroleum also re-branded seven competitor sites and co-branded 10 sites under this capital-light program, and intends to re-brand or co-brand approximately 30 additional sites in 2004. This initiative will build upon Canadian Tire's customer value proposition and Petroleum's industry-leading customer traffic to help drive higher gasoline volumes at these sites and contribute to the earnings of this business.

In 2003, Petroleum added 15 new convenience stores, six of which were replacements. In addition, Petroleum closed one store, but acquired seven others through the re-branding initiative. At January 3, 2004, there were a total of 222 convenience stores at the 232 gas bars operating under the Canadian Tire banner. Ten of the Canadian Tire gas bars are paired with owner-operated convenience stores and have not been counted under the Canadian Tire banner. In 2004, Petroleum plans to open a convenience store at each new gas bar.

During 2003, Petroleum continued to focus on enhancing its margins by executing strategies geared to increase the proportion of car wash and convenience store sales to Petroleum's total sales.

Further information concerning Petroleum's strategy is included in the MD&A on pages 37 to 39 of the Company's 2003 Annual Report.

3.5 Mark's Work Wearhouse Ltd.

The Company's wholly-owned subsidiary, Mark's, is one of the largest specialty retailers in Canada, offering primarily men's and ladies' clothing, footwear and accessories for casual, business casual and industrial work environments, as well as for recreational use or relaxation. Mark's is a market leader in the retailing of men's industrial apparel and industrial footwear, and is a significant presence in the retailing of men's casual apparel and footwear. Mark's also offers assortments of health care industry and business-to-business apparel. Mark's has established private labels including Wind River, Denver Hayes and Dakota that boast market shares in excess of many national brands.

During 2004, in up to six small market locations in western Canada and Ontario, Mark's and CTR plan to test combination stores with a Mark's store and a Canadian Tire store under one roof. In these test stores, an Associate Dealer will operate the Canadian Tire store and Mark's will operate its outlet as a corporate store to create a one-stop shopping experience for hard goods, apparel and footwear. The objective of these combination stores is to bring the high customer traffic of a Canadian Tire store directly to a Mark's store and to lower on-site construction costs when both stores open for business in the same location.

3.6 Information Technology

The Company's Information Technology department provides systems development and support to the major functional areas of the Company, Associate Dealers, Express Auto Parts Depots and Distribution Centres. The various Information Technology groups within Canadian Tire are consolidated, with the exception of the Information Technology departments servicing Financial Services, PartSource and Mark's. Consolidation of these groups provides economies of scale and planning capabilities to assist Canadian Tire in using Information Technology to improve the Company's position in the marketplace.

For many years, the Associate Dealers have utilized point-of-sale scanners and terminals linked to in-store minicomputers. These systems provide online access to store inventories and prices and several years of history about each stock-keeping unit. The point-of-sale system is used to process credit card transactions, provide detailed information about buying patterns of Canadian Tire customers and analyze the effect of merchandising programs. This information is also being used in conjunction with the Canadian Tire 'Money' on the Card loyalty program. The in-store system provides functionality to enable Associate Dealers to maximize sales and margins and to monitor service levels and costs. Automatic orders are calculated and transmitted to Canadian Tire over a communications network which also sends new product and price data from Canadian Tire to Associate Dealers.

Canadian Tire's information systems are a complex set of integrated systems which process orders, monitor inventories and handle the distribution and transportation of goods across the supply chain. The Company continues to make progress in the design and implementation of powerful analytical capabilities to assist the buying and logistics functions. Business processes have been examined and redefined to make more efficient use of the information provided from Canadian Tire stores. Significant changes to the Company's technology systems and software continue to be implemented so as to achieve the desired functions and processes, which are key to future cost improvements.

3.7 Employees

As at January 3, 2004 Canadian Tire employed approximately 5,200 persons on a full-time basis and 3,100 persons on a part-time basis, as well as seasonal temporary help. Including employees of Associate Dealers, Petroleum agents, PartSource franchisees and Mark's franchisees, the number of employees exceeds 45,000.

3.8 Fixed Assets and Capital Expenditures

The investment of Canadian Tire and its subsidiaries in fixed assets as at January 3, 2004 was as follows:

FIXED ASSETS (Dollars in Thousands)	<u>Gross Investment</u>	<u>Accumulated Depreciation</u>	<u>Net Investment</u>
Store properties rented to Associate Dealers and PartSource Franchisees	\$1,967,496	\$440,192	\$1,527,304
Gas bars	230,535	86,569	143,967
Distribution centres	384,341	192,027	192,315
Transportation equipment	47,194	35,097	12,097
Other	917,520	349,776	567,745
	<u>\$3,547,087</u>	<u>\$1,103,660</u>	<u>\$2,443,427</u>

The following table summarizes the capital expenditures of Canadian Tire and its subsidiaries during the last five fiscal years (other than capital expenditures associated with the growth of Financial Services credit charge receivables):

FISCAL YEAR ENDED

CAPITAL EXPENDITURES (Dollars in Thousands)	<u>Jan. 3, 2004</u>	<u>Dec. 28, 2002</u>	<u>Dec. 29, 2001</u>	<u>Dec. 30, 2000</u>	<u>Jan. 1, 2000</u>
Construction of new stores	\$99,318	\$82,855	\$154,218	\$173,916	\$192,566
Additions and alterations to stores	329	838	1,774	19,939	39,133
Construction of gas bars	38,843	21,400	9,300	19,638	15,838
Distribution centres	14,820	8,959	42,466	2,495	2,468
Transportation equipment	1,544	4,566	4,649	9,817	5,396
Purchase of real property	20,222	48,282	61,095	82,961	65,375
Other	103,720	82,851	84,727	73,406	56,573
	<u>\$278,796</u>	<u>\$249,751</u>	<u>\$358,229</u>	<u>\$382,172</u>	<u>\$377,349</u>

3.9 Business Development Initiatives

For further information about business development initiatives previously set out under the heading “Trends” on pages 6 and 7, reference is made to pages 32 to 45 of the MD&A in the Company’s 2003 Annual Report.

3.10 Competitive Conditions

3.10.1 *Canadian Tire Retail*

CTR supports many aspects of the operation by Associate Dealers of Canadian Tire stores which compete against both national and regional retailers in all major markets across Canada. There is no one organization or type of business that competes directly with all business segments of Canadian Tire stores, although several competitors are in one or more of the business segments in which the stores operate. These competitors include department stores, discount stores and specialty marketers of hardware, paint and paint supplies, sporting goods, building supplies and seasonal products, including a number of high-volume retailers.

Additional competitors include auto parts suppliers and automotive service outlets such as car dealerships and service station operators.

Canadian Tire stores hold strong market share positions in many of the product categories in which they do business, with particular strength in automotive and hardware lines and certain seasonal and sporting goods categories. On a geographic basis, the market share of the stores is strongest in Central and Eastern Canada with greater share growth opportunity in the Western Provinces and Quebec.

Competitors of PartSource include several national and regional auto parts retailers and distributors. PartSource is competing on the basis that it has a unique price, product and service offering to its particular target markets.

A number of initiatives designed to maintain and enhance the competitive position of CTR are described in the MD&A on pages 32 to 34 of the Company's 2003 Annual Report under the heading "Strategy Update and Outlook".

3.10.2 *Petroleum*

Increases in the pre-tax earnings of Petroleum are primarily achieved through improvements in gasoline sales volume, costs and margins. Petroleum sells approximately twice as much gasoline per site as the Canadian industry average, primarily because of the attractiveness of Canadian Tire 'Money' and the Canadian Tire 'Money' on the Card loyalty program. Customer traffic is also impacted by the success of Petroleum's cross-merchandising programs with Canadian Tire stores and the quality of Petroleum's customer service. Petroleum's contribution to the Company's growth is very dependent upon its gasoline margin, which represented 83 percent of Petroleum's total margins in 2003. Petroleum is unable to control its gasoline margin due to the retail price and acquisition cost volatility of gasoline. While the continual price and cost volatility of gasoline makes both revenue and earnings hard to predict in the short term, strategies to increase volume and tighten cost controls improve earnings over the long term. Petroleum's low-cost operating model for gas bar operations (consisting of industry-standard agent-operated gas bar sites and Canadian Tire's extensive infrastructure in advertising and real estate) is a key element of Petroleum's initiatives to increase its network of high-volume efficient gas bars. In addition, the current fuel supply agreement with Imperial Oil ensures access to industry-standard fuel at a favourable acquisition cost.

A number of initiatives designed to maintain and enhance the competitive position of Petroleum are described in the MD&A of the Company's 2003 Annual Report on page 37 under the heading "Strategy Update and Outlook".

3.10.3 *Canadian Tire Financial Services Limited and Canadian Tire Bank*

The only private label cards that are accepted in Canadian Tire stores are the retail and commercial cards issued under Canadian Tire trade marks.

The *Options* MasterCard, which is issued by Canadian Tire Bank, competes with other general purpose credit cards issued by banks and other financial institutions for the credit business of Canadian Tire stores, Petroleum outlets, PartSource stores and Mark's stores and is issued on terms and conditions that are competitive with such cards.

A number of initiatives designed to maintain and enhance Financial Services' competitive position are described in the MD&A of the Company's 2003 Annual Report on page 42 under the heading "Strategy Update and Outlook".

3.10.4 *Mark's Work Wearhouse Ltd.*

Mark's is one of the largest retailers in Canada for work and safety apparel and footwear, and competes against many retailers of casual and business casual apparel, as well as industrial workwear. These retailers include department stores, discount stores, sporting goods outlets and other specialty apparel stores, many of which are large U.S. based retailers. Mark's has mitigated the effects of this competition by continually developing and introducing new products to enhance product selection for its customers, by offering products across all price points and by offering its customers different shopping locations in power centres and strip malls.

3.11 Customers and Suppliers

The Company has many suppliers and a broad base of customers. The Company is therefore not dependent on any specific customer or supplier in connection with its businesses.

3.12 Seasonality of Canadian Tire Retail

Reference is made to the MD&A on page 51 of the Company's 2003 Annual Report for a discussion of the seasonality risk of CTR and Mark's.

3.13 Environmental Matters

Canadian Tire has established procedures to ensure that it is aware of and complies with all material environmental requirements. Environmental protection requirements related to the business of Canadian Tire do not have and are not expected to have a significant financial or operational effect on the capital expenditures, earnings or competitive position of Canadian Tire during the current year or in future years.

3.14 Intangible Assets

Canadian Tire has established procedures necessary to protect trade-marks which are material to the business carried on by it, including the name Canadian Tire, the symbol associated with that name and a number of trade-marks identified with Canadian Tire's retail brands products. Protection of the Canadian Tire name and associated symbol is highly important to Canadian Tire. Other trade-marks and intellectual property rights associated with Canadian Tire's retail brands products, Petroleum, PartSource and Mark's are considered to be important assets of Canadian Tire and are defended vigorously where appropriate.

Canadian Tire owns a number of domain names which may be used in connection with its electronic commerce business.

3.15 Contract Re-negotiations and Terminations

It is not expected that any aspect of the Company's business will be affected in the current financial year by re-negotiation or termination of contracts or sub-contracts except as described below.

The success of Canadian Tire, particularly CTR, is closely tied to the success of Canadian Tire stores. Associate Dealers own and operate the retail business of these stores. The relationship between the Company and the Associate Dealers combines the flexibility of an independent business with the advantages of a central marketing and purchasing organization. The combined experience of the Associate Dealers is a valuable source of assistance to fellow Associate Dealers and to the Company as it develops and implements new merchandising and marketing concepts. Most importantly, the Company depends on the Associate Dealers to successfully execute retail programs and strategies. Most of the Associate Dealer contracts with the Company will expire in June 2004.

CTR and the Associate Dealers reached an agreement in principle in September 2003 that will guide the establishment of a new commercial contract between the parties covering important financial, strategic and operational changes. The agreement defines a new contract that would result in a positive contribution to the future earnings of the Company, together with certain operational and strategic benefits, while continuing to offer an attractive incentive for Associate Dealers to build, maintain and grow the business of their stores. Most terms of the new commercial contract will extend for a 10-year period beginning July 2004, although the financial terms will be reviewed after five years.

3.16 Foreign Operations

There are no material risks associated with the Company's foreign operations. No business segment of the Company is dependent in any material respect upon foreign operations.

3.16.1 *Canadian Tire Retail*

Canadian Tire Retail sources approximately 25 to 35 percent of its products from vendors in the Pacific Rim. CTR uses internal resources and third party logistics providers to manage supply chain technology and the movement of goods from suppliers in the Pacific Rim to the Company's Canadian distribution centres. Like other retailers who source products internationally, CTR manages risks associated with supply which can include, but are not limited to, the stability of manufacturing operations in other countries and transportation and port disruptions. The Company is confident that its business practices are appropriate to mitigate these risks to the extent possible.

CTR has certain funding dependencies on wholly owned subsidiaries of the Company operating in the United States. These dependencies are not a material risk to the Company.

3.16.2 *Canadian Tire Financial Services Limited and Canadian Tire Bank*

Financial Services engages Acxiom Corporation and Total Systems Services, Inc. for data processing functions, both of which are United States based companies. These suppliers are required by contract to have in place disaster recovery services in the event of a systems failure.

Financial Services owns a Bermuda resident reinsurance company ("CTFS Bermuda") which is regulated by the Bermuda Monetary Authority. CTFS Bermuda has entered into reinsurance agreements with two international insurers with significant operations that offer insurance products to Canadian Tire customers. These reinsurance arrangements permit Financial Services to participate in the premium income earned on certain Canadian Tire-branded insurance products. Management of CTFS Bermuda has retained established, reputable actuarial and administrative service organizations to assist in the evaluation and management of risk associated with CTFS Bermuda's reinsurance portfolio, and the Company is of the view that this risk is appropriately managed.

3.16.3 *Mark's Work Wearhouse Ltd.*

Mark's sources approximately 40 to 45 percent of its merchandise from vendors outside of North America, and mostly from the Pacific Rim. Mark's engages the same third party logistics providers as CTR to manage transportation services for approximately 95 percent of product sourced by Mark's in the Pacific Rim. As with CTR, the Company is confident that Mark's' business practices are appropriate to mitigate risks associated with supply from the Pacific Rim. In addition, Mark's has the capacity to source comparable merchandise from alternate areas including India, Mexico and Western Europe as well as from domestic manufacturers if necessary.

4. Selected Consolidated Financial Information

4.1 Annual Information

The following selected consolidated financial information for each of the last three fiscal years is derived from the Company's Consolidated Financial Statements.

The information set forth below should be read in conjunction with the Ten-Year Financial Review on pages 78 and 79 of the Company's 2003 Annual Report.

	<u>2003</u>	<u>2002</u>	<u>2001</u>
(Dollars in millions except per share amounts)			
Summary Consolidated Financial Information			
Gross operating revenue	\$6,552.8	\$5,944.5	\$5,374.8
Earnings from continuing operations before income taxes and minority interest	373.8	313.6	277.0
Net earnings from continuing operations	246.6	202.4	176.7
Net earnings	246.6	202.4	176.7
Total assets	4,900.7	4,875.4	4,371.2
Long-term debt (excludes current portion)	886.2	1,125.2	1,310.0
Consolidated per Share			
Net earnings from continuing operations	\$3.06	\$2.56	\$2.25
Diluted net earnings from continuing operations	3.02	2.53	2.23
Net earnings	3.06	2.56	2.25
Diluted net earnings	3.02	2.53	2.23
Dividends paid ¹	\$0.40	\$0.40	\$0.40

¹ The same dividends were paid on Common and Class A Non-Voting Shares. See "Dividends" below.

With respect to the most recent fiscal year ended January 3, 2004, reference should be made to "Quarterly Information" at page 77 of the 2003 Annual Report.

4.2 Factors Affecting Comparability

Reference is made to the MD&A of the Company's 2003 Annual Report for a more complete discussion of factors affecting comparability of data.

4.2.1 *Year Ended January 3, 2004 Compared to Year Ended December 28, 2002*

New Canadian accounting recommendations relating to stock-based compensation were adopted prospectively effective December 29, 2002. The recommendations are described in Note 9 of the Notes to the Consolidated Financial Statements on page 68 of the 2003 Annual Report.

New Canadian accounting guidelines relating to disclosure of guarantees were adopted effective December 29, 2002. The guidelines, which the Company adopted without restating financial statements for prior years, are described in Note 13 of the Notes to the Consolidated Financial Statements on page 72 of the 2003 Annual Report.

4.2.2 *Year Ended December 28, 2002 Compared to Year Ended December 29, 2001*

New Canadian accounting recommendations relating to goodwill were adopted in 2002. The recommendations, which the Company adopted without restating financial

statements for prior years, are described in Note 5 of the Notes to the Consolidated Financial Statements on page 61 of the 2002 Annual Report.

4.2.3 *Year Ended December 29, 2001 Compared to Year Ended December 30, 2000*

A new Canadian accounting standard for the transfer of receivables became applicable for sales of those receivables beginning July 1, 2001. The standard, which the Company adopted without restating financial statements for prior years, is described in Notes 1 and 2 of the Notes to the Consolidated Financial Statements on pages 45, 46 and 47 of the 2001 Annual Report.

4.3 Dividends

Dividends are declared at the discretion of the Board of Directors of the Company after consideration of earnings available for dividends, financial requirements and other conditions prevailing from time to time. During the last ten years, Canadian Tire has paid quarterly dividends on each of its outstanding Class A Non-Voting Shares and Common Shares in the amount of \$0.10 per share.

On February 12, 2004, the Company announced a new policy to maintain dividend payments equal to approximately 15 to 20 percent of the prior year's normalized basic net earnings per share, after giving consideration to the period-end cash position, future cash flow requirements and investment opportunities. Normalized earnings are considered by the Company to exclude gains and losses on the sales of credit charge receivables and other non-recurring items, but to include gains and losses on the disposals of property and equipment.

Based on the new policy, and reflecting management's increasing confidence in the Company's ability to sustain earnings growth over and beyond the life of the Company's strategic plan, the Company declared a 25 percent increase in the annual dividend payment rate from \$0.40 per share to \$0.50 per share. The increase takes effect June 1, 2004 for shareholders of record as of April 30, 2004.

Trust indentures dated May 10, 1990 and June 4, 1993 pursuant to which the Company issued 12.10 percent Debentures due May 10, 2010 and medium term notes due at various dates to 2034, respectively, contain restrictions on the ability of the Company to declare and pay dividends. The financial position of the Company is such that these restrictions do not practically limit the payment of dividends by the Company at this time.

5. Management's Discussion and Analysis

Reference is made to the MD&A at pages 28 to 55 of the Company's 2003 Annual Report, which MD&A is incorporated herein by reference.

6. Market for Securities

The outstanding Common Shares and Class A Non-Voting Shares of Canadian Tire are listed on the Toronto Stock Exchange and are traded under the symbols CTR and CTR.A respectively.

7. Directors and Officers

The names, municipalities of residence, years of election as director and present principal occupations of the directors of the Company are as follows:

<u>Name and Municipality of Residence</u>	<u>Year First Elected as a Director</u>	<u>Present Principal Occupation</u>
Gilbert S. Bennett Guelph, Ontario	1991	Chairman of the Board of the Company, Consultant and Corporate Director
Martha G. Billes Calgary, Alberta	1980	President, Albikin Management Inc., an investment holding company
Owen G. Billes St. Catharines, Ontario	2004	Manager, Divisional Initiatives, Customer Service Strategic Development, Canadian Tire Financial Services Limited, a wholly-owned subsidiary of the Company
Adam Bucci Terrebonne, Quebec	1999	President, Adam Bucci Ltée., which operates a Canadian Tire Store
Gordon F. Cheesbrough Toronto, Ontario	1998	Managing Partner, Blair Franklin Capital Partners Inc., and Corporate Director
Austin E. Curtin Medicine Hat, Alberta	1998	President, Austin Curtin Sales Ltd., which operates Canadian Tire stores and Petroleum outlets
James D. Fisher Toronto, Ontario	1998	Associate Dean, Rotman School of Management, University of Toronto
H. Earl Joudrie Toronto, Ontario	1990	Corporate Director
John S. Lacey Toronto, Ontario	2003	Chairman, Alderwoods Group Inc., an international funeral services provider
Rémi Marcoux, FCA Outremont, Quebec	1998	Executive Chairman, Transcontinental Inc., a company holding interests in printing and publishing companies
Kathleen Misunas New York, New York	2001	Principal, Essential Ideas, a consulting firm, and Corporate Director
Frank Potter Toronto, Ontario	1998	Chairman, Emerging Market Advisors Inc., a consulting firm dealing with foreign direct investment
Maureen J. Sabia Toronto, Ontario	1985	President, Maureen Sabia International, a consulting firm, and Corporate Director
Wayne C. Sales Acton, Ontario	2000	President and Chief Executive Officer of the Company

<u>Name and Municipality of Residence</u>	<u>Year First Elected as a Director</u>	<u>Present Principal Occupation</u>
Graham W. Savage Toronto, Ontario	1998	Managing Director, Callisto Capital LP, a merchant banking partnership
Stephen G. Wetmore Burlington, Ontario	2003	Group President National Markets and Executive Vice-President, BCE Inc., a communications company

The names, municipalities of residence and present principal occupations of the officers of the Company are as follows:

<u>Name and Municipality of Residence</u>	<u>Present Principal Occupation</u>
Gilbert S. Bennett Guelph, Ontario	Chairman of the Board of the Company, Consultant and Corporate Director
Wayne C. Sales Acton, Ontario	President and Chief Executive Officer
J. Huw Thomas Mississauga, Ontario	Executive Vice-President, Finance and Administration and Chief Financial Officer
A. Mark Foote Mississauga, Ontario	President, Canadian Tire Retail
Thomas K. Gauld St. Catharines, Ontario	President, Canadian Tire Financial Services Limited
Michael R. Lambert Calgary, Alberta	President, Mark's Work Wearhouse Ltd. and Executive Vice-President of the Company
Michael B. Medline Toronto, Ontario	Executive Vice-President, New Business Development
Stanley W. Pasternak Thornhill, Ontario	Vice-President and Treasurer
Susan J.E. Rogers Mississauga, Ontario	Vice-President, Corporate Affairs
Kenneth Silver Toronto, Ontario	Vice-President, Real Estate & Construction
Patrick R. Sinnott Toronto, Ontario	Senior Vice-President, Supply Chain
Cameron D. Stewart Toronto, Ontario	Vice-President, Secretary and General Counsel
Janice M. Wismer Jerseyville, Ontario	Vice-President, Human Resources

<u>Name and Municipality of Residence</u>	<u>Present Principal Occupation</u>
Andrew T. Wnek Toronto, Ontario	Senior Vice-President, Information Technology and Chief Information Officer
Bruce Allen Toronto, Ontario	President, PartSource
Michael G. Arnett Mississauga, Ontario	Vice-President, New Business Development
Stuart Auld Toronto, Ontario	Vice-President, Finance and Administration
Glenn G. Butt Guelph, Ontario	Vice-President, Store Planning and Merchandising
Tracy L. Fellows Toronto, Ontario	Vice-President, Consumer Advertising & Marketing
Geoffrey S. Frodsham Caledon East, Ontario	Vice-President, Logistics
Bruce C. Johnson Toronto, Ontario	Vice-President, Distribution and Express Auto Parts
Pamela Griffith-Jones Toronto, Ontario	Vice-President, Leisure
C. Peter Kilty Newmarket, Ontario	President, Petroleum
Reginald J. McLay Oakville, Ontario	Vice-President, Business Development
Callum McLean Whitby, Ontario	Vice-President, Central Region, Dealer Operations
Donald W.R. Riddell Calgary, Alberta	Vice-President, Western Region, Dealer Operations
David Roussy Toronto, Ontario	Senior Vice-President, Marketing, Canadian Tire Retail
Ihor Saplywyj Ancaster, Ontario	Vice-President, Eastern Region, Dealer Operations
J. Todd Sharman Toronto, Ontario	Vice-President, Automotive
Laila A. Zichmanis Toronto, Ontario	Vice-President, Home
Robyn Collver Toronto, Ontario	Assistant General Counsel & Assistant Secretary

<u>Name and Municipality of Residence</u>	<u>Present Principal Occupation</u>
Candace MacLean Toronto, Ontario	Divisional Vice-President & Assistant Treasurer

NOTES:

1. Each director of the Company will hold office until the next annual meeting of shareholders of the Company or until his or her successor is elected or appointed unless his or her office is earlier vacated in accordance with the by-laws of the Company.
2. Each of the directors of the Company has had the principal occupation indicated opposite his or her name during the past five years except:
 - (a) O.G. Billes, who from 2003 to 2004 was Manager, In-store Receiving and Logistics in connection with Canadian Tire Associate Dealer Store #237, who from 2002 to 2003 was Manager, Special Projects, New Business Development, and who prior thereto was Operations Planner, Transportation and Distribution. O.G. Billes was an employee of Canadian Tire Corporation, Limited in connection with each of the foregoing employment positions.
 - (b) J.S. Lacey, who became Chairman, Alderwoods Group, Inc. in 2002, who from 1999 to 2002 was Chairman, Loewen Group Inc., who was a director of Loewen Group Inc. and President and Chief Executive Officer of The Oshawa Group Ltd in 1998, and who prior thereto was President and Chief Executive Officer of WIC Western International Communications, Inc.;
 - (c) R. Marcoux, who became Executive Chairman, Transcontinental Inc. on March 24, 2004, and who prior thereto was Chairman and Chief Executive Officer, Transcontinental Inc.;
 - (d) K. Misunas, who in 2001 was Chief Executive Officer, High Adventure Travel Inc., a California corporation doing business as AirTreks, who from 1998 to 1999 was Chief Executive Officer, brandwise LLC, and who prior thereto was Chief Executive Officer, Reed Travel Group, a division of Reed Elsevier plc; and
 - (e) S.G. Wetmore, who has been Executive Vice-President, BCE Inc. since 2002 and Group President National Markets, BCE Inc. since 2003, who in 2003 was Chief Corporate Officer, Bell Canada, and from 2002 to 2003 was Vice-Chair, Corporate Markets, Bell Canada, who from 1999 to 2002 was President and Chief Executive Officer, Aliant Inc. and who prior thereto was President & Chief Executive Officer, NewTel Enterprises Inc.
3. With the exception of the holding of other offices at the Company, Canadian Tire Financial Services Limited and Mark's Work Wearhouse Ltd., each of the officers who is not a director has had the principal occupation referred to opposite his or her name during the past five years except:
 - (a) R. Collver, who prior to October 2002 was a partner at Cassels Brock & Blackwell LLP, a law firm;
 - (b) T.L. Fellows, who from 1999 to 2000 was Vice President Marketing and from 1998 to 1999 was Sr. Marketing Director, Sobeys Capital Inc. – Retail Brands, and who prior thereto was Business Unit Director, Agora Food Merchants - Retail Brands, a division of The Oshawa Group Limited;
 - (c) M.R. Lambert, who from September 1999 to December 1999 was Chief Financial Officer of Indigo Books, Music and More, Inc.;

- (d) C. MacLean, who from May 1996 to December 1999 was Treasurer of Labatt Brewing Company, Ltd. and who prior thereto was Director, Planning for Labatt Breweries of Canada;
 - (e) M.B. Medline, who from 1998 to 2000 was Senior Vice-President of Abitibi-Consolidated Inc.;
 - (f) D.W.R. Riddell, who from 1999 to March 2002 was Senior Vice-President, IGA Operations, Sobey's, Inc. and who prior thereto was Vice-President of Franchise Operations, Agora Food Merchants, a division of The Oshawa Group Limited;
 - (g) S.J.E. Rogers, who from November 1999 to October 2002 was President, Rogers and Company Inc., a consulting firm, and who prior thereto was Vice-President, Corporate Communications of Abitibi-Consolidated, Inc.; and
 - (h) I. Saplywyj, who from March 2000 to October 2002 was Director, CPG/Retail Practice, PricewaterhouseCoopers, from May 1999 to March 2000 was an independent management consultant, and who prior thereto was President, Lumsden Brothers, Limited, a wholly owned subsidiary of Sobey's Inc.
4. On March 22, 2004, all directors and senior officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 2,101,150 Common Shares of the Company (61.4%) and 921,768 Class A Non-Voting Shares of the Company (1.2%). In addition, two officers of the Company act as trustees of the Company's deferred profit sharing plan that holds 419,280 of the Common Shares of the Company (12.2%) and 1,516,185 of the Class A Non-Voting Shares of the Company (1.9%).
5. The present members of the Company's Audit Committee are G.F. Cheesbrough, J.D. Fisher, , R. Marcoux, M.J. Sabia (Chairman), G.W. Savage and S.G. Wetmore. The present members of the Company's Governance Committee are M.G. Billes (Chairman), O.G. Billes, A. Bucci, H.E. Joudrie, J.S. Lacey, R. Marcoux, and F. Potter. The present members of the Company's Management Resources and Compensation Committee are O.G. Billes, A. Bucci, J.D. Fisher (Chairman), J.S. Lacey, K. Misunas, M.J. Sabia and G.W. Savage. The present members of the Company's Social Responsibility Committee are M.G. Billes, G.F. Cheesbrough, A.E. Curtin, H.E. Joudrie, K. Misunas, F. Potter (Chairman) and S.G. Wetmore.
6. J.D. Fisher was a director of White Rose Nurseries Ltd. and CDPlus.com Ltd., H.E. Joudrie was an officer of Algoma Steel Inc. and Sammi Altas Inc., and G.W. Savage was a director of Microcell Inc., at the time each such company filed for protection under the *Companies' Creditors Arrangement Act*. J.S. Lacey was a director and officer of Loewen Group Inc. at the time the company filed for bankruptcy under the *Bankruptcy Act*, and S.G. Wetmore was an officer of Air Atlantic Ltd. at the time the company filed for creditor protection under the *Bankruptcy Act*.

8. Additional Information

The Company will provide to any person, upon request to the Vice-President, Corporate Affairs or the Vice-President, Secretary and General Counsel of the Company:

- (a) when the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a short form prospectus,
 - (i) one copy of the annual information form of the Company together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the annual information form,

- (ii) one copy of the comparative consolidated financial statements of the Company for the most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditors and one copy of the most recent interim consolidated financial statements of the Company that have been filed for any period after the end of its most recently completed financial year,
 - (iii) one copy of the Company's management information circular in respect of its most recent annual meeting of shareholders, and
 - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under clauses (i) to (iii) above; or
- (b) at any other time, one copy of any other documents referred to in clauses (a) (i), (ii) and (iii) above, provided the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

Requests for additional information should be directed to the Vice-President, Corporate Affairs or the Secretary of the Company, in either case at 2180 Yonge Street, 18th Floor, P.O. Box 770, Station K, Toronto, Ontario, M4P 2V8.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities, and interests of insiders in material transactions, where applicable, is contained in the Management Information Circular prepared in connection with the Annual Meeting of shareholders of the Company held on May 11, 2004. Additional financial information is provided in the Company's comparative consolidated financial statements for the financial year ended January 3, 2004 which are included in the 2003 Annual Report.

The information set out under the heading "Voting Shares and Principal Holders Thereof" in the Management Information Circular, which contains a summary of certain of the conditions attached to the Class A Non-Voting Shares of the Company, is hereby incorporated by reference. A full statement of such conditions is set out in the Company's articles.