Management's Discussion and Analysis

Canadian Tire Corporation, Limited

Third Quarter 2019

1.0 Preface

1.1 Definitions

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

The financial results for the Retail segment are delivered by the businesses operated by the Company under the Company’s retail banners, which include Canadian Tire, PartSource, Petroleum, Gas+, Mark’s, Mark’s Work Wearhouse, L’Équipeur, Helly Hansen, SportChek, Sports Experts, Atmosphere, Pro Hockey Life (“PHL”), National Sports, Sports Rousseau, and Hockey Experts.

In this document:

“Canadian Tire” refers to the general merchandise retail and services businesses carried on under the Canadian Tire, PartSource and PHL names and trademarks, and the retail petroleum business carried on by Petroleum.

“Canadian Tire stores” and “Canadian Tire gas bars” refer to stores and gas bars (which may include convenience stores, car washes, and propane stations) operated under the Canadian Tire and Gas+ names and trademarks.

“Consumer brands” refers to brands owned by the Company and are managed by the consumer brands division of the Retail segment.

“CT REIT” refers to the business carried on by CT Real Estate Investment Trust and its subsidiaries, including CT REIT Limited Partnership (“CT REIT LP”).

“Financial Services” refers to the business carried on by the Company’s Financial Services subsidiaries, namely Canadian Tire Bank (“CTB” or “the Bank”) and CTFS Bermuda Ltd. (“CTFS Bermuda”), a Bermuda reinsurance company.

“Helly Hansen” refers to the international wholesale and retail businesses that operate under the Helly Hansen and Musto brands.

“Jumpstart” refers to Canadian Tire Jumpstart Charities.

“Mark’s” refers to the retail and commercial wholesale businesses carried on by Mark’s Work Wearhouse Ltd., and “Mark’s stores” including stores operated under the Mark’s, Mark’s Work Wearhouse, and L’Équipeur names and trademarks.

“PartSource stores” refers to stores operated under the PartSource name and trademarks.

“Petroleum” refers to the retail petroleum business carried on under the Canadian Tire and Gas+ names and trademarks.

“SportChek” refers to the retail business carried on by FGL Sports Ltd., including stores operated under the SportChek, Sports Experts, Atmosphere, National Sports, Sports Rousseau, and Hockey Experts names and trademarks.

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

This document contains trade names, trademarks, and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks, and service marks referred to herein appear without the ® or TM symbol.

1.2 Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") contains statements that are forward looking and may constitute "forward-looking information" within the meaning of applicable securities legislation. Actual results or events may differ materially from those forecasted and from statements of the Company's plans or aspirations that are made in this MD&A because of the risks and uncertainties associated with the Corporation's businesses and the general economic environment. The Company cannot provide any assurance that any forecast financial or operational performance, plans, or financial aspirations will actually be achieved or, if achieved, will result in an increase in the Company's share price. Refer to section 14.0 in this MD&A for a more detailed discussion of the Company's use of forward-looking statements.

1.3 Review and Approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on November 6, 2019.

1.4 Quarterly and Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q3 2019 (39 weeks ended September 28, 2019) are compared against results for Q3 2018 (39 weeks ended September 29, 2018).

1.5 Accounting Framework

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"). The Company prepared the condensed interim consolidated financial statements in accordance with International Accounting Standards ("IAS") 34 – *Interim Financial Reporting*, using the accounting policies described in Note 2 to the condensed interim consolidated financial statements.

1.6 Accounting Estimates and Assumptions

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

1.7 Key Operating Performance Measures and Additional GAAP and Non-GAAP Financial Measures

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

Revenue, as reported in the Company's condensed interim consolidated financial statements, comprises primarily the sale of goods to Dealers and to franchisees of Mark's and SportChek, the sale of gasoline through Petroleum retailers, the sale of goods to retail customers by stores that are corporately-owned under the Mark's, PartSource, and SportChek banners, the Company's cost and margin-sharing arrangement with the Dealers, the sale of services through the Home Services business, the sale of goods to customers through business-to-business operations including Helly Hansen wholesale operations and through the Company's online sales channels, as well as revenue generated from interest, service charges, interchange and other fees, and from insurance products sold to credit card holders in the Financial Services segment, and rent paid by third-party tenants in the CT REIT segment.

Aspirations with respect to retail sales and Retail return on invested capital ("ROIC") have been included in our financial aspirations for three years ending in 2020. Refer to section 3.0 in this MD&A for the financial aspirations, assumptions, and related risks.

Refer to section 8.3.1 for additional information on retail sales, Retail ("ROIC") and return on receivables ("ROR"). Refer to section 8.3.2 for information on Company's consolidated normalized earnings before interest, tax, depreciation and amortization ("EBITDA"), funds from operations ("FFO"), adjusted funds from operations ("AFFO"), and net operating income ("NOI") and for a reconciliation of these measures to the nearest GAAP measure.

Additionally, the Company considers earnings before interest, tax, depreciation and amortization, and the impact of non-operational foreign currency translation ("Adjusted EBITDA") to be an effective measure of Helly Hansen's profitability on an operational basis.

1.8 Rounding and Percentages

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

2.0 Company and Industry Overview

For an overview of the business, a full description of the Company's Retail, CT REIT, and Financial Services operating segments, and a discussion of the competitive landscape affecting the Company, refer to section 2.0 of the Company's MD&A for the year ended December 29, 2018 ("2018 MD&A"), which is available on the Company's website at https://investors.canadiantire.ca, and SEDAR at www.sedar.com.

3.0 Three-Year (2018 to 2020) Financial Aspirations

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

The Company has established its financial aspirations for fiscal years 2018 to 2020. Achievement of these aspirations would contribute to the consistent increase of total shareholder return over the next three years.

The financial aspirations and a discussion of the underlying material assumptions and risks that might impact the achievement of the aspirations are outlined in the following table. In addition, achievement of the aspirations may be impacted by the risks identified in section 12.0 of the Company's 2018 MD&A, available on the Company's website at https://investors.canadiantire.ca, and SEDAR at www.sedar.com.

1. Consolidated Comparable Sales Growth (excluding Petroleum) of 3+ percent annually
Material assumptions: • Individual business units contribute positively to Consolidated Comparable Sales Growth • Sales growth driven by an innovative assortment and an optimized mix of owned and national brands • Customers engaged through compelling loyalty and credit card programs • Customer base will grow across all banners utilizing a 'One Company serving One Customer' strategy • Continued focus on promotional and pricing optimization
Material risks: • Pricing pressure driven by growing competition from new and existing market players • Accelerated disruption from eCommerce competitors • Decline in economic growth, consumer confidence, and household spending • The introduction of unfavourable foreign-trade policies
2. Average Annual Diluted EPS Growth of 10+ percent over the three-year period
Material assumptions: • Realization of the Consolidated Comparable Sales Growth aspiration • Successful rollout of operational efficiency programs and initiatives • Continued gross average accounts receivable ("GAAR") growth and positive contribution to earnings by the Financial Services segment • No major changes to the Company's financial leverage and capital allocation approach
Material risks: • Risks associated with the Consolidated Comparable Sales Growth aspiration described above • Short-term effect on EPS from the Company's capital-allocation initiatives, including the potential impact of organic and inorganic growth initiatives designed to create long-term growth • Negative impacts due to unfavourable commodity prices, foreign exchange fluctuations, protectionist foreign policies and legislative changes • Adverse economic or regulatory conditions which negatively impact GAAR growth and increases volatility of the impairment allowance for credit card receivables • Lower or lesser contribution from operational efficiencies
3. Retail ROIC of 10+ percent by 2020
Material assumptions: • Realization of Consolidated Comparable Sales Growth and average annual Diluted EPS growth aspirations • Prudent management of working capital • Disciplined approach to selecting growth projects and initiatives which yield improved asset productivity • Effective management of the Company's capital allocation priorities
Material risks: • Lower than anticipated earnings growth; refer to risks associated with the Average Annual Diluted EPS Growth aspiration described above • Short-term effects from the Company's capital-allocation initiatives, including the potential impact of organic and inorganic growth initiatives designed to create long-term growth

Management continues to be committed to achieving all of its financial aspirations by the end of 2020. The aspiration related to Retail ROIC, which was 9.0 percent as reported in Q3 2019, is the Company's most challenging aspiration.

Operational Efficiency

Since launching our One Company, One Customer strategy we have invested heavily in our banners, brands, talent, loyalty program and digital infrastructure to drive our long-term and ambitious growth agenda. These investments have generated strong financial performance, an enhanced customer experience and key insights on meeting our customers' needs. But importantly, we have built the foundation supporting the most critical parts of our strategy to drive long-term growth.

These investments, including in our consumer brands, Triangle Rewards, analytics, Ship to Home, and enhancements of physical locations, have provided tremendous uplift to our revenue. While this work was underway, other than our focus to achieve significant cost of goods/sourcing savings at Canadian Tire, we maintained most of our traditional processes as these new ways of doing business gained traction. We are now in the position, as planned, to drive operational efficiencies.

Our Operational Efficiency program will target $200+ million in annualized savings by 2022. Management is committed to achieving its financial aspirations in 2020 and driving long-term sustainable growth, and believes this program, will allow us to:

1. Eliminate duplicate systems and processes across our multiple banners as we begin operating as One Company;
2. Drive enterprise-wide efficiencies by decommissioning legacy infrastructure; and
3. Continue our extensive program to target internal and external expense reduction.

In order to support the Operational Efficiency program and realize savings, management expects to record one-time costs, reported quarterly as an adjustment to EBITDA, for items such as severance, retraining, systems development, and real estate related closure costs. We recorded the first of these costs in Q2 2019. Management may also make capital investments to accelerate the program.

During the quarter, the Company recorded $19.8 million for severance, store closure and other related expenses. The expected payback on these expenses is approximately 18 months. On a year to date basis, the Company has recorded $27.9 million.

4.0 Financial Performance

4.1 Consolidated Financial Performance

4.1.1 Consolidated Financial Results

(C$ in millions, except where noted)	**Q3 2019**	Q3 2018	Change	**YTD Q3 2019**	YTD Q3 2018	Change
Retail sales[1]	**$ 3,904.3**	$ 3,865.3	1.0 %	**$ 11,040.8**	$ 10,857.0	1.7 %
Revenue	**$ 3,636.7**	$ 3,631.3	0.1 %	**$ 10,217.7**	$ 9,927.0	2.9 %
Gross margin dollars	**$ 1,228.6**	$ 1,222.8	0.5 %	**$ 3,370.8**	$ 3,293.3	2.4 %
Gross margin as a % of revenue	**33.8%**	33.7%	11 bps	**33.0%**	33.2%	(19) bps
Other expense (income)	**$ 17.9**	$ (4.7)	(481.7)%	**$ (15.4)**	$ (23.5)	(34.5)%
Selling, general and administrative expenses	**832.3**	870.9	(4.4)%	**2,493.8**	2,528.7	(1.4)%
Net finance costs	**71.5**	43.4	64.5 %	**200.8**	106.8	87.9 %
Income before income taxes	**$ 306.9**	$ 313.2	(2.0)%	**$ 691.6**	$ 681.3	1.5 %
Income taxes	**79.2**	81.9	(3.2)%	**162.7**	176.5	(7.8)%
Effective tax rate	**25.8%**	26.1%		**23.5%**	25.9%	
Net income	**$ 227.7**	$ 231.3	(1.6)%	**$ 528.9**	$ 504.8	4.8 %
Net income attributable to:						
Shareholders of Canadian Tire Corporation	**$ 197.2**	$ 203.8	(3.2)%	**$ 444.3**	$ 437.8	1.5 %
Non-controlling interests	**30.5**	27.5	10.3 %	**84.6**	67.0	26.1 %
	$ 227.7	$ 231.3	(1.6)%	**$ 528.9**	$ 504.8	4.8 %
Basic EPS	**$ 3.20**	$ 3.16	1.4 %	**$ 7.18**	$ 6.70	7.2 %
Diluted EPS	**$ 3.20**	$ 3.15	1.5 %	**$ 7.17**	$ 6.68	7.4 %
Weighted average number of Common and Class A Non-Voting Shares outstanding:						
Basic	**61,619,653**	64,519,606	NM[2]	**61,861,892**	65,312,977	NM[2]
Diluted	**61,678,957**	64,683,997	NM[2]	**61,930,350**	65,514,421	NM[2]

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

Non-Controlling Interests

The following table outlines the net income attributable to the Company's non-controlling interests. For additional details, refer to Note 19 to the Company's 2018 Consolidated Financial Statements.

(C$ in millions)	**Q3 2019**	Q3 2018	**YTD Q3 2019**	YTD Q3 2018
Financial Services Non-controlling interest percentage 20.0% (2018 - 20.0%)	**$ 15.8**	$ 18.9	**$ 45.8**	$ 43.2
CT REIT Non-controlling interest percentage 30.7% (2018 - 14.5%)	**13.2**	7.0	**36.1**	20.4
Retail segment subsidiary Non-controlling interest percentage 50.0% (2018 - 50.0%)	**1.5**	1.6	**2.7**	3.4
Net income attributable to non-controlling interests	**$ 30.5**	$ 27.5	**$ 84.6**	$ 67.0

Normalizing Items

The results of operations include two normalizing items in the current year and two normalizing items in the prior year. These items include:

- Costs incurred of $2.3 million in Q3 2019 in relation to the acquisition of Party City in Canada;
- Costs incurred of $8.1 million in Q2 2019 and $19.8 million in Q3 2019 in relation to the Company's Operational Efficiency program for severance, store closure and other related expenses;
- One-time costs of $17.3 million incurred in Q2 2018 relating to the rollout of the Triangle Rewards program and associated credit cards; and
- Costs incurred in relation to the acquisition of Helly Hansen of $5.3 million in Q2 2018 and $22.4 million in Q3 2018.

The table below summarizes the pre-tax amount for the listed normalizing items that were included in the results for the periods ended September 28, 2019 and September 29, 2018:

(C$ in millions)	**Q3 2019**	Q3 2018	**YTD Q3 2019**	YTD Q3 2018
Financial Statement line item:				
Cost of producing revenue				
Inventory cost of sales	**$ —**	$ 5.0	**$ —**	$ 5.0
Selling, general and administrative expenses				
Personnel expenses	**13.2**	3.0	**19.0**	3.0
Other	**8.9**	14.4	**11.2**	37.0
	$ 22.1	$ 22.4	**$ 30.2**	$ 45.0

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

Selected Normalized Metrics - Consolidated

(C$ in millions, except per share amount)	**Q3 2019**	Q3 2018	Change	**YTD Q3 2019**	YTD Q3 2018	Change
Normalized cost of producing revenue	**$ 2,408.1**	$ 2,403.5	0.2 %	**$ 6,846.9**	$ 6,628.7	3.3 %
Normalized gross margin	**1,228.6**	1,227.8	0.1 %	**3,370.8**	3,298.3	2.2 %
Normalized gross margin rate	**33.8%**	33.8%	0 bps	**33.0%**	33.2%	(20 bps)
Normalized selling, general and administrative expenses	**810.2**	853.5	(5.1)%	**2,463.6**	2,488.7	(1.0)%
Normalized income before income taxes	**329.0**	335.6	(2.0)%	**721.8**	726.3	(0.6)%
Normalized net income	**243.8**	252.1	(3.3)%	**550.9**	542.2	1.6 %
Normalized net income attributable to shareholders of Canadian Tire Corporation	**213.3**	224.6	(5.0)%	**466.3**	473.2	(1.5)%
Normalized diluted EPS	**3.46**	3.47	(0.3)%	**7.53**	7.22	4.3 %

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

IFRS 16 - Impact

The Company's financial performance reporting was impacted by the adoption of IFRS 16 - *Leases* ("IFRS 16") in 2019. Certain lease-related expenses previously recorded in occupancy costs on a straight-line basis are now recorded as depreciation on a right-of-use asset and interest expense on a lease liability. The depreciation expense is recognized on a straight-line basis, while the interest expense declines over the life of the lease, as the liability is

repaid. When compared to the previous accounting method, under IFRS 16 lease-related expenses are higher in the first half of the lease term, and lower in the second half. This change in pattern of expense recognition is expected to result in a positive year-over-year variance in income before tax in the consolidated statements but a negative year-over-year variance in the Retail segment. The change in classification of expense results in an increase in EBITDA. Additionally, IFRS 16 has changed the presentation of revenue and expenses relating to certain subleases to our SportChek franchisees, which are now reflected as finance income on a lease receivable and finance costs on the lease liability.

The following table provides the estimated impact of the adoption of IFRS 16:

(C$ in millions) increase/(decrease)	Q3 2019 Consolidated	YTD Q3 2019 Consolidated	Explanation
Financial Statement line item:			
Revenue and gross margin	**$ (5)**	**$ (16)**	Franchise rental income now reflected as interest income
Rent/Occupancy expense	**(95)**	**(284)**	Rent now represented as depreciation and interest expense
Depreciation expense	**62**	**185**	Relating to right-of-use assets
Net finance costs - on lease liabilities	**24**	**71**	Lease interest expense net of interest income
Income before income taxes	**4**	**12**	Net pre-tax impact of IFRS 16

The depreciation and interest expense on right-of-use ("ROU") assets and lease liabilities respectively, is disclosed in Note 13 and 14 to the condensed interim consolidated financial statements.

The following table provides the year-over-year analysis of occupancy and lease-related costs reported in Note 13 and 14 to the condensed interim consolidated financial statements:

(C$ in millions)	Q3 2019	Q3 2018	Change	Impact of IFRS 16	Change (ex IFRS 16)
Occupancy	**$ 97.9**	$ 185.9	$ (88.0)	$ (95)	$ 7.0
Depreciation on ROU assets / assets under finance lease[1]	**64.7**	2.3	62.4	62	0.4
Net finance costs related to leases[1]	**24.7**	1.7	23.0	24	(1.0)
	$ 187.3	$ 189.9	$ (2.6)	$ (9)	$ 6.4

[1] *$2.3 million and $1.7 million relates to depreciation and finance cost on assets/liabilities under finance lease under IAS 17.*

(C$ in millions)	YTD Q3 2019	YTD Q3 2018	Change	Impact of IFRS 16	Change (ex IFRS 16)
Occupancy	**$ 313.7**	$ 554.8	$ (241.1)	$ (284)	$ 42.9
Depreciation on ROU assets / assets under finance lease[1]	**192.5**	7.3	185.2	185	0.2
Net finance costs related to leases[1]	**76.2**	5.4	70.8	71	(0.2)
	$ 582.4	$ 567.5	$ 14.9	$ (28)	$ 42.9

[1] *$7.3 million and $5.4 million relates to depreciation and finance cost on assets/liabilities under finance lease under IAS 17.*

Occupancy and lease-related costs in the quarter increased approximately $6.4 million excluding the impact of IFRS 16. Refer to the Retail segment results commentary in section 4.2.1 for an explanation of the increase in occupancy and lease-related costs.

Refer to section 8.2 of this MD&A for further details regarding the adoption of IFRS 16.

Consolidated Third-Quarter 2019 versus Third-Quarter 2018

Earnings Summary

Diluted EPS was $3.20 in the quarter, an increase of $0.05 per share, or 1.5 percent. Normalized diluted EPS in the quarter was $3.46, a decrease 0.3 percent. This decline was due to the benefits recognized in 2018 related to a change in Management's estimate of the present value of regular recoveries and a reduction in the incremental allowance for loans receivables in the Financial Service segment and higher non-operational foreign exchange losses recognized in Helly Hansen in 2019 in the Retail segment. The impact of these items was $0.53 per share on a year over year basis. Excluding these items, EPS increased year over year due to strong operational growth in both the Retail and Financial Services segments.

Retail segment revenue growth was up 1.2 percent excluding Petroleum, with growth recognized across all banners. Higher gross margin rate primarily driven by favourable product mix and pricing strategies at Canadian Tire and lower operating expenses, partially offset by higher non-operational foreign exchange losses recognized in Helly Hansen in 2019 and the impact of IFRS 16, resulted in increased income before taxes.

The Financial Services segment income before tax decreased 17.4 percent due to the items noted above. Excluding the impacts of these items, the Financial Services segment income before taxes increased 14.0 percent, primarily driven by higher revenues as a result of year over year growth in receivables.

In addition, EPS benefited from a lower effective tax rate, share repurchases pursuant to the Company's share buy-back program, and the adoption of IFRS 16, partially offset by the reduced ownership interest in CT REIT.

Income Taxes

The effective tax rate decreased to 25.8 percent from 26.1 percent in the prior year, primarily due to non-deductible transaction costs incurred in 2018 and higher non-controlling interest related to CT REIT, partially offset by higher non-deductible stock option expense in the period. Refer to Tax Matters in section 7.0 of this MD&A for further details.

Consolidated Year-to-Date 2019 versus Year-to-Date 2018

Consolidated year-to-date net income attributable to owners of CTC increased $6.5 million or 1.5 percent, over the prior year. Normalized year-to-date net income attributable to owners of CTC decreased $6.9 million or 1.5 percent. Normalized year-to-date performance was largely impacted by the third-quarter items noted above, reduced ownership interest in CT REIT, partially offset by positive operational performance in the Retail and Financial Services segments.

Year-to-date revenue increased 2.9 percent, including a 7.9 percent decline in Petroleum. Excluding Petroleum, revenue increased 4.9 percent driven by all Retail segment banners and increased credit card charges recognized in the Financial Services segment.

4.1.2 Consolidated Key Operating Performance Measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3.1 in this MD&A for definitions and further information.

(C$ in millions)	**Q3 2019**	Q3 2018	Change	Impact of IFRS 16	Change (ex IFRS 16)
Net income attributable to Shareholders of CTC	**$ 197.2**	$ 203.8	$ (6.6)	$ 3	$ (9.6)
Normalized[1] net income attributable to Shareholders of CTC	**213.3**	224.6	(11.3)	3	(14.3)
Normalized[1] EBITDA[2]	**564.0**	479.5	84.5	90	(5.5)
Normalized[1] EBITDA[2] as a % of revenue, excluding Petroleum[3]	**16.5%**	14.0%	250 bps	289 bps	(39 bps)

[1] *Refer to section 4.1.1 for a description of normalizing items.*
[2] *EBITDA is a non-GAAP measure; refer to section 8.3.2 in this MD&A for a reconciliation of EBITDA to net income attributable to shareholders of Canadian Tire Corporation and additional information.*
[3] *Revenue excludes Petroleum, EBITDA excludes Petroleum gross margin.*

(C$ in millions)	**YTD Q3 2019**	YTD Q3 2018	Change	Impact of IFRS 16	Change (ex IFRS 16)
Net income attributable to Shareholders of CTC	**$ 444.3**	$ 437.8	$ 6.5	$ 9	$ (2.5)
Normalized[1] net income attributable to Shareholders of CTC	**466.3**	473.2	(6.9)	9	(15.9)
Normalized[1] EBITDA[2]	**1,406.4**	1,154.6	251.8	268	(16.2)
Normalized[1] EBITDA[2] as a % of revenue, excluding Petroleum[3]	**14.6%**	12.1%	250 bps	307 bps	(57 bps)

[1] *Refer to section 4.1.1 for a description of normalizing items.*
[2] *EBITDA is a non-GAAP measure; refer to section 8.3.2 in this MD&A for a reconciliation of EBITDA to net income attributable to shareholders of Canadian Tire Corporation and additional information.*
[3] *Revenue excludes Petroleum, EBITDA excludes Petroleum gross margin.*

Excluding Petroleum and the impact of IFRS 16, normalized EBITDA as a percentage of revenue decreased by approximately 39 bps. This decline was due the benefits recognized in 2018 related to a change in Management's estimate of the present value of regular recoveries and a reduction in the incremental allowance for loans receivables in the Financial Service segment and higher non-operational foreign exchange losses recognized in Helly Hansen in 2019 in the Retail segment.

On a year-to-date basis, this measure decreased 57 bps primarily due to lower gross margin rate driven by both the Retail and Financial services segments.

4.1.3 Seasonal Trend Analysis

Quarterly operating net income and revenue are affected by seasonality. The fourth quarter typically generates the greatest contribution to revenues and earnings, and the first quarter the least. In the first quarter, the Financial Services segment contributes the majority of consolidated earnings. The following table shows the consolidated financial performance of the Company by quarter for the last two years. The quarterly trend could be impacted by non-operational items.

(C$ in millions, except per share amounts)	**Q3 2019**	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Revenue	**$ 3,636.7**	$ 3,686.6	$ 2,894.4	$ 4,131.7	$ 3,631.3	$ 3,480.8	$ 2,814.9	$ 3,915.5
Net income	**227.7**	203.8	97.4	278.2	231.3	174.4	99.1	295.4
Basic EPS	**3.20**	2.87	1.12	4.00	3.16	2.39	1.18	4.12
Normalized[1] net income	**243.8**	209.7	97.4	328.2	252.1	191.0	99.1	295.4
Diluted EPS	**3.20**	2.87	1.12	3.99	3.15	2.38	1.18	4.10
Normalized[1] diluted EPS	**3.46**	2.97	1.12	4.78	3.47	2.61	1.18	4.10

[1] *Refer to section 4.1.1 for a description of normalizing items.*

4.2 Retail Segment Performance

4.2.1 Retail Segment Financial Results

(C$ in millions)	**Q3 2019**	Q3 2018	Change	**YTD Q3 2019**	YTD Q3 2018	Change
Retail sales[1]	**$ 3,904.3**	$ 3,865.3	1.0 %	**$ 11,040.8**	$ 10,857.0	1.7 %
Revenue	**$ 3,296.3**	$ 3,309.9	(0.4)%	**$ 9,220.6**	$ 8,996.6	2.5 %
Gross margin dollars	**$ 1,023.0**	$ 1,002.1	2.1 %	**$ 2,771.6**	$ 2,710.7	2.2 %
Gross margin as a % of revenue	**31.0%**	30.3%	76 bps	**30.1%**	30.1%	(7) bps
Other (income)	**$ (13.3)**	$ (38.1)	(64.8)%	**$ (110.5)**	$ (122.0)	(9.4)%
Selling, general and administrative expenses	**802.1**	868.6	(7.6)%	**2,403.6**	2,500.2	(3.9)%
Net finance costs (income)	**63.6**	4.9	NM[2]	**182.3**	(7.1)	NM[2]
Income before income taxes	**$ 170.6**	$ 166.7	2.3 %	**$ 296.2**	$ 339.6	(12.8)%

[1] *Retail sales is a key operating performance measure. Refer to section 8.3.1 in this MD&A for additional information.*
[2] *Not meaningful*

IFRS 16 impact

As discussed in section 4.1.1, the adoption of IFRS 16 is expected to result in a negative year-over-year variance in income before taxes and a positive year-over-year variance in EBITDA in the Retail segment. The following table provides the estimated impact of the adoption of IFRS 16 on the Retail segment:

(C$ in millions) increase/(decrease)	**Q3 2019**	**YTD Q3 2019**	**Explanation**
Financial Statement line item:			
Revenue and gross margin	**$ (5)**	**$ (16)**	Franchise rental income now reflected as interest income
Rent/Occupancy expense	**(180)**	**(538)**	Rent now represented as depreciation and interest expense
Depreciation expense	**121**	**360**	Relating to right-of-use assets
Net finance costs - on lease liabilities	**58**	**174**	Lease interest expense net of interest income
Income before income taxes	**(4)**	**(12)**	Net pre-tax impact of IFRS 16

Selected Normalized Metrics and Non-GAAP Measures

(C$ in millions)	**Q3 2019**	Q3 2018	Change	Impact of IFRS 16	Change (ex IFRS 16)
Normalized[1] gross margin dollars	**$ 1,023.0**	$ 1,007.1	$ 15.9	$ (5)	$ 20.9
Normalized[1] gross margin as a % of revenue	**31.0%**	30.4%	60 bps	(15 bps)	75 bps
Normalized[1] selling, general and administrative expenses	**780.0**	851.2	(71.2)	(59)	(12.2)
Normalized[1] income before taxes	**192.7**	189.1	3.6	(4)	7.6
Normalized[1] EBITDA[2]	**459.8**	277.6	182.2	175	7.2
Normalized[1] EBITDA[2] as a % of revenue, excluding Petroleum[3]	**14.8%**	8.4%	640 bps	628 bps	12 bps
ROIC	**9.0%**	8.9%	10 bps	—	10 bps

1 *Refer to section 4.1.1 for a description of normalizing items.*
2 *EBITDA is a non-GAAP measure; refer to section 8.3.2 in this MD&A for a reconciliation of EBITDA to net income attributable to shareholders of Canadian Tire Corporation and additional information.*
3 *Revenue excludes Petroleum, EBITDA excludes Petroleum gross margin.*

(C$ in millions)	**YTD Q3 2019**	YTD Q3 2018	Change	Impact of IFRS 16	Change (ex IFRS 16)
Normalized[1] gross margin dollars	**$ 2,771.6**	$ 2,715.7	$ 55.9	$ (16)	$ 71.9
Normalized[1] gross margin as a % of revenue	**30.1%**	30.2%	(10 bps)	(17 bps)	7 bps
Normalized[1] selling, general and administrative expenses	**2,373.4**	2,473.7	(100.3)	(178)	77.7
Normalized[1] income before taxes	**326.4**	371.1	(44.7)	(12)	(32.7)
Normalized[1] EBITDA[2]	**1,115.0**	634.1	480.9	522	(41.1)
Normalized[1] EBITDA[2] as a % of revenue excluding Petroleum[3]	**12.7%**	6.6%	610 bps	671 bps	(61 bps)

1 *Refer to section 4.1.1 for a description of normalizing items.*
2 *EBITDA is a non-GAAP measure; refer to section 8.3.2 in this MD&A for a reconciliation of EBITDA to net income attributable to shareholders of Canadian Tire Corporation and additional information.*
3 *Revenue excludes Petroleum, EBITDA excludes Petroleum gross margin.*

4.2.2 Retail Segment Key Operating Performance Measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3.1 in this MD&A for definitions and further information on performance measures.

(Year-over-year percentage change, C$ in millions, except as noted)	**Q3 2019**	Q3 2018	Change	**YTD Q3 2019**	YTD Q3 2018	Change
Retail Segment - Total						
Retail sales growth	**1.0 %**	4.4 %		**1.7 %**	4.6 %	
Retail sales growth, excluding Petroleum	**2.7 %**	2.6 %		**3.4 %**	2.8 %	
Consolidated comparable sales growth[1]	**2.7 %**	2.5 %		**3.4 %**	2.8 %	
Revenue[2]	**$ 3,296.3**	$ 3,309.9	(0.4)%	**$ 9,220.6**	$ 8,996.6	2.5 %
Revenue, excluding Petroleum	**$ 2,791.8**	$ 2,759.1	1.2 %	**$ 7,794.5**	$ 7,448.7	4.6 %
Retail ROIC[3]	**9.0 %**	8.9 %		**n/a**	n/a	
Retail Segment breakdown						
Canadian Tire						
Retail sales growth[4]	**2.7 %**	2.4 %		**3.5 %**	3.1 %	
Comparable sales growth[1, 4]	**2.4 %**	2.2 %		**3.3 %**	2.9 %	
Sales per square foot[5] (whole $)	**$ 437**	$ 424	3.1 %	**n/a**	n/a	
Revenue[2, 6]	**$ 1,813.2**	$ 1,781.8	1.8 %	**$ 5,184.3**	$ 5,087.3	1.9 %
SportChek						
Retail sales growth[7]	**3.8 %**	1.6 %		**3.2 %**	0.6 %	
Comparable sales growth[1, 7]	**4.6 %**	2.2 %		**4.0 %**	1.8 %	
Sales per square foot[8] (whole $)	**$ 304**	$ 298	2.0 %	**n/a**	n/a	
Revenue[2]	**$ 543.3**	$ 528.5	2.8 %	**$ 1,416.9**	$ 1,390.9	1.9 %
Mark's						
Retail sales growth[9]	**0.9 %**	6.4 %		**2.9 %**	3.8 %	
Comparable sales growth[1, 9]	**1.2 %**	6.1 %		**3.0 %**	3.5 %	
Sales per square foot[10] (whole $)	**$ 360**	$ 353	1.6 %	**n/a**	n/a	
Revenue[2, 11]	**$ 266.6**	$ 265.5	0.4 %	**$ 798.0**	$ 778.2	2.5 %
Helly Hansen						
Revenue[2]	**$ 211.7**	$ 181.7	16.5 %	**$ 451.1**	$ 181.7	NM[12]
Revenue - Canada[2]	**$ 65.8**	$ 25.2	161.1 %	**$ 99.1**	$ 25.2	NM[12]
Revenue - Foreign	**$ 145.9**	$ 156.5	(6.8)%	**$ 352.0**	$ 156.5	NM[12]
Petroleum						
Gasoline volume growth in litres	**(1.4)%**	(1.1)%		**0.1 %**	(0.7)%	
Same-store gasoline volume growth in litres[1]	**(1.1)%**	(1.7)%		**0.3 %**	(1.3)%	
Retail sales growth	**(7.7)%**	15.1 %		**(7.1)%**	14.7 %	
Revenue[2]	**$ 504.5**	$ 550.8	(8.4)%	**$ 1,426.1**	$ 1,547.9	(7.9)%
Gross margin dollars	**$ 46.2**	$ 47.2	(1.9)%	**$ 127.5**	$ 138.3	(7.8)%

1 Comparable sales growth excludes Petroleum. Refer to section 8.3.1 in this MD&A for additional information on comparable sales growth.
2 Revenue reported for Canadian Tire, SportChek, Mark's, Petroleum, and Helly Hansen includes inter-segment revenue. Therefore, in aggregate, revenue for Canadian Tire, SportChek, Mark's, Petroleum, and Helly Hansen will not equal total revenue for the Retail segment.
3 Retail ROIC is calculated on a rolling 12-month basis based on normalized earnings. Refer to section 8.3.1 in this MD&A for additional information.
4 Retail sales growth includes sales from Canadian Tire stores, PartSource stores, PHL stores, and the labour portion of Canadian Tire's auto service sales.
5 Sales per square foot figures are calculated on a rolling 12-month basis. Retail space does not include seasonal outdoor garden centres, auto service bays, or warehouse and administrative space.
6 Revenue includes revenue from Canadian Tire, PartSource, PHL, and Franchise Trust.
7 Retail sales growth includes sales from both corporate and franchise stores.
8 Sales per square foot figures are calculated on a rolling 12-month basis, include both corporate and franchise stores and warehouse and administrative space.
9 Retail sales growth includes retail sales from Mark's corporate and franchise stores, but excludes ancillary revenue relating to alteration and embroidery services.
10 Sales per square foot figures are calculated on a rolling 12-month basis, include sales from both corporate and franchise stores and exclude ancillary revenue. Sales per square foot do not include warehouse and administrative space.
11 Revenue includes sale of goods to Mark's franchise stores, retail sales from Mark's corporate stores, Mark's wholesale revenue from its commercial division, and includes ancillary revenue relating to embroidery and alteration services.
12 Not meaningful due to the fact that Helly Hansen was acquired on July 3, 2018, therefore the comparative period includes only three months of operations.

4.2.3 Retail Banner Network at a Glance

Number of stores and retail square footage	September 28, 2019	September 29, 2018	December 29, 2018
Consolidated store count			
Canadian Tire stores			
Canadian Tire Retail[1]	**504**	501	503
Other[2]	**101**	105	105
Total Canadian Tire stores	**605**	606	608
SportChek stores			
SportChek	**193**	194	194
Sports Experts	**101**	101	105
Atmosphere	**66**	65	66
Other	**43**	48	44
Total SportChek stores	**403**	408	409
Mark's stores[1]			
Mark's	**334**	337	337
L'Équipeur	**45**	47	47
Other	**2**	2	2
Total Mark's stores	**381**	386	386
Canadian Tire gas bar locations	**296**	298	297
Total stores[3]	**1,685**	1,698	1,700
Consolidated retail square footage[4] (in millions)			
Canadian Tire[2]	**22.6**	22.4	22.5
SportChek	**7.5**	7.4	7.5
Mark's	**3.6**	3.6	3.6
Total retail square footage[4]	**33.7**	33.4	33.6

[1] *Store count numbers reflect individual selling locations. Both Canadian Tire and Mark's totals include stores that are co-located.*
[2] *Other Canadian Tire banners include PartSource and PHL.*
[3] *Store count does not include the retail locations acquired as part of the acquisition of the Canadian rights to the Paderno brand,and Helly Hansen.*
[4] *The retail square footage excludes Petroleum's convenience store rental space.*

The store count decreased from 1,700 at the end of 2018 to 1,685 at the end of Q3 2019, primarily due to store closures and network optimization as certain store leases came to an end.

Retail Segment Third-Quarter 2019 versus Third-Quarter 2018

Earnings Summary

Income before income taxes increased $3.9 million, or 2.3 percent. Normalized income before income taxes increased $3.6 million, or 1.9 percent. Income before income taxes benefited from strong shipments at Canadian Tire and sales growth at SportChek and Mark's. This was offset by higher non-operational foreign exchange losses recognized in Helly Hansen in 2019 and the impact of IFRS 16.

Retail Sales

Consolidated retail sales grew 1.0 percent, including a 7.7 percent decline in Petroleum. Excluding Petroleum, retail sales increased 2.7 percent. Consolidated comparable sales grew 2.7 percent. The sales performance reflected sales growth across all three banners.

Canadian Tire retail sales increased 2.7 percent and comparable sales increased 2.4 percent due to growth in the gardening, paint, outdoor tools and auto maintenance categories. This was partially offset by the home environment and home decor categories.

SportChek retail sales increased 3.8 percent and comparable sales increased 4.6 percent. Sales benefited from a strong back-to-school season, new category introductions, stronger inventory position in key categories and the successful execution of various promotional events. Athletic footwear, clothing accessories and athletic apparel were the top performing categories. Owned Brand growth continued to be strong in the quarter, led by Helly Hansen. SportChek continued to benefit from significant growth in eCommerce sales.

Retail sales at Mark's increased 0.9 percent and comparable sales increased 1.2 percent on top of an extremely strong Q3 2018 which reported retail and comparable sales increases of 6.4 percent and 6.1 percent, respectively compared to 2017. The men's and ladies casualwear and casual footwear categories reported the strongest performance in the quarter. Mark's retail sales also benefited from growth in eCommerce sales.

Petroleum retail sales decreased 7.7 percent primarily due to a decrease in year-over-year per litre gas prices, lower volume and lower non-gas sales.

Revenue

Revenue decreased $13.6 million or 0.4 percent. Excluding the impact of Petroleum, Retail segment revenue increased 1.2 percent over the prior year, reflecting increased shipments to Dealers at Canadian Tire and higher revenue at SportChek and Mark's. Significant growth in revenue by Helly Hansen to SportChek and Mark's drove an 161.1 percent increase in their Canadian revenue as the retail stores build inventory for the fall/winter season. At a consolidated level this revenue is not recognized until the product is sold to the ultimate retail customer and therefore, there is a delay in the recognition of this revenue into the Retail segment. The decrease in foreign revenue in Helly Hansen is due to the translation impact of the weakening Norwegian Krone ("NOK") and a shift in timing from the fourth quarter to the third quarter in 2018 compared to the current year. On a constant currency basis, Helly Hansen's foreign revenue was relatively flat compared to 2018, due to this shift in timing.

Gross Margin

Gross margin dollars increased $20.9 million or 2.1 percent and gross margin rate increased 76 bps. Excluding Petroleum, the Retail gross margin dollars increased $21.9 million or 2.3 percent and gross margin rate increased 37 bps. The increase in gross margin rate was primarily driven by favourable product mix and pricing strategies at Canadian Tire, partially offset by higher freight costs at SportChek due to growth in eCommerce sales.

Other Income

Other income decreased $24.8 million or 64.8 percent, primarily due to $15.8 million of non-operational foreign exchange losses recognized in Helly Hansen in the quarter.

Selling, General and Administrative Expenses and Net Finance Costs

Selling, general and administrative expenses and net finance costs decreased $7.8 million, or 0.9 percent. Normalized selling, general and administrative expenses and net finance costs decreased $12.5 million, or 1.5 percent primarily due to:

- lower share-based compensation expense driven by share price fluctuations; and
- lower marketing expense;

Partially offset by:

- higher occupancy costs primarily due to new builds at Canadian Tire.

Retail Segment Year-to-Date 2019 versus Year-to-Date 2018

Consolidated Retail sales on a year-to-date basis increased 1.7 percent including a 7.1 percent decline in Petroleum. Excluding Petroleum, retail sales increased 3.4 percent. Retail sales growth across all Retail banners reflected a strong product offering and successful promotional events. Revenue increased by 2.5 percent compared to the prior year. Income before income taxes decreased $43.4 million, or 12.8 percent. Normalized income before income taxes decreased $44.7 million, or 12.0 percent. The positive impacts of top-line sales growth were negatively impacted by the Company's cost and margin sharing arrangement with its Dealers during the first half of the year. Normalized income before income taxes was negatively impacted by the $10.6 million non-operational foreign exchange losses recognized by Helly Hansen during the period and higher finance costs, partially offset by a $16.9 million one-time charge for accelerated depreciation recorded in the prior year and the contribution of Helly Hansen.

4.2.4 Retail Segment Business Risks

The Retail segment is exposed to a number of risks in the normal course of business which has the potential to affect its operating performance. These include, but are not limited to, supply chain disruption, seasonality, environmental, commodity price, market obsolescence, and global sourcing risks. Refer to section 7.2.4 of the Company's 2018 MD&A for a discussion of these business-specific risks. Also refer to section 12.2 contained in the Company's 2018 MD&A for a discussion of other industry-wide and Company-wide risks affecting the business.

4.3 Financial Services Segment Performance

4.3.1 Financial Services Segment Financial Results

(C$ in millions)	**Q3 2019**	Q3 2018	Change	**YTD Q3 2019**	YTD Q3 2018	Change
Revenue	**$ 343.0**	$ 325.6	5.3 %	**$ 1,001.1**	$ 937.1	6.8 %
Gross margin dollars	**188.7**	209.8	(10.1)%	**550.7**	546.5	0.8 %
Gross margin (% of revenue)	**55.0%**	64.4%	(942) bps	**55.0%**	58.3%	(331) bps
Other expense (income)	**0.9**	(0.1)	NM[1]	**1.4**	(0.9)	NM[1]
Selling, general and administrative expenses	**79.1**	78.3	1.0 %	**233.2**	247.8	(5.9)%
Net finance (income)	**(0.2)**	(0.3)	(22.7)%	**(0.7)**	(0.8)	(9.7)%
Income before income taxes	**$ 108.9**	$ 131.9	(17.4)%	**$ 316.8**	$ 300.4	5.5 %

[1] *Not meaningful.*

Selected Normalized Metrics - Financial Services

	Q3 2019	Q3 2018	Change	**YTD Q3 2019**	YTD Q3 2018	Change
Normalized[1] selling, general and administrative expenses	**$ 79.1**	$ 78.3	1.0 %	**$ 233.2**	$ 234.3	(0.5)%
Normalized[1] income before income taxes	**108.9**	131.9	(17.4)%	**316.8**	313.9	0.9 %

[1] *Refer to section 4.1.1 for a description of normalizing items.*

4.3.2 Financial Services Segment Key Operating Performance Measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3.1 in this MD&A for definitions and further information on performance measures.

(C$ in millions) except where noted	**Q3 2019**	Q3 2018	Change	**YTD Q3 2019**	YTD Q3 2018	Change
Credit card sales growth[1]	**7.9%**	11.4%		**6.2%**	9.9%	
GAAR	**$ 6,324.0**	$ 5,909.5	7.0%	**$ 6,205.3**	$ 5,736.0	8.2%
Average number of accounts with a balance[2] (thousands)	**2,126**	2,074	2.5%	**2,101**	2,008	4.6%
Average account balance[2] (whole $)	**$ 2,973**	$ 2,848	4.4%	**$ 2,953**	$ 2,855	3.4%
Net credit card write-off rate[2, 3, 4]	**6.01%**	5.39%		**n/a**	n/a	
Past due credit card receivables[2, 5] ("PD2+")	**2.74%**	2.73%		**n/a**	n/a	
Allowance rate[6]	**12.51%**	12.43%		**n/a**	n/a	
Operating expenses[3, 7] (as a % of GAAR)	**5.04%**	5.82%		**n/a**	n/a	
Return on receivables[3]	**6.63%**	6.88%		**n/a**	n/a	

1 *Credit card sales growth excludes balance transfers. Represents year-over-year percentage change.*
2 *Credit card portfolio only.*
3 *Figures are calculated on a rolling 12-month basis.*
4 *The net credit card write-off rate was favourably impacted by 34 bps in Q3 2018 due to a change in Management's estimate of the present value of regular recoveries.*
5 *Credit card receivables more than 30 days past due as a percentage of total-ending credit card receivables.*
6 *The allowance rate was calculated based on the total-managed portfolio of loans receivable.*
7 *IFRS 16 impact was insignificant on this metric.*

Financial Services Segment Third-Quarter 2019 versus Third-Quarter 2018

Earnings Summary

Income before income taxes decreased $23.0 million, or 17.4 percent primarily due to a decrease in gross margin. The decrease in gross margin was mainly due to the benefits recognized in 2018 of $21.4 million due to a change in Management's estimate of the present value of regular recoveries and $15.0 million due to a reduction in the incremental allowance for loans receivables, which were partially offset by an increase in revenue. Excluding these impacts, income before taxes increased by 14.0 percent.

Revenue

Revenue increased $17.4 million, or 5.3 percent, due to higher credit charges resulting from GAAR growth and higher interchange revenue, partially offset by an increase in loyalty related costs. GAAR increased 7.0 percent driven by a 2.5 percent growth in the number of average active accounts and an increased average balance per account. Credit card sales growth of 7.9 percent also contributed to the increase in interchange revenue.

Gross Margin

Gross margin dollars decreased 10.1 percent, mainly due to the items noted above. Excluding these items, gross margin was up 8.8 percent.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were relatively flat year over year.

Financial Services Segment Year-to-Date 2019 versus Year-to-Date 2018

Revenue increased $64.0 million or 6.8 percent compared to the prior year due to increased credit card charges as a result of increased GAAR driven by growth in the number of average active accounts and higher interchange revenue due to strong credit card sales.

Income before income taxes of $316.8 million increased $16.4 million, or 5.5 percent. Normalized income before income taxes increased by $2.9 million or 0.9 percent. The increase was primarily attributable to higher revenue due to GAAR growth partially offset by an increase in the cost of producing revenue due to the third quarter items noted above. The continued strong growth is attributable to better customer connections with retail brands and focus on retaining high quality accounts to manage portfolio credit risk.

4.3.3 Financial Services Segment Business Risks

The Financial Services segment is exposed to a number of risks in the normal course of business that have the potential to affect its operating performance. These include, but are not limited to, consumer credit risk, funding risk, interest rate risk, and regulatory risk. Refer to sections 7.4.3 of the Company's 2018 MD&A for a discussion of these business-specific risks. Also refer to section 12.2 in the Company's 2018 MD&A for a discussion of additional industry-wide and Company-wide risks.

4.4 CT REIT Segment Performance

4.4.1 CT REIT Segment Financial Results

(C$ in millions)	**Q3 2019**	Q3 2018	Change	**YTD Q3 2019**	YTD Q3 2018	Change
Property revenue	**$ 121.7**	$ 117.7	3.5 %	**$ 365.3**	$ 353.2	3.4 %
Property expense	**24.2**	26.2	(7.5)%	**79.3**	81.8	(3.1)%
General and administrative expense	**3.0**	2.9	3.8 %	**10.7**	8.8	21.8 %
Net finance costs	**27.4**	26.3	4.3 %	**81.7**	78.3	4.4 %
Fair value (gain) adjustment	**(13.0)**	(16.8)	(22.9)%	**(36.7)**	(42.1)	(12.9)%
Income before income taxes	**$ 80.1**	$ 79.1	1.3 %	**$ 230.3**	$ 226.4	1.7 %

CT REIT Segment Key Operating Performance Measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 8.3.1 in this MD&A for definitions and further information on performance measures.

(C$ in millions)	**Q3 2019**	Q3 2018	Change	**YTD Q3 2019**	YTD Q3 2018	Change
Net operating income[1]	**$ 93.9**	$ 87.7	7.0%	**$ 275.4**	$ 260.3	5.8%
Funds from operations[1]	**67.3**	62.2	8.3%	**195.1**	184.0	6.0%
Adjusted funds from operations[1]	**57.9**	51.9	11.5%	**166.9**	153.3	8.9%

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

CT REIT Segment Third-Quarter 2019 versus Third-Quarter 2018

Earnings Summary

Income before income taxes increased $1.0 million, or 1.3 percent, primarily due to earnings attributable to the income generated from properties acquired and development and intensification activities completed during 2019 and 2018, partially offset by a decrease in the fair value gain on investment properties and an increase in interest expense.

In Q3 2019, CT REIT and one of its co-owners of the Toronto (Canada Square), Ontario property committed to increase their ownership interest in the property to 50 percent from 33 percent each. CT REIT will recognize an increase in its proportionate share of the assets, liabilities, revenues and expenses of the co-ownership in its financial statements once the transaction has been completed.

Property Revenue

Property revenue consists of base rent as well as operating cost and property tax recoveries. Property revenue increased $4.0 million, or 3.5 percent, primarily due to higher base rent relating to properties acquired and development and intensification activities completed during 2019 and 2018.

Of the $121.7 million in property revenue received, $108.5 million was from CTC. The property revenue received from CTC was 2.0 percent higher than the prior year of $106.4 million.

Property Expense

Property expense for the quarter was $24.2 million, a decrease of $2.0 million or 7.5 percent over the prior year, primarily due to reduced ground rent expense as a result of the adoption of IFRS 16, partially offset by property acquisitions in 2019 and 2018. The majority of the property expense costs are recoverable from tenants, with CT REIT absorbing these expenses where vacancies exist. Property expense consists primarily of property taxes, other recoverable operating expenses, and property management expenses (including the outsourcing of property management services pursuant to the Property Management Agreement between CT REIT and CTC).

General and Administrative Expense

General and administrative expenses primarily relate to personnel costs, public entity and ongoing operational costs, and outsourcing costs, which largely relate to the services provided by CTC pursuant to the Services Agreement between CT REIT and CTC. General and administrative expenses increased $0.1 million compared to the prior year due to increased personnel expenses as a result of various components of compensation awards.

Net Finance Costs

Net finance costs consist primarily of distributions on the Class C LP units held by CTC, and interest on debentures. Net finance costs increased $1.1 million or 4.3 percent, primarily due to higher interest expense on lease liabilities as a result of the adoption of IFRS 16 and decreased interest capitalization on development projects in 2019.

Fair Value Adjustment on Investment Properties

The fair value gain on investment properties decreased $3.8 million, or 22.9 percent, primarily due to higher increases in property values across the portfolio in the prior year.

Net Operating Income

NOI was $93.9 million, an increase of $6.2 million, or 7.0 percent, primarily due to property acquisitions and properties under development completed in 2019 and 2018. NOI is a non-GAAP measure. Refer to section 8.3.2 for additional information.

Funds from Operations and Adjusted Funds from Operations

FFO and AFFO for the quarter were $67.3 million and $57.9 million, respectively. FFO and AFFO were higher compared to the prior year by $5.1 million and $6.0 million respectively, primarily due to property acquisitions and properties under development completed in 2019 and 2018, partially offset by higher interest expense. FFO and AFFO are non-GAAP measures. Refer to section 8.3.2 for additional information.

CT REIT Segment Year-to-Date 2019 versus Year-to-Date 2018

Property revenue was $365.3 million of which $327.1 million was from CTC. The property revenue received from CTC was 2.5 percent higher than the prior year of $319.1 million. Property expense was $79.3 million, a decrease of $2.5 million or 3.1 percent over the prior year, primarily due to the adoption of IFRS 16, partially offset by property acquisitions in 2019 and 2018. The majority of the property expense costs are recoverable from tenants, with CT REIT absorbing these expenses where vacancies exist.

NOI was $275.4 million, an increase of $15.1 million, or 5.8 percent, primarily due to property acquisitions and properties under development completed in 2019 and 2018. NOI is a non-GAAP measure. Refer to section 8.3.2 for additional information. FFO and AFFO were $195.1 million and $166.9 million, respectively. FFO and AFFO were higher compared to the prior year by $11.1 million and $13.6 million, respectively, primarily due to property acquisitions and properties under development completed in 2019 and 2018, partially offset by higher interest expense. FFO and AFFO are non-GAAP measures. Refer to section 8.3.2 for additional information.

4.4.2 CT REIT Segment Business Risks

CT REIT is exposed to a number of risks in the normal course of business which has the potential to affect its operating performance. These include, but are not limited to, financial risks, real property ownership and tenant risks, and tax-related risks. Refer to section 7.3.2 of the Company's 2018 MD&A for a discussion of these business-specific risks and to section 12.1 of the Company's 2018 MD&A for a discussion of industry-wide and Company-wide risks affecting the business. Also refer to section 4 in CT REIT's Annual Information Form and section 11 – Enterprise Risk Management in CT REIT's MD&A for the year ended December 31, 2018 for further discussion of risks that affect CT REIT's operations.

5.0 Balance Sheet Analysis, Liquidity, and Capital Resources

5.1 Selected Balance Sheet Highlights

The Company's reported results were impacted by the adoption of IFRS 16 in 2019. Refer to section 8.2 of this MD&A for the impacts to the consolidated balance sheet as a result of the adoption of IFRS 16.

Selected line items from the Company's assets and liabilities, as at September 28, 2019, September 29, 2018 and December 29, 2018 are noted below:

(C$ in millions)	**September 28, 2019**	September 29, 2018	December 29, 2018
Assets			
Cash and cash equivalents	**$ 226.2**	$ 446.4	$ 470.4
Loans receivable	**5,598.2**	5,277.7	5,511.3
Merchandise inventories	**2,611.1**	2,395.8	1,997.5
Goodwill and intangible assets	**2,275.6**	2,265.6	2,272.0
Right-of-use assets	**1,562.9**	—	—
Total assets	**19,615.4**	17,473.2	17,286.8
Liabilities			
Deposits	**$ 829.8**	$ 978.5	$ 964.5
Long-term deposits	**1,666.5**	1,360.7	1,506.7
Short-term borrowings	**909.6**	829.1	378.1
Current portion of lease liabilities	**316.2**	—	—
Long-term lease liabilities	**1,861.1**	—	—
Current portion of long-term debt	**538.4**	787.2	553.6
Long-term debt	**3,978.8**	4,038.2	4,000.3
Total liabilities	**14,320.0**	12,378.8	11,871.8

Consolidated Year-Over-Year as at September 28, 2019 versus September 29, 2018

Total assets increased $2.1 billion, primarily due to:

- the adoption of IFRS 16 and the addition of $1.6 billion in right-of-use assets;
- increased loans receivable due to growth in the credit card portfolio; and
- higher merchandise inventory, mainly at SportChek in order to drive a better instore inventory position, to meet customer needs;

Partially offset by:

- a decrease in cash and cash equivalents due to the reasons discussed in section 5.2.

Total liabilities increased $1.9 billion, primarily due to:

- the adoption of IFRS 16 and the addition of $2.2 billion lease liabilities; and
- an increase in deposits due to a net increase in GIC deposits;

Partially offset by:

- a net decrease in debt (current and long-term portion) due to the repayments of $265 million and $500 million in Glacier Credit Card Trust ("GCCT") senior and subordinated notes in November 2018 and September 2019 respectively, partially offset by the issuance of $560 million in GCCT senior and subordinated notes in June 2019.

Consolidated as at September 28, 2019 versus December 29, 2018

Total assets increased $2.3 billion, primarily due to:

- the adoption of IFRS 16 and the addition of $1.6 billion in right-of-use assets;
- higher merchandise inventory driven mainly by seasonality as well as higher inventory maintained at SportChek to drive better in-store inventory position, to meet customer needs; and
- increased loans receivable due to growth in the credit card portfolio;

Partially offset by:

- a decrease in cash and cash equivalents due to the reasons discussed in section 5.2.

Total liabilities increased $2.4 billion, primarily due to:

- the adoption of IFRS 16 and the addition of $2.2 billion lease liabilities; and
- an increase in short-term borrowing driven by seasonality.

For the complete balance sheet, refer to the Condensed Interim Consolidated Balance Sheets included in the condensed interim consolidated financial statements for the third quarter of 2019.

5.2 Summary Cash Flows

The Company's cash and cash equivalents position, net of bank indebtedness, was $186.6 million at September 28, 2019.

The Company's Condensed Interim Consolidated Statements of Cash Flows for the quarters ended September 28, 2019 and September 29, 2018 are noted in the following table:

(C$ in millions)	**Q3 2019**	Q3 2018	Change	Impact of IFRS 16	Change (ex IFRS 16)
Cash (used for) operating activities	**$ (97.1)**	$ (80.0)	$ (17.1)	$ 53	$ (70.1)
Cash (used for) investing activities	**(149.1)**	(878.1)	729.0	5	724.0
Cash (used for) generated from financing activities	**(147.8)**	1,053.0	(1,200.8)	(58)	(1,142.8)
Cash (used) generated in the period	**$ (394.0)**	$ 94.9	$ (488.9)	$ —	$ (488.9)

(C$ in millions)	YTD Q3 2019	YTD Q3 2018	Change	Impact of IFRS 16	Change (ex IFRS 16)
Cash (used for) generated from operating activities	**$ (19.2)**	$ 0.4	$ (19.6)	$ 206	$ (225.6)
Cash (used for) investing activities	**(404.7)**	(1,141.9)	737.2	13	724.2
Cash generated from financing activities	**140.1**	1,127.9	(987.8)	(219)	(768.8)
Cash (used) in the period	**$ (283.8)**	$ (13.6)	$ (270.2)	$ —	$ (270.2)

Consolidated Third-Quarter 2019 versus Third-Quarter 2018

The Company's cash used in the quarter was $394.0 million compared to cash generated of $94.9 million in the third quarter of the prior year.

Operating activities
During the quarter, cash used for operating activities amounted to $97.1 million, compared to $80.0 million for the third quarter of the prior year. This increase was attributable mainly to working capital increases resulting from timing differences in settlement of trade and other payables and trade and other receivables, higher inventory purchases, primarily at SportChek and the impact of IFRS 16, partially offset by a change in loans receivable.

Investing activities
During the quarter, cash used for investing activities amounted to $149.1 million, compared to $878.1 million for the third quarter of the prior year. The decrease in the cash used for investing activities was primarily due to the acquisition of Helly Hansen in the third quarter of the prior year.

Financing activities
During the quarter, cash used for financing activities amounted to $147.8 million, compared to cash generated from financing activities of $1,053.0 million for the third quarter of the prior year. The decrease in cash generated from financing activity compared to the prior year was primarily due issuance of medium-term notes and GCCT senior and subordinated notes totalling to $1.2 billion during Q3 2018, a $500.0 million repayment during the third quarter of 2019 by GCCT of senior and subordinated notes and the impact of IFRS 16. These decreases were partially offset by net issuance of short-term borrowings and lower spend in connection with the Company's share repurchase program.

Consolidated Year-to-Date 2019 versus Year-to-Date 2018

On a year-to-date basis, the Company's cash used during the period was $283.8 million compared to $13.6 million in the prior year.

Operating activities
On a year-to date basis, cash generated from operating activities, excluding the IFRS 16 impact, decreased by $225.6 million primarily due to working capital changes resulting from timing differences in settlement of trade and other payables and higher inventory purchases, primarily at SportChek, partially offset by change in loans receivable.

Investing activities
On a year-to date basis, cash used for investing activities decreased by $737.2 million. The decrease in the cash used for investing activities was primarily due to the acquisition of Helly Hansen in the third quarter of the prior year.

Financing activities
On a year-to date basis, cash generated from financing activities, excluding the impact of IFRS 16, decreased $768.8 million. The decrease in cash generated from financing activities compared to the prior year was primarily due to issuance of medium-term notes and GCCT senior and subordinated notes totalling to $1.2 billion during Q3 2018 and a $500.0 million repayment during the quarter by GCCT of senior and subordinated notes. These decreases were partially offset by net issuance of long-term debt and short-term borrowings as well as lower spend in connection with the Company's share repurchase program.

5.3 Capital Management
In order to support its growth agenda and pursue its key initiatives, the Company actively manages its capital.

5.3.1 Capital Management Objectives
The Company's objectives when managing capital are:
- ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintaining healthy liquidity reserves and access to capital; and
- minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The current economic environment has not caused Management to change the Company's objectives in managing capital.

5.3.2 Capital Under Management
The Company monitors its capital structure by measuring debt-to-earnings ratios and manages its debt service and other fixed obligations by tracking its interest and other coverage ratios, and forecasting corporate liquidity. As part of this process, Management calculates and monitors its consolidated adjusted net debt metric. A reconciliation of the Company's adjusted net debt as at September 28, 2019 to reported GAAP measures is provided in section 8.3.2 of this MD&A.

The Company manages its capital structure over the long term to optimize the balance among capital efficiency, financial flexibility, and risk mitigation. Management calculates its ratios to approximate the methodologies of credit rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, Management monitors these ratios against targeted ranges.

The Company was in compliance with all financial covenants under its existing debt agreements as at September 28, 2019 and September 29, 2018. Under these covenants, the Company has sufficient flexibility to support business growth. CT REIT was in compliance with all financial covenants established under its Trust Indenture, bank credit agreement, and the Declaration of Trust as at September 28, 2019 and September 29, 2018. In addition, the Company was in compliance with all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions of Canada and its Internal Capital Adequacy Assessment Process associated with the operations of CTB, a federally chartered bank, and was in compliance with all financial covenants under its bank credit agreement and note purchase facilities.

5.4 Investing

5.4.1 Capital Expenditures
The Company's capital expenditures for periods ended September 28, 2019 and September 29, 2018 were as follows:

(C$ in millions)	**Q3 2019**	Q3 2018[1]	**YTD Q3 2019**	YTD Q3 2018[1]
Real estate	**$ 65.6**	$ 73.0	**$ 155.3**	$ 134.7
Information technology	**27.7**	45.3	**85.5**	102.5
Other operating	**18.9**	21.8	**67.3**	49.5
Operating capital expenditures	**112.2**	140.1	**308.1**	286.7
CT REIT acquisitions and developments excluding vend-ins from CTC	**19.1**	17.1	**56.6**	93.6
Total capital expenditures[2]	**$ 131.3**	$ 157.2	**$ 364.7**	$ 380.3

[1] *Certain prior period figures have been reclassified to align with current year presentation.*
[2] *Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual properties, and tenant allowances received.*

Total capital expenditures decreased $25.9 million in the quarter and $15.6 million year to date. Excluding CT REIT, capital expenditures decreased $27.9 million in the quarter due to reduced spending on supply chain replacement

projects as well as reduced spending related to IT improvements. On a year to date basis, there was an increase of $21.4 million due to an increased volume of projects and investments in land.

Capital Commitments

The Company had commitments of approximately $235.3 million as at September 28, 2019 (2018 – $205.4 million) for the acquisition of tangible and intangible assets.

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

Operating Capital Expenditures

As previously announced, the Company expects its three-year average annual operating capital expenditures to be within the range of $450 million to $500 million from 2018 to 2020.

For fiscal 2019, the Company expects annual operating capital expenditures to be on the lower end of the previously disclosed range of $475 million to $550 million.

The Company expects its 2020 annual operating capital expenditures to be within the range of $450 million to $500 million.

These annual and average operating capital expenditures do not include spending relating to the cost of third-party acquisitions by CT REIT as part of its growth strategy, capital to fund future the Company's Operational Efficiency program, or spending relating to distribution capacity.

5.5 Liquidity and Financing

The Company is in a strong liquidity position with the ability to access capital from multiple sources. A number of alternative financing sources are available to the Company, CT REIT, and CTB, ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans.

Commercial Paper

During the second quarter of 2019, the Company entered into a US dollar-denominated commercial paper program that allows it to issue up to a maximum aggregate principal amount of US$1.0 billion of short-term promissory notes in the United States. Funds can be borrowed under this program with terms to maturity ranging from one to 270 days. Any issuances made under the program will be issued at a discount and the notes will rank equally in right of payment with all other present and future unsecured and unsubordinated obligations to creditors of the Company.

As at September 28, 2019, the Company had US$410.0 million (C$ equivalent $542.9 million) of commercial paper notes outstanding.

Concurrent with the Company's commercial paper issuances, the Company entered into debt derivatives to hedge the foreign currency risk associated with the principal and interest component of the borrowings under the program. The Company has not designated these debt derivatives as hedges for accounting purposes.

As at September 28, 2019, GCCT had $295.3 million of asset-backed commercial paper notes outstanding.

Committed Bank Lines of Credit

During the current quarter, the term of CTC's committed bank line of credit totalling $1.975 billion was extended to August 2024 and the term of the GCCT $300 million liquidity facility, which provides backstop protection to its Series 1997-1 asset-backed commercial paper program, was extended to August 2022.

As at September 28, 2019, the Company (excluding Helly Hansen and CT REIT) had no borrowings outstanding under its committed bank line of credit. Helly Hansen had a total of $71.4 million of C$ equivalent borrowings outstanding on its committed bank line of credit (180.0 million Norwegian Krone ["NOK']) and its factoring facility

(309.4 million NOK), CT REIT had no borrowings under its committed bank line of credit and CTB had no borrowings outstanding under either of its committed bank line of credit or note purchase facilities.

Subsequent to September 28, 2019, CTB extended the term of its committed bank line of credit totalling $250.0 million to October 2022 and extended the terms of its committed note purchase facilities, for purchase of up to $2.0 billion of senior and subordinated notes issued by GCCT, to October 2022.

Senior and Subordinated Notes

During the second quarter of 2019, GCCT completed the issuance of $560.0 million term notes that have an expected repayment date of June 6, 2024, consisting of $523.6 million principal amount of senior notes that bear an interest rate of 2.28 percent per annum and $36.4 million principal amount of subordinated notes that bear an interest rate of 3.43 percent per annum.

During the quarter, GCCT repaid $472.5 million of senior notes, which bore an interest rate of 2.568 percent per annum as well as $27.5 million of subordinated notes, which bore an interest rate of 3.068 percent per annum.

Additional details on the Company's sources of funding, credit ratings, and a description of credit market conditions are provided in section 8.5 of the Company's 2018 MD&A.

5.5.1 Contractual Obligations, Guarantees, and Commitments

For a description of contractual obligations as at December 29, 2018, refer to section 8.5.1.1 of the Company's 2018 MD&A. Due to the adoption of IFRS 16, the classification of leases by the lessee as operating or finance has been eliminated, and all leases are recorded on the balance sheet as a right-of-use asset and lease liability, with the exception of leases where the underlying asset is of low value or the total lease term is less than 12 months. There were no significant changes to the outstanding contractual obligations identified at year end, other than those discussed in this document. The Company believes it has the ability to meet its contractual obligations as at September 28, 2019.

For a discussion of the Company's significant guarantees and commitments, refer to Note 34 to the Company's 2018 Consolidated Financial Statements. The Company's maximum exposure to credit risk with respect to such guarantees and commitments is provided in Note 5 to the Company's 2018 Consolidated Financial Statements. There were no significant changes in guarantees and commitments identified at year end, other than those discussed in this document.

6.0 Equity

6.1 Shares Outstanding

(C$ in millions)		September 28, 2019		September 29, 2018		December 29, 2018
Authorized						
3,423,366 Common Shares						
100,000,000 Class A Non-Voting Shares						
Issued						
3,423,366 Common Shares (September 29, 2018 – 3,423,366; December 29, 2018 – 3,423,366)	**$**	**0.2**	$	0.2	$	0.2
58,177,090 Class A Non-Voting Shares (September 29, 2018 – 60,725,958; December 29, 2018 – 59,478,460)		**588.6**		601.0		591.3
	$	**588.8**	$	601.2	$	591.5

Each year, the Company files a Normal Course Issuer Bid ("NCIB") with the Toronto Stock Exchange ("TSX") which allows it to purchase its Class A Non-Voting Shares in the open market.

On November 8, 2018, the Company announced its intention to repurchase $300 million to $400 million of its Class A Non-Voting Shares, in excess of the amount required for anti-dilutive purposes, by the end of fiscal 2019. On February 19, 2019, the TSX accepted the Company's notice of intention to make an NCIB to purchase up to 5.5 million Class A Non-Voting Shares during the period from March 2, 2019 through March 1, 2020.

The following table summarizes the Company's purchases relating to the November 8, 2018 announcement:

(C$ in millions)	
Share buy-back intention announced on November 8, 2018	**$300.0 - $400.0**
Shares repurchased in 2018 under the November 8, 2018 announcement	**127.0**
Shares repurchased in 2019 under the November 8, 2018 announcement	**189.5**
Shares remaining to be repurchased in 2019 under the November 8, 2018 announcement	**nil - $83.5**

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

The Company intends to repurchase a further $350 million of its Class A Non-Voting Shares, in excess of the amount required for anti-dilutive purposes, by the end of fiscal 2020, subject to regulatory approval of the renewal of the Company's NCIB.

6.2 Dividends

The Company has a consistent record of increasing its annual dividend and has a payout ratio target of approximately 30 to 40 percent of the prior year normalized earnings, after giving consideration to the period end cash position, future cash flow requirements, capital market conditions, and investment opportunities.

The Company has approved an increase in its annual dividend from $4.15 to $4.55 per share and declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of $1.1375 per share, an increase of $0.10 or 9.6 percent per share, payable on March 1, 2020 to shareholders of record as of January 31, 2020. The dividend is considered an "eligible dividend" for tax purposes.

6.3 Equity Derivative Contracts

The Company enters into equity derivative contracts to partially offset its exposure to fluctuations in stock option, performance share unit plan, and deferred share unit plan expenses. The Company currently uses floating-rate equity forwards.

During the quarter, equity forwards that hedged 140,000 stock option and performance share units settled and resulted in a cash payment to the counterparties of approximately $3.0 million. Also during the quarter, the Company entered into 250,000 floating-rate equity forwards at a weighted average purchase price of $146.97 to offset its exposure to stock options and performance share units.

7.0 Tax Matters

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

During the second quarter of 2019, the Company reached an agreement with the Ontario Ministry of Finance relating to the tax treatment of income earned by a foreign affiliate of the Company for the 2004 and 2005 taxation years. As a result of the settlement, the Company recorded an income tax recovery of $3.3 million (2018 - nil) and pre-tax interest income earned on the overpayment of taxes of $6.9 million (2018 - nil).

The Company regularly reviews the potential for adverse outcomes with respect to tax matters. The Company believes that the ultimate disposition of these matters will not have a material adverse effect on its liquidity, consolidated financial position or net income, because the Company has determined that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provision, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved. For a discussion of the Company's tax contingency, refer to Note 18 to the Company's interim consolidated financial statements for the third quarter of 2019.

Income taxes for the 13 weeks ended September 28, 2019 were $79.2 million (2018 – $81.9 million). The effective tax rate for the 13 weeks ended September 28, 2019 decreased to 25.8 percent (2018 – 26.1 percent) primarily due to non-deductible transaction costs incurred in 2018 and higher non-controlling interest related to CT REIT, partially offset by higher non-deductible stock option expense in the period.

Income taxes for the 39 weeks ended September 28, 2019 were $162.7 million (2018 - $176.5 million). The effective tax rate for the 39 weeks ended September 28, 2019 decreased to 23.5 percent (2018 - 25.9 percent), primarily due to favourable adjustments to tax estimates and prior years' tax settlements, lower non-deductible transaction costs and higher non-controlling interest related to CT REIT in the period.

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

Management previously announced the expected annual effective tax rate, excluding any impact of the change in fair value of the redeemable financial instrument, for fiscal 2019 to be 25.0 percent. Management continues to expect the tax rate to be approximately 25.0 percent, subject to adjustments to non-deductible stock option expense in the fourth quarter. Management expects the fiscal 2020 annual effective tax rate, excluding any impact of the change in fair value of the redeemable financial instrument, to be approximately 26.0 percent.

8.0 Accounting Policies, Estimates, and Non-GAAP Measures

8.1 Critical Accounting Estimates

The Company estimates certain amounts reflected in its condensed interim consolidated financial statements using detailed financial models based on historical experience, current trends, and other assumptions, to be reasonable. Actual results could differ from those estimates. In Management's judgment, the accounting estimates and policies detailed in Note 2 and Note 3 to the Company's 2018 Consolidated Financial Statements do not require Management to make assumptions about matters that are highly uncertain and, accordingly, none of those estimates are considered a "critical accounting estimate" as defined in Form 51-102F1 - *Management Discussion and Analysis,* published by the Ontario Securities Commission, except for the allowance for loan impairment in the Financial Services segment. Refer to section 11.1 in the Company's 2018 MD&A for a description of this estimate.

8.2 Changes in Accounting Policies

Standards, Amendments and Interpretations Issued and Adopted

Effective in 2019, the Company adopted IFRS 16, issued in January 2016 and the related consequential amendments. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 - *Leases* ("IAS 17"), with the distinction between operating leases and finance leases being retained. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets and lease liabilities for all operating leases where the Company is a lessee. Assets and liabilities relating to finance leases on the date of transition remain unchanged. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on December 30, 2018. The prior year figures were not adjusted. Refer to Note 2 of the condensed interim consolidated financial statements for further details of these changes.

The following table summarizes the major adjustments to opening balances resulting from the initial adoption of IFRS 16:

(C$ in millions)	As previously reported under IAS 17, December 29, 2018	IFRS 16 transition adjustments	Balance at December 30, 2018	Explanation
Assets				
Trade and other receivables	$ 933.3	$ 14.8	$ 948.1	Short-term portion of net investment in finance sublease receivable
Long-term receivables and other assets	742.6	85.0	827.6	Long-term portion of net investment in finance sublease receivable and write off initial direct cost and straight-line rent balances
Goodwill and intangible assets	2,272.0	(0.7)	2,271.3	Write-off of market lease intangible assets on transition
Investment property	364.7	4.6	369.3	Right-of-use asset recognized on transition relating to investment properties
Property and equipment	4,283.2	(122.6)	4,160.6	Reclassification of finance leases and asset retirement obligations ("AROs") on leased properties to right-of-use assets
Right-of-use assets	—	1,704.3	1,704.3	Right-of-use asset recognized on transition, this includes AROs on leased assets, finance leases under IAS 17, tenant incentives, and onerous lease provisions
Deferred income taxes	215.8	74.0	289.8	Deferred tax impact on transition
Liabilities and equity				
Trade payables and other liabilities	$ 2,425.0	$ (95.1)	$ 2,329.9	Straight-line rent balances written off and reclassified tenant incentives to the right of use asset on transition
Current portion of lease liabilities	—	311.4	311.4	Short-term portion of lease liability
Provisions	171.8	(1.1)	170.7	Onerous lease provisions reclassified to the right of use asset to approximate the impairment on the right of use assets
Current portion of long-term debt	553.6	(15.4)	538.2	Short-term portion of finance lease liability reclassified to current portion of lease liability
Long-term lease liabilities	—	2,034.9	2,034.9	Lease liability recognized on transition
Long-term debt	4,000.3	(92.6)	3,907.7	Long-term portion of finance lease liability reclassified to Long-term portion of lease liability
Deferred income taxes	184.5	(16.1)	168.4	Deferred tax impact on transition
Other long-term liabilities	872.3	(119.6)	752.7	Tenant incentives reclassified to the right of use asset and to write-off straight-line rent balances
Retained earnings	3,720.7	(246.9)	3,473.8	After tax retained earnings impact on transition of the modified retrospective measurement of the right of use asset, the write-off of straight line rent balances and initial direct costs
Non-controlling interest	1,048.8	(0.1)	1,048.7	Impact of transition on CT REIT and others to the non-controlling interest

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 28, 2019 and, accordingly, have not been applied in preparing the condensed interim consolidated financial statements.

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

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 - *Insurance Contracts* ("IFRS 17"), that replaces IFRS 4 - *Insurance Contracts* and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021; however, based on recent IASB meetings, an upcoming amendment to IFRS 17 and a deferral of the transition date by one year is anticipated. Early adoption is permitted. The Company is assessing the potential impact of this standard.

8.3 Key Operating Performance Measures and Non-GAAP Financial Measures

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

8.3.1 Key Operating Performance Measures

Retail Sales

Retail sales refers to the POS value of all goods and services sold to retail customers at stores operated by Dealers, Mark's and SportChek franchisees, and Petroleum retailers, at corporately-owned stores across all retail banners, services provided as part of the Home Services offering, and of goods sold through the Company's online sales channels, and in aggregate do not form a part of the Company's condensed interim consolidated financial statements. Retail sales has been included as one of the Company's financial aspirations. Sales descriptions for the retail banners can be found in the footnotes to the table contained within section 4.2.2 of this MD&A. Retail sales excludes Helly Hansen retail sales at its retail stores.

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

Comparable Sales

Comparable sales is a metric used by Management and is also commonly used in the retail industry to identify sales growth generated by a Company's existing store network and removes the effect of opening and closing stores in the period. The calculation includes sales from all stores that have been open for a minimum of one year and one week, as well as eCommerce sales. The Company also reviews consolidated comparable sales which include comparable sales at Canadian Tire (including PartSource and PHL), SportChek, and Mark's but excludes comparable sales at Petroleum and Helly Hansen. Additional information on comparable sales and retail sales growth descriptions for Canadian Tire, Mark's, and SportChek can be found in section 4.2.2 of this MD&A.

Prior period comparable sales calculation for Canadian Tire stores excludes stores that have been retrofitted, replaced, or expanded where the percentage change in square footage exceeds 25 percent of the original store size. Effective Q1 2019, the calculation of comparable sales no longer excludes such stores. The change in definition had no material impact on the metric's calculation for the current or prior period.

Sales per Square Foot

Management and investors use comparisons of sales per square foot metrics over several periods to help identify whether existing assets are being made more productive by the Company's introduction of new store layouts and merchandising strategies. Sales per square foot descriptions for Canadian Tire, Mark's, and SportChek can be found in section 4.2.2 of this MD&A.

Retail Return on Invested Capital

The Company believes that Retail ROIC is useful in assessing the return on capital invested in its retail assets. Retail ROIC is calculated as the rolling 12-month retail earnings divided by average invested retail capital. Retail earnings are defined as Retail segment after-tax earnings excluding interest expense, lease related depreciation expense (IFRS 16), inter-segment earnings, minimum lease payments (for periods prior to IFRS 16 adoption), non-controlling interests, and any normalizing items. Average invested capital is defined as Retail segment total assets (excluding IFRS 16 related ROU assets), including operating leases capitalized at a factor of eight, less Retail segment current liabilities (excluding IFRS 16 lease liabilities) and inter-segment balances for the current and prior year. A three-year Retail ROIC aspiration has been included as one of the Company's financial aspirations.

Return on Receivables

ROR is used by Management to assess the profitability of the Financial Services' total portfolio of receivables. ROR is calculated by dividing income before income tax and gains/losses on disposal of property and equipment by the average total-managed portfolio over a rolling 12-month period.

8.3.2 Non-GAAP Financial Measures

Consolidated Normalized EBITDA and EBITDA

The following table reconciles the consolidated normalized income before income taxes, net finance costs, depreciation and amortization and certain one-time normalizing items, or normalized EBITDA, to net income attributable to shareholders of Canadian Tire Corporation which is a GAAP measure reported in the condensed interim consolidated financial statements for the periods ended September 28, 2019 and September 29, 2018. Management uses normalized EBITDA, which includes normalized gross margin and normalized selling, general and administrative expenses, as a supplementary measure when assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital expenditures.

(C$ in millions)	**Q3 2019**	Q3 2018	**YTD Q3 2019**	YTD Q3 2018
Normalized EBITDA	**$ 564.0**	$ 479.5	**$ 1,406.4**	$ 1,154.6
Less normalizing items:				
Party City - Acquisition related costs	**2.3**	—	**2.3**	—
Operational Efficiency program	**19.8**	—	**27.9**	—
The rollout of the Triangle Rewards program and associated credit cards	**—**	—	**—**	17.3
Helly Hansen:				
Acquisition related costs	**—**	17.4	**—**	22.7
Fair value adjustment for inventories acquired[1]	**—**	5.0	**—**	5.0
EBITDA	**$ 541.9**	$ 457.1	**$ 1,376.2**	$ 1,109.6
Less:				
Depreciation and amortization, other than right-of-use assets[2] and assets under finance lease	**98.8**	98.2	**291.3**	314.2
Depreciation of right-of-use assets / assets under finance lease	**64.7**	2.3	**192.5**	7.3
Net finance costs, other than related to leases	**46.8**	41.7	**124.6**	101.4
Net finance costs, related to leases	**24.7**	1.7	**76.2**	5.4
Income before income taxes	**$ 306.9**	$ 313.2	**$ 691.6**	$ 681.3
Income taxes	**79.2**	81.9	**162.7**	176.5
Effective tax rate	**25.8%**	26.1%	**23.5%**	25.9%
Net income	**$ 227.7**	$ 231.3	**$ 528.9**	$ 504.8
Net income attributable to non-controlling interests	**30.5**	27.5	**84.6**	67.0
Net income attributable to shareholders of Canadian Tire Corporation	**$ 197.2**	$ 203.8	**$ 444.3**	$ 437.8

[1] *Relates to the fair value adjustment to Helly Hansen's inventory recorded as part of the acquisition on July 3, 2018.*

[2] *Depreciation and amortization reported in cost of producing revenue for the 13 and 39 weeks ended September 28, 2019 was $2.6 million (2018 - $1.7 million) and $6.9 million (2018 - $4.8 million), respectively.*

Retail Segment Normalized EBITDA

The following table reconciles Retail segment normalized EBITDA to income before income taxes which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended September 28, 2019 and September 29, 2018.

(C$ in millions)		**Q3 2019**		Q3 2018		**YTD Q3 2019**		YTD Q3 2018
Normalized EBITDA	**$**	**459.8**	$	277.6	**$**	**1,115.0**	$	634.1
Less normalizing items:								
Party City - Acquisition related costs		**2.3**		—		**2.3**		—
Operational Efficiency program		**19.8**		—		**27.9**		—
The rollout of the Triangle Rewards program and associated credit cards		**—**		—		**—**		3.8
Helly Hansen:								
Acquisition related costs		**—**		17.4		**—**		22.7
Fair value adjustment for inventories acquired[1]		**—**		5.0		**—**		5.0
EBITDA	**$**	**437.7**	$	255.2	**$**	**1,084.8**	$	602.6
Less:								
Depreciation and amortization, other than right-of-use assets[2] and assets under finance lease		**80.3**		81.3		**239.5**		262.8
Depreciation of right-of-use assets / assets under finance lease		**123.2**		2.3		**366.8**		7.3
Net finance costs, other than related to leases		**4.8**		3.2		**3.8**		(12.4)
Net finance costs, related to leases		**58.8**		1.7		**178.5**		5.3
Income before income taxes	**$**	**170.6**	$	166.7	**$**	**296.2**	$	339.6

[1] *Relates to the fair value adjustment to Helly Hansen's inventory recorded as part of the acquisition on July 3, 2018.*

[2] *Depreciation and amortization reported in cost of producing revenue for the 13 and 39 weeks ended September 28, 2019 was $2.6 million (2018 - $1.7 million) and $6.9 million (2018 - $4.8 million), respectively.*

Helly Hansen Adjusted EBITDA

The following table reconciles Helly Hansen's income before income taxes, net finance costs, depreciation and amortization, and impact of foreign currency translation to Adjusted EBITDA. Management uses Adjusted EBITDA as a supplementary measure when assessing the performance of Helly Hansen's ongoing operations.

(C$ in millions)		**Q3 2019**		Q3 2018		**YTD Q3 2019**		YTD Q3 2018
Adjusted EBITDA	**$**	**37.6**	$	29.0	**$**	**49.8**	$	29.0
Less:								
Impact of non-operational foreign currency translation		**15.8**		0.2		**10.6**		0.2
Depreciation and amortization, other than right-of-use assets		**2.4**		1.8		**6.3**		1.8
Depreciation of right-of-use assets / assets under finance lease		**3.3**		—		**10.0**		—
Net finance costs, other than related to leases		**1.5**		2.5		**3.3**		2.5
Net finance costs, related to leases		**0.6**		—		**1.9**		—
Income before income taxes	**$**	**14.0**	$	24.5	**$**	**17.7**	$	24.5

Due to the adoption of IFRS 16, Helly Hansen's EBITDA for the 13 and 39 weeks ended September 28, 2019 was approximately $4 million and $12 million higher respectively, than it would have been under the previous accounting standard.

Normalized Gross Margin

The following table reconciles normalized gross margin to gross margin which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended September 28, 2019 and September 29, 2018.

(C$ in millions)	**Q3 2019**	Q3 2018	**YTD Q3 2019**	YTD Q3 2018
Normalized gross margin	**$ 1,228.6**	$ 1,227.8	**$ 3,370.8**	$ 3,298.3
Add normalizing items:				
Helly Hansen - Inventory fair value adjustment[1]	**—**	5.0	**—**	5.0
Gross margin	**$ 1,228.6**	$ 1,222.8	**$ 3,370.8**	$ 3,293.3

[1] *Relates to the fair value adjustment to Helly Hansen's inventory recorded as part of the acquisition on July 3, 2018.*

Normalized Selling, General and Administrative Expenses

The following table reconciles normalized selling, general and administrative expenses to selling, general and administrative expenses which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended September 28, 2019 and September 29, 2018.

(C$ in millions)	**Q3 2019**	Q3 2018	**YTD Q3 2019**	YTD Q3 2018
Normalized selling, general and administrative expenses	**$ 810.2**	$ 853.5	**$ 2,463.6**	$ 2,488.7
Add normalizing items:				
Party City - Acquisition related costs	**2.3**	—	**2.3**	—
Operational Efficiency program	**19.8**	—	**27.9**	—
The rollout of the Triangle Rewards program and associated credit cards	**—**	—	**—**	17.3
Helly Hansen - Acquisition related costs	**—**	17.4	**—**	22.7
Selling, general and administrative expenses	**$ 832.3**	$ 870.9	**$ 2,493.8**	$ 2,528.7

Retail Normalized Gross Margin

The following table reconciles Retail normalized gross margin to Retail gross margin which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended September 28, 2019 and September 29, 2018.

(C$ in millions)	**Q3 2019**	Q3 2018	**YTD Q3 2019**	YTD Q3 2018
Retail normalized gross margin	**$ 1,023.0**	$ 1,007.1	**$ 2,771.6**	$ 2,715.7
Add normalizing items:				
Helly Hansen - Inventory fair value adjustment[1]	**—**	5.0	**—**	5.0
Retail gross margin	**$ 1,023.0**	$ 1,002.1	**$ 2,771.6**	$ 2,710.7

[1] *Relates to the fair value adjustment to Helly Hansen's inventory recorded as part of the acquisition on July 3, 2018.*

Retail Normalized Selling, General and Administrative Expenses

The following table reconciles Retail normalized selling, general and administrative expenses to selling, general and administrative expenses which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended September 28, 2019 and September 29, 2018.

(C$ in millions)	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018
Normalized selling, general and administrative expenses	**$ 780.0**	$ 851.2	**$ 2,373.4**	$ 2,473.7
Add normalizing items:				
Party City - Acquisition related costs	**2.3**	—	**2.3**	—
Operational Efficiency program	**19.8**	—	**27.9**	—
The rollout of the Triangle Rewards program and associated credit cards	**—**	—	**—**	3.8
Helly Hansen - Acquisition related costs	**—**	17.4	**—**	22.7
Selling, general and administrative expenses	**$ 802.1**	$ 868.6	**$ 2,403.6**	$ 2,500.2

Financial Services Normalized Selling, General and Administrative Expenses

The following table reconciles Financial Services normalized selling, general and administrative expenses to selling, general and administrative expenses which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended September 28, 2019 and September 29, 2018.

(C$ in millions)	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018
Normalized selling, general and administrative expenses	**$ 79.1**	$ 78.3	**$ 233.2**	$ 234.3
Add normalizing item:				
The rollout of the Triangle Rewards program and associated credit cards	**—**	—	**—**	13.5
Selling, general and administrative expenses	**$ 79.1**	$ 78.3	**$ 233.2**	$ 247.8

Normalized Net Income

The following table reconciles normalized net income to net income which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended September 28, 2019 and September 29, 2018.

Management believes that normalizing GAAP net income provides a useful method for assessing the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business.

(C$ in millions)	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018
Normalized net income	**$ 243.8**	$ 252.1	**$ 550.9**	$ 542.2
Less normalizing items:				
Party City - Acquisition related costs	**1.7**	—	**1.7**	—
Operational Efficiency program	**14.4**	—	**20.3**	—
The rollout of the Triangle Rewards program and associated credit cards	**—**	—	**—**	12.7
Helly Hansen:				
Acquisition related costs	**—**	16.6	**—**	20.5
Fair value adjustment for inventories acquired[1]	**—**	4.2	**—**	4.2
Net income	**$ 227.7**	$ 231.3	**$ 528.9**	$ 504.8

[1] *Relates to the fair value adjustment to Helly Hansen's inventory recorded as part of the acquisition on July 3, 2018.*

Normalized Net Income Attributable to Shareholders and Earnings per Share

Management believes that normalizing GAAP net income attributable to shareholders of the Company and basic EPS for non-operating items provides a useful method for assessing the Company's underlying operating performance and assists in making decisions regarding the ongoing operations of its business.

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

(C$ in millions, except per share amounts)	**Q3 2019**	**EPS**	Q3 2018	EPS	**YTD Q3 2019**	**EPS**	YTD Q3 2018	EPS
Net income/basic EPS	**$197.2**	**$ 3.20**	$203.8	$ 3.16	**$444.3**	**$ 7.18**	$437.8	$ 6.70
Add the after-tax impact of the following, attributable to shareholders of the Company:								
Party City - Acquisition related costs	**1.7**	**0.03**	—	—	**1.7**	**0.03**	—	—
Operational Efficiency program	**14.4**	**0.23**	—	—	**20.3**	**0.33**	—	—
The rollout of the Triangle Rewards program and associated credit cards	**—**	**—**	—	—	**—**	**—**	10.7	0.16
Helly Hansen - Acquisition related costs and fair value adjustment[1]	**—**	**—**	20.8	0.32	**—**	**—**	24.7	0.38
Normalized net income/normalized basic EPS	**$213.3**	**$ 3.46**	$224.6	$ 3.48	**$466.3**	**$ 7.54**	$473.2	$ 7.24
Normalized net income/normalized diluted EPS	**$213.3**	**$ 3.46**	$224.6	$ 3.47	**$466.3**	**$ 7.53**	$473.2	$ 7.22

[1] *Relates to the fair value adjustment to Helly Hansen's inventory recorded as part of the acquisition on July 3, 2018.*

Adjusted Net Debt

The following tables reconcile adjusted net debt to GAAP measures. The Company believes that adjusted net debt is relevant in assessing the amount of financial leverage employed.

As at September 28, 2019 (C$ in millions)	**Consolidated**	**Retail**	**CT REIT**	**Financial Services**
Consolidated net debt				
Bank indebtedness	**$ 39.6**	**$ 24.9**	**$ —**	**$ 14.7**
Short-term deposits	**829.8**	**—**	**—**	**829.8**
Long-term deposits	**1,666.5**	**—**	**—**	**1,666.5**
Short-term borrowings	**909.6**	**614.3**	**—**	**295.3**
Current portion of long-term debt	**538.4**	**0.7**	**37.7**	**500.0**
Long-term debt	**3,978.8**	**1,200.1**	**1,081.3**	**1,697.4**
Debt	**7,962.7**	**1,840.0**	**1,119.0**	**5,003.7**
Liquid assets[1]	**(575.5)**	**(133.7)**	**(47.7)**	**(394.1)**
Net debt (cash)	**7,387.2**	**1,706.3**	**1,071.3**	**4,609.6**
Inter-company debt	**—**	**(1,535.6)**	**1,451.6**	**84.0**
Adjusted net debt (cash)	**$ 7,387.2**	**$ 170.7**	**$ 2,522.9**	**$ 4,693.6**

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

As at September 29, 2018

(C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ 23.0	$ 21.5	$ —	$ 1.5
Short-term deposits	978.5	—	—	978.5
Long-term deposits	1,360.7	—	—	1,360.7
Short-term borrowings	829.1	503.3	33.0	292.8
Current portion of long-term debt	787.2	15.7	6.6	764.9
Long-term debt	4,038.2	1,293.8	1,105.3	1,639.1
Debt	8,016.7	1,834.3	1,144.9	5,037.5
Liquid assets[1]	(772.9)	(60.6)	(7.8)	(704.5)
Net debt (cash)	7,243.8	1,773.7	1,137.1	4,333.0
Inter-company debt	—	(1,534.9)	1,451.6	83.3
Adjusted net debt (cash)	$ 7,243.8	$ 238.8	$ 2,588.7	$ 4,416.3

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

CT REIT Non-GAAP Financial Measures

Net Operating Income

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

CT REIT evaluates its performance by comparing the performance of the portfolio adjusted for the effects of non-operational items and current-year acquisitions.

The following table shows the relationship of NOI to GAAP property revenue and property expense in CT REIT's Consolidated Statements of Income and Comprehensive Income:

(C$ in millions)	**Q3 2019**	Q3 2018	**YTD Q3 2019**	YTD Q3 2018
Property revenue	**$ 121.7**	$ 117.7	**$ 365.3**	$ 353.2
Less:				
Property expense	**24.2**	26.2	**79.3**	81.8
Property straight-line rent revenue	**3.6**	4.7	**10.6**	13.9
Transition adjustments - IFRS 16[1]	**—**	0.9	**—**	2.8
Net operating income	**$ 93.9**	$ 87.7	**$ 275.4**	$ 260.3

[1] *2018 net operating income has been reduced to exclude ground lease expense and straight-line expense to achieve consistency in reporting under IFRS 16.*

Funds from Operations and Adjusted Funds from Operations

CT REIT calculates its FFO and AFFO in accordance with the *Real Property Association of Canada's* White Paper on FFO and AFFO for IFRS issued in February 2019. FFO and AFFO should not be considered as alternatives to net income or cash flow provided by operating activities determined in accordance with IFRS.

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

AFFO is a supplemental measure of recurring economic earnings used in the real estate industry to assess an entity's distribution capacity. CT REIT calculates AFFO by adjusting net income for all adjustments used to calculate FFO as well as adjustments for non-cash income and expense items such as amortization of straight-line rents. Net income is also adjusted by a reserve for maintaining productive capacity required to sustain property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly during the fiscal year or from year to year. The capital expenditure reserve in the AFFO calculation is intended to reflect an average annual spending level.

The following table reconciles income before income taxes, as reported in CT REIT's Consolidated Statements of Income and Comprehensive Income, to FFO and AFFO:

(C$ in millions)	**Q3 2019**	Q3 2018	**YTD Q3 2019**	YTD Q3 2018
Income before income taxes	**$ 80.1**	$ 79.1	**$ 230.3**	$ 226.4
Fair value (gain) adjustment	**(13.0)**	(16.8)	**(36.7)**	(42.1)
Deferred taxes	**(0.2)**	(0.1)	**0.1**	0.3
Lease principle payments on right-of-use assets	**(0.1)**	—	**(0.3)**	—
Fair value of equity awards	**0.3**	—	**1.4**	(0.6)
Internal leasing expense	**0.2**	—	**0.3**	—
Funds from operations	**67.3**	62.2	**195.1**	184.0
Properties straight-line rent adjustment	**(3.6)**	(4.7)	**(10.6)**	(13.9)
Capital expenditure reserve	**(5.8)**	(5.6)	**(17.6)**	(16.8)
Adjusted funds from operations	**$ 57.9**	$ 51.9	**$ 166.9**	$ 153.3

9.0 Risks and Risk Management

CTC is exposed to a number of risks and opportunities through the normal course of its business activities. The effective management of risk is a key priority for the Company to support CTC in achieving its strategies and business objectives. Accordingly, CTC has adopted an Enterprise Risk Management ("ERM") Framework which is designed to:

- safeguard the Company and its reputation;
- support the achievement of the Company's strategic objectives, including financial aspirations; and
- support business planning and operations by providing a cross-functional perspective to risk management integrated with strategic planning and reporting processes across all lines of business.

Refer to section 12 in the Company's 2018 MD&A for a full description of CTC's ERM Framework.

The Company promotes a strong risk culture by fostering a common set of values, beliefs, knowledge and understanding about risk. This culture is essential to support the ERM Framework across the Company.

10.0 Internal Controls and Procedures

Details relating to disclosure controls and procedures, and internal control over financial reporting, are disclosed in section 13.0 of the Company's 2018 MD&A.

Changes in Internal Control Over Financial Reporting

During the quarter ended September 28, 2019, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

11.0 Environmental and Social Responsibility

11.1 Overview

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

11.2 Social Responsibility: Corporate Philanthropy

CTC supports a variety of social causes but the largest single beneficiary is Canadian Tire Jumpstart Charities. This charity is an independent organization committed to assisting financially-challenged families in communities across Canada by funding costs associated with children participating in organized sport and physical activity. Additional information regarding Jumpstart is available on its website at: http://jumpstart.canadiantire.ca.

11.3 Social Responsibility: Community Building

Helping Canadians enjoy life in Canada has always been at the centre of the Company's activities. CTC's family of companies is proud to support local initiatives through community and organizational support, including amateur sport, injury prevention programs, and disaster relief.

11.4 Social Responsibility: Responsible Sourcing Practices

Canadian Tire Corporation is one of Canada's most trusted companies and, to maintain and build that trust, we operate responsible sourcing programs that require our employees, suppliers, and other participants in our supply chain to act in accordance with our Codes of Conduct. Details on CTC's Responsible Sourcing policies and activities are available on the Company's website at:
http://corp.canadiantire.ca/EN/CorporateCitizenship/ResponsibleSourcing/Pages/default.aspx.

11.5 Environmental Responsibility

The Company's environmental sustainability strategy focuses on innovation and aims to achieve productivity gains and economic benefits together with enhanced environmental and social outcomes by integrating sustainability into business operations. It engages CTC's entire family of companies in the following areas:

- Products: working with owned brands and vendors to ensure products are safe, well made and responsibly packaged;
- Transportation: driving efficiencies across the entire network and finding new ways of transporting more goods while consuming less energy;
- Buildings: continuously improving energy efficiency in the Company's real estate portfolio and incorporating innovative new technologies into store prototypes;
- Waste: increasing the diversion rate and reducing waste generated to lessen the Company's impact on the environment

Benefits from the Company's sustainability initiatives and its annual environmental footprint reporting are included in section 14.0 of the Company's 2018 MD&A. For further details refer to the Company's Business Sustainability Performance Reports on the Sustainability site at: https://corp.canadiantire.ca/English/sustainability/performance-reports/default.aspx.

12.0 Subsidiaries

Change in the Company's Ownership Interest in a Subsidiary

During the quarter, the Company reduced its interest in CT REIT from 76.1% to 69.3% and CT REIT completed a treasury unit offering, for gross proceeds of approximately $150.1 million and $90.0 million and net transaction costs of $7.4 million and $3.8 million, respectively. As a result, $228.9 million has been transferred to non-controlling interests.

13.0 Subsequent Events

On October 1, 2019, the Company acquired the brand, store network and employee base, leaseholds, and fixed assets of Party City in Canada for $174.4 million. Party City is a leading, one-stop shopping destination for party supplies, and an expert in seasonal and micro-seasonal celebrations, with 65 Canadian retail stores in seven provinces.

Given the transaction closed on October 1, 2019, as at the date of the condensed interim consolidated financial statements, the Company does not have sufficient information to complete the purchase price accounting and pro-forma revenue and profit or loss disclosures.

The Company has incurred acquisition-related costs of $2.3 million for the quarter relating to external legal, consulting fees and due diligence costs. These costs have been included in selling, general and administrative expenses in the condensed interim consolidated statements of income.

14.0 Forward-Looking Statements and Other Investor Communication

Caution Regarding Forward-looking Statements

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

- the Company's financial aspirations for fiscal years 2018 to 2020 in section 3.0;
- the Company's Operational Efficiency program, including the target annualized savings in section 3.0;
- the impacts of IFRS 16 in subsection 4.1.1;
- capital expenditures in subsection 5.4.1;
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in section 6.1; and
- tax matters in section 7.0.

Forward-looking statements provide information about Management's current expectations and plans, and allow investors and others to better understand the Company's anticipated financial position, results of operations and operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Certain statements other than statements of historical facts included in this document may constitute forward-looking statements, including, but not limited to, statements concerning Management's current expectations relating to possible or assumed future prospects and results, the Company's strategic goals and priorities, its actions and the results of those actions and the economic and business outlook for the Company. Often, but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "believe", "estimate", "plan", "can", "could", "should", "would", "outlook", "forecast", "anticipate", "aspire", "foresee", "continue", "ongoing" or the negative of these terms or variations of them or similar terminology. Forward-looking statements are based on the reasonable assumptions, estimates, analyses, beliefs and opinions of Management, made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that Management believes to be relevant and reasonable at the date that such statements are made.

By their very nature, forward-looking statements require Management to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that the Company's assumptions, estimates, analyses, beliefs and opinions may not be correct and that the Company's expectations and plans will not be achieved. Examples of material assumptions and Management's beliefs, which may prove to be incorrect, include, but are not limited to, the effectiveness of certain performance measures, current and future competitive conditions and the Company's position in the competitive environment, the Company's core capabilities, and expectations around the availability of sufficient liquidity to meet the Company's contractual obligations. Management's expectations with respect to the Operational Efficiency program are based on a number of assumptions relating to anticipated cost savings and operational efficiencies. Although the Company believes that the forward-looking information in this

document is based on information, assumptions and beliefs that are current, reasonable, and complete, such information is necessarily subject to a number of factors that could cause actual results to differ materially from Management's expectations and plans as set forth in such forward-looking statements. Some of the factors, many of which are beyond the Company's control and the effects of which can be difficult to predict, include: (a) credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates; (b) the ability of the Company to attract and retain high-quality employees for all of its businesses, Dealers, Canadian Tire Petroleum retailers, and Mark's and SportChek franchisees, as well as the Company's financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at its stores or acquire the Company's consumer brands or its financial products and services; (d) the Company's margins and sales and those of its competitors; (e) the changing consumer preferences and expectations related to eCommerce, online retailing and the introduction of new technologies; (f) the possible effects on our business from international conflicts, political conditions, and developments including changes relating to or affecting economic or trade matters; (g) risks and uncertainties relating to information management, technology, cyber threats, property management and development, environmental liabilities, supply chain management, product safety, changes in law, regulation, competition, seasonality, weather patterns, climate change, commodity prices and business disruption, the Company's relationships with suppliers, manufacturers, partners and other third parties, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by the Company and the cost of store network expansion and retrofits; (h) the Company's capital structure, funding strategy, cost management program, and share price; (i) the Company's ability to obtain all necessary regulatory approvals; (j) the Company's ability to complete any proposed acquisition; and (k) the Company's ability to realize the anticipated benefits or synergies from its acquisitions. With respect to the statements concerning the Company's Operational Efficiency program, such factors also include: (a) the possibility that the Company does not achieve the targeted annualized savings; (b) the possibility that the program results in unforeseen impacts to overall performance; (c) the possibility that the one-time costs and capital investments associated with the program are more significant than expected; and (d) the possibility that the Company does not achieve the expected payback during the anticipated timeframe for the severance, store closure and other related expenses recorded. Management cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, refer to section 3.0 (Three-Year [2018 to 2020] Financial Aspirations) and all subsections thereunder and section 9.0 (Risks and Risk Management) of this MD&A. Refer to section 2.8 (Risk Factors) of the Company's Annual Information Form for fiscal 2018, as well as the Company's other public filings, available on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com and at https://investors.canadiantire.ca.

The forward-looking information contained herein is based on certain factors and assumptions as of the date hereof and does not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on the Company's business. The Company does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as required by applicable securities laws.

Information contained in or otherwise accessible through the websites referenced in this MD&A does not form part of this MD&A and is not incorporated by reference into this MD&A. All references to such websites are inactive textual references and are for information only.

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Commitment to Disclosure and Investor Communication

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

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

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

If you would like to contact the Investor Relations department directly, email investor.relations@cantire.com.

November 6, 2019

CANADIAN TIRE CORPORATION, LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Q3 2019

Condensed Interim Consolidated Balance Sheets (Unaudited)

As at (C$ in millions)	September 28, 2019	September 29, 2018[1]	December 29, 2018[1]
ASSETS			
Cash and cash equivalents (Note 16)	**$ 226.2**	$ 446.4	$ 470.4
Short-term investments	**233.3**	151.3	183.7
Trade and other receivables	**1,004.9**	976.4	933.3
Loans receivable (Note 6)	**5,598.2**	5,277.7	5,511.3
Merchandise inventories	**2,611.1**	2,395.8	1,997.5
Income taxes recoverable	**46.7**	105.7	15.3
Prepaid expenses and deposits	**165.3**	154.3	138.8
Assets classified as held for sale	**7.2**	5.5	5.5
Total current assets	**9,892.9**	9,513.1	9,255.8
Long-term receivables and other assets	**825.6**	707.2	742.6
Long-term investments	**116.0**	175.3	152.7
Goodwill and intangible assets	**2,275.6**	2,265.6	2,272.0
Investment property	**374.8**	386.4	364.7
Property and equipment	**4,219.8**	4,208.4	4,283.2
Right-of-use assets	**1,562.9**	—	—
Deferred income taxes	**347.8**	217.2	215.8
Total assets	**$ 19,615.4**	$ 17,473.2	$ 17,286.8
LIABILITIES			
Bank indebtedness (Note 16)	**$ 39.6**	$ 23.0	$ —
Deposits	**829.8**	978.5	964.5
Trade and other payables	**2,310.6**	2,421.6	2,425.0
Provisions	**164.8**	146.3	171.8
Short-term borrowings	**909.6**	829.1	378.1
Loans payable	**659.3**	647.9	654.6
Current portion of lease liabilities	**316.2**	—	—
Income taxes payable	**66.5**	78.7	110.6
Current portion of long-term debt	**538.4**	787.2	553.6
Total current liabilities	**5,834.8**	5,912.3	5,258.2
Long-term provisions	**58.4**	46.3	49.8
Long-term debt	**3,978.8**	4,038.2	4,000.3
Long-term deposits	**1,666.5**	1,360.7	1,506.7
Long-term lease liabilities	**1,861.1**	—	—
Deferred income taxes	**140.7**	188.5	184.5
Other long-term liabilities	**779.7**	832.8	872.3
Total liabilities	**14,320.0**	12,378.8	11,871.8
EQUITY			
Share capital (Note 9)	**588.8**	601.2	591.5
Contributed surplus	**2.9**	2.9	2.9
Accumulated other comprehensive (loss) income	**(138.0)**	2.0	51.1
Retained earnings	**3,539.6**	3,695.1	3,720.7
Equity attributable to shareholders of Canadian Tire Corporation	**3,993.3**	4,301.2	4,366.2
Non-controlling interests	**1,302.1**	793.2	1,048.8
Total equity	**5,295.4**	5,094.4	5,415.0
Total liabilities and equity	**$ 19,615.4**	$ 17,473.2	$ 17,286.8

[1] *Certain prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2).*

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

Condensed Interim Consolidated Statements of Income (Unaudited)

For the	13 weeks ended		39 weeks ended	
(C$ in millions, except share and per share amounts)	**September 28, 2019**	September 29, 2018[1]	**September 28, 2019**	September 29, 2018[1]
Revenue (Note 11)	**$ 3,636.7**	$ 3,631.3	**$ 10,217.7**	$ 9,927.0
Cost of producing revenue (Note 12)	**2,408.1**	2,408.5	**6,846.9**	6,633.7
Gross margin	**1,228.6**	1,222.8	**3,370.8**	3,293.3
Other expense (income)	**17.9**	(4.7)	**(15.4)**	(23.5)
Selling, general and administrative expenses (Note 13)	**832.3**	870.9	**2,493.8**	2,528.7
Net finance costs (Note 14)	**71.5**	43.4	**200.8**	106.8
Income before income taxes	**306.9**	313.2	**691.6**	681.3
Income taxes	**79.2**	81.9	**162.7**	176.5
Net income	**$ 227.7**	$ 231.3	**$ 528.9**	$ 504.8
Net income attributable to:				
Shareholders of Canadian Tire Corporation	**$ 197.2**	$ 203.8	**$ 444.3**	$ 437.8
Non-controlling interests	**30.5**	27.5	**84.6**	67.0
	$ 227.7	$ 231.3	**$ 528.9**	$ 504.8
Basic earnings per share	**$ 3.20**	$ 3.16	**$ 7.18**	$ 6.70
Diluted earnings per share	**$ 3.20**	$ 3.15	**$ 7.17**	$ 6.68
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	**61,619,653**	64,519,606	**61,861,892**	65,312,977
Diluted	**61,678,957**	64,683,997	**61,930,350**	65,514,421

[1] *Certain prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2).*

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

Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited)

For the	13 weeks ended		39 weeks ended	
(C$ in millions)	**September 28, 2019**	September 29, 2018	**September 28, 2019**	September 29, 2018
Net income	**$ 227.7**	$ 231.3	**$ 528.9**	$ 504.8
Other comprehensive (loss) income, net of taxes				
Items that may be reclassified subsequently to net income:				
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	**0.2**	2.7	**(22.3)**	8.3
Deferred cost of hedging not subject to basis adjustment - Changes in fair value of the time value of an option in relation to time-period related hedged items	**(1.7)**	(0.9)	**(10.3)**	(1.9)
Reclassification of losses to income	**0.9**	3.0	**0.3**	3.8
Currency translation adjustment	**(51.4)**	(27.1)	**(80.6)**	(27.1)
Items that will not be reclassified subsequently to net income:				
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	**20.2**	(24.0)	**(36.7)**	50.5
Other comprehensive (loss) income	**$ (31.8)**	$ (46.3)	**$ (149.6)**	$ 33.6
Other comprehensive (loss) income attributable to:				
Shareholders of Canadian Tire Corporation	**$ (31.8)**	$ (47.1)	**$ (143.3)**	$ 31.7
Non-controlling interests	**—**	0.8	**(6.3)**	1.9
	$ (31.8)	$ (46.3)	**$ (149.6)**	$ 33.6
Comprehensive income	**$ 195.9**	$ 185.0	**$ 379.3**	$ 538.4
Comprehensive income attributable to:				
Shareholders of Canadian Tire Corporation	**$ 165.4**	$ 156.7	**$ 301.0**	$ 469.5
Non-controlling interests	**30.5**	28.3	**78.3**	68.9
	$ 195.9	$ 185.0	**$ 379.3**	$ 538.4

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

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

For the	13 weeks ended		39 weeks ended	
(C$ in millions)	**September 28, 2019**	September 29, 2018	**September 28, 2019**	September 29, 2018
Cash (used for) generated from:				
Operating activities				
Net income	**$ 227.7**	$ 231.3	**$ 528.9**	$ 504.8
Adjustments for:				
Depreciation of property and equipment, investment property and right-of-use assets (Notes 12 and 13)	**136.0**	71.2	**402.9**	225.9
Income tax expense	**79.2**	81.9	**162.7**	176.5
Net finance costs (Note 14)	**71.5**	43.4	**200.8**	106.8
Amortization of intangible assets (Note 13)	**27.5**	29.3	**80.9**	95.6
Loss (gain) on disposal of property and equipment, investment property and right-of-use assets	**2.4**	(0.8)	**(27.1)**	(16.1)
Other	**7.7**	3.7	**9.7**	8.8
Total except as noted below	**552.0**	460.0	**1,358.8**	1,102.3
Interest paid	**(87.8)**	(41.6)	**(250.7)**	(109.1)
Interest received	**13.1**	2.5	**22.1**	6.8
Income taxes paid	**(29.0)**	(10.9)	**(276.2)**	(194.0)
Change in operating working capital and other	**(493.7)**	(370.0)	**(784.1)**	(560.8)
Change in loans receivable	**(51.7)**	(120.0)	**(89.1)**	(244.8)
Cash (used for) generated from operating activities	**(97.1)**	(80.0)	**(19.2)**	0.4
Investing activities				
Additions to property and equipment and investment property	**(105.2)**	(101.5)	**(261.8)**	(299.0)
Additions to intangible assets	**(46.7)**	(19.6)	**(160.2)**	(72.6)
Total additions	**(151.9)**	(121.1)	**(422.0)**	(371.6)
Acquisition of short-term investments	**(105.0)**	(25.4)	**(256.1)**	(127.7)
Proceeds from maturity and disposition of short-term investments	**113.2**	37.3	**252.9**	142.0
Proceeds on disposition of property and equipment and investment property	**(0.6)**	0.3	**17.7**	17.9
Business combinations, net of cash acquired	**—**	(762.9)	**—**	(762.9)
Lease payments for finance subleases (principal portion)[1]	**5.2**	—	**12.8**	—
Acquisition of long-term investments and other	**(10.0)**	(6.3)	**(10.0)**	(39.6)
Cash (used for) investing activities	**(149.1)**	(878.1)	**(404.7)**	(1,141.9)
Financing activities				
Dividends paid	**(60.7)**	(55.3)	**(181.8)**	(167.8)
Distributions paid to non-controlling interests	**(19.9)**	(6.1)	**(58.9)**	(17.1)
Total dividends and distributions paid	**(80.6)**	(61.4)	**(240.7)**	(184.9)
Net issuance of short-term borrowings	**340.7**	37.0	**531.5**	376.8
Issuance of loans payable	**76.4**	14.5	**226.8**	173.8
Repayment of loans payable	**(82.4)**	(22.4)	**(222.1)**	(193.1)
Issuance of long-term debt	**—**	1,234.0	**570.9**	1,434.2
Repayment of long-term debt and finance lease liabilities[2]	**(500.1)**	(3.6)	**(500.7)**	(12.9)
Payment of lease liabilities (principal portion)	**(62.0)**	—	**(231.5)**	—
Payment of transaction costs related to long-term debt	**(0.5)**	(4.4)	**(2.6)**	(6.4)
Repurchase of share capital	**(11.5)**	(116.4)	**(207.2)**	(398.4)
Proceeds on disposal of partial interest in CT REIT (Note 19)	**142.6**	—	**142.6**	—
Net proceeds from issue of trust units to non-controlling interests (Note 19)	**86.3**	—	**86.3**	—
Payments on financial instruments	**(5.4)**	(2.5)	**(35.3)**	(10.8)
Change in deposits	**(51.3)**	(21.8)	**22.1**	(50.4)
Cash (used for) generated from financing activities	**(147.8)**	1,053.0	**140.1**	1,127.9
Cash (used) generated in the period	**(394.0)**	94.9	**(283.8)**	(13.6)
Cash and cash equivalents, net of bank indebtedness, beginning of period	**580.6**	328.5	**470.4**	437.0
Cash and cash equivalents, net of bank indebtedness, end of period	**$ 186.6**	$ 423.4	**$ 186.6**	$ 423.4

[1] *Previously reported within Operating activities under IAS 17.*
[2] *Comparative number includes repayment of finance lease liabilities under IAS 17.*

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

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

(C$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income (loss): Cashflow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
December 29, 2018, as previously reported	**$ 591.5**	**$ 2.9**	**$ 92.0**	**$ (40.9)**	**$ 51.1**	**$ 3,720.7**	**$ 4,366.2**	**$ 1,048.8**	**$ 5,415.0**
Transition adjustments - IFRS 16 (Note 2)	**—**	**—**	**—**	**—**	**—**	**(246.9)**	**(246.9)**	**(0.1)**	**(247.0)**
Restated balance at December 30, 2018	**591.5**	**2.9**	**92.0**	**(40.9)**	**51.1**	**3,473.8**	**4,119.3**	**1,048.7**	**5,168.0**
Net income	**—**	**—**	**—**	**—**	**—**	**444.3**	**444.3**	**84.6**	**528.9**
Other comprehensive (loss)	**—**	**—**	**(62.7)**	**(80.6)**	**(143.3)**	**—**	**(143.3)**	**(6.3)**	**(149.6)**
Total comprehensive (loss) income	**—**	**—**	**(62.7)**	**(80.6)**	**(143.3)**	**444.3**	**301.0**	**78.3**	**379.3**
Transfers of cash flow hedge (gains) to non-financial assets	**—**	**—**	**(45.8)**	**—**	**(45.8)**	**—**	**(45.8)**	**—**	**(45.8)**
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 9)	**11.0**	**—**	**—**	**—**	**—**	**—**	**11.0**	**—**	**11.0**
Repurchase of Class A Non-Voting Shares (Note 9)	**(200.7)**	**—**	**—**	**—**	**—**	**—**	**(200.7)**	**—**	**(200.7)**
Excess of purchase price over average cost (Note 9)	**187.0**	**—**	**—**	**—**	**—**	**(187.0)**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**—**	**—**	**(191.5)**	**(191.5)**	**—**	**(191.5)**
Contributions and distributions to non-controlling interests									
Sale of ownership interests in the CT REIT business, net of transaction costs (Note 19)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**142.7**	**142.7**
Issuance of trust units to non-controlling interests, net of transaction costs	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**92.7**	**92.7**
Distributions and dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(60.3)**	**(60.3)**
Total contributions and distributions	**(2.7)**	**—**	**(45.8)**	**—**	**(45.8)**	**(378.5)**	**(427.0)**	**175.1**	**(251.9)**
Balance at September 28, 2019	**$ 588.8**	**$ 2.9**	**$ (16.5)**	**$ (121.5)**	**$ (138.0)**	**$ 3,539.6**	**$ 3,993.3**	**$ 1,302.1**	**$ 5,295.4**

(C$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income (loss): Cashflow hedges	Currency translation adjustment	Total accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
December 30, 2017, as previously reported	$ 615.7	$ 2.9	$ (37.5)	$ —	$ (37.5)	$ 4,169.3	$ 4,750.4	$ 823.3	$ 5,573.7
Transition adjustments - IFRS 15	—	—	—	—	—	(7.6)	(7.6)	—	(7.6)
Restated balance at December 30, 2017	615.7	2.9	(37.5)	—	(37.5)	4,161.7	4,742.8	823.3	5,566.1
Transition adjustments - IFRS 2 & 9	—	—	(0.8)	—	(0.8)	(351.1)	(351.9)	(81.9)	(433.8)
Restated balance at December 31, 2017	615.7	2.9	(38.3)	—	(38.3)	3,810.6	4,390.9	741.4	5,132.3
Net income	—	—	—	—	—	437.8	437.8	67.0	504.8
Other comprehensive income	—	—	58.8	(27.1)	31.7	—	31.7	1.9	33.6
Total comprehensive income	—	—	58.8	(27.1)	31.7	437.8	469.5	68.9	538.4
Transfers of cash flow hedge losses to non-financial assets	—	—	8.6	—	8.6	—	8.6	—	8.6
Contributions and distributions to shareholders of Canadian Tire Corporation									
Issuance of Class A Non-Voting Shares (Note 9)	9.0	—	—	—	—	—	9.0	—	9.0
Repurchase of Class A Non-Voting Shares (Note 9)	(402.1)	—	—	—	—	—	(402.1)	—	(402.1)
Excess of purchase price over average cost (Note 9)	378.6	—	—	—	—	(378.6)	—	—	—
Dividends	—	—	—	—	—	(174.7)	(174.7)	—	(174.7)
Contributions and distributions to non-controlling interests									
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	2.5	2.5
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(19.6)	(19.6)
Total contributions and distributions	(14.5)	—	8.6	—	8.6	(553.3)	(559.2)	(17.1)	(576.3)
Balance at September 29, 2018	$ 601.2	$ 2.9	$ 29.1	$ (27.1)	$ 2.0	$ 3,695.1	$ 4,301.2	$ 793.2	$ 5,094.4

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

1. The Company and its Operations

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

The Company comprises three main business operations, which offer a range of retail goods and services, including general merchandise, apparel, sporting goods, petroleum, Financial Services including a bank and real estate operations. Details of the Company's three reportable operating segments are provided in Note 5.

Quarterly net income and revenue are affected by seasonality. The fourth quarter typically generates the greatest contribution to revenue and earnings and the first quarter the least.

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2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements ("interim financial statements") for the 13 and 39 weeks ended September 28, 2019 (and comparative results for the 13 and 39 weeks ended September 29, 2018) have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* and therefore do not contain all disclosures required by International Financial Reporting Standards ("IFRS"). These interim financial statements should be read in conjunction with the Company's 2018 Consolidated Financial Statements and Notes and have been prepared using the same accounting policies described in Note 3 to the 2018 Consolidated Financial Statements and Notes, with the exception of the significant accounting policies adopted as a result of the initial application of IFRS 16 - *Leases* ("IFRS 16") on December 30, 2018, described within this note.

These interim financial statements were authorized for issuance by the Company's Board of Directors on November 6, 2019.

Basis of Presentation

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

- financial instruments at fair value through profit or loss ("FVTPL");
- derivative financial instruments;
- liabilities for share-based payment plans; and
- initial recognition of assets acquired and liabilities assumed in a business combination.

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

Functional and Presentation Currency

These interim consolidated financial statements are presented in Canadian dollars ("C$"), the Company's functional currency. Each of the Company's foreign subsidiaries determines its own functional currency and items included in the consolidated financial statements of each foreign subsidiary are measured using that functional currency. Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are accumulated as a component of equity. On the disposal of a foreign operation, or the loss of control, the component of accumulated other comprehensive income relating to that foreign operation is reclassified to net income.

Judgments and Estimates

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

- the application of accounting policies;
- the reported amounts of assets and liabilities;
- disclosures of contingent assets and liabilities; and
- the amounts of revenue and expenses recognized during the reporting periods.

Actual results may differ from estimates made in these interim financial statements.

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

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 2 to the Company's 2018 Consolidated Financial Statements and Notes with the exception of judgments and estimates relating to the adoption of IFRS 16, as described in Note 2 of the first quarter 2019 Condensed Interim Consolidated Financial Statements.

Standards, Amendments and Interpretations Issued and Adopted

Adoption of IFRS 16 - Leases

Effective in 2019, the Company adopted IFRS 16, issued in January 2016 and the related consequential amendments. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 - *Leases* ("IAS 17"), with the distinction between operating leases and finance leases being retained. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets and lease liabilities for all operating leases where the Company is a lessee. Assets and liabilities relating to finance leases on the date of transition remain unchanged. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on December 30, 2018. The prior year figures were not adjusted.

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

(C$ in millions)		As previously reported under IAS 17, December 29, 2018		IFRS 16 transition adjustments		Balance at December 30, 2018
Assets						
Trade and other receivables	$	933.3	$	14.8	$	948.1
Long-term receivables and other assets		742.6		85.0		827.6
Goodwill and intangible assets		2,272.0		(0.7)		2,271.3
Investment property		364.7		4.6		369.3
Property and equipment		4,283.2		(122.6)		4,160.6
Right-of-use assets		—		1,704.3		1,704.3
Deferred income taxes		215.8		74.0		289.8
Liabilities and equity						
Trade payables and other liabilities	$	2,425.0	$	(95.1)	$	2,329.9
Current portion of lease liabilities		—		311.4		311.4
Provisions		171.8		(1.1)		170.7
Current portion of long-term debt		553.6		(15.4)		538.2
Long-term lease liabilities		—		2,034.9		2,034.9
Long-term debt		4,000.3		(92.6)		3,907.7
Deferred income taxes		184.5		(16.1)		168.4
Other long-term liabilities		872.3		(119.6)		752.7
Retained earnings		3,720.7		(246.9)		3,473.8
Non-controlling interest		1,048.8		(0.1)		1,048.7

Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which have previously been classified as operating leases under the principles of IAS 17. These liabilities are measured at the present value of the remaining fixed lease payments, discounted using the lessee's incremental borrowing rate as of December 30, 2018. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the consolidated balance sheet on December 30, 2018 was 4.88 percent.

The following table reconciles the operating lease commitments as at December 29, 2018 to the opening balance of lease liabilities as at December 30, 2018:

(C$ in millions)		
Operating lease commitments as at December 29, 2018[1]	$	2,621.7
Add: finance lease liabilities recognized as at December 29, 2018		108.0
Add: adjustments as a result of a different treatment for extension and termination options		402.6
Effect of discounting using the lessee's incremental borrowing rate		(505.8)
Less: leases committed not yet commenced		(244.2)
Less: short-term, low-value asset leases and others		(36.0)
Lease liabilities recognized as at December 30, 2018	$	2,346.3

[1] *Includes operating lease commitments of $128.4 million relating to properties where the Company is an intermediate lessor in sublease arrangements.*

The associated right-of-use assets were primarily measured as if the standard had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application. Certain right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the balance sheet as at December 30, 2018.

In applying IFRS 16 for the first time, the Company used the practical expedients permitted by the standard as described in Note 2 of the first quarter 2019 Condensed Interim Consolidated Financial Statements.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as described in Note 2 of the first quarter 2019 Condensed Interim Consolidated Financial Statements.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 28, 2019 and, accordingly, have not been applied in preparing these interim financial statements.

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 - *Insurance Contracts* ("IFRS 17"), that replaces IFRS 4 - *Insurance Contracts* and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021; however, based on recent IASB meetings, an upcoming amendment to IFRS 17 and a deferral of the transition date by one year is anticipated. Early adoption is permitted. The Company is assessing the potential impact of this standard.

3. Capital Management

The Company's objectives when managing capital are:

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

The Company manages its capital structure over the long term to optimize the balance among capital efficiency, financial flexibility, and risk mitigation. Management calculates its ratios to approximate the methodologies of credit rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, Management monitors these ratios against targeted ranges.

The Company was in compliance with all financial covenants under its existing debt agreements as at September 28, 2019. Under these covenants, the Company has sufficient flexibility to support business growth.

Helly Hansen is required to comply with covenants established under its bank credit agreements and was in compliance with all financial covenants thereunder as at September 28, 2019.

CT Real Estate Investment Trust ("CT REIT") is required to comply with covenants established under its Trust Indenture, bank credit agreement and the Declaration of Trust and was in compliance with all financial covenants thereunder as at September 28, 2019.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB" or "the Bank"), a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain covenants established under its bank credit agreement and note purchase facilities. As at September 28, 2019, CTB was in compliance with all external regulatory capital requirements and all financial covenants under its bank credit agreement and note purchase facilities.

4. Liquidity and Financing

During the second quarter of 2019, the Company entered into a US dollar-denominated commercial paper program that allows it to issue up to a maximum aggregate principal amount of US$1.0 billion of short-term promissory notes in the United States. Funds can be borrowed under this program with terms to maturity ranging from one to 270 days. Any issuances made under the program will be issued at a discount and the notes will rank equally in right of payment with all other present and future unsecured and unsubordinated obligations to creditors of the Company.

As at September 28, 2019, the Company had US$410.0 million (C$ equivalent $542.9 million) of commercial paper notes outstanding.

During the current quarter, the term of CTC's committed bank line of credit totalling $1.975 billion was extended to August 2024 and the term of the Glacier Credit Card Trust ("GCCT") $300.0 million liquidity facility, which provides backstop protection to its Series 1997-1 asset-backed commercial paper program, was extended to August 2022.

As at September 28, 2019, GCCT had $295.3 million of asset-backed commercial paper notes outstanding.

As at September 28, 2019, the Company (excluding Helly Hansen and CT REIT) had no borrowings outstanding under its committed bank line of credit. Helly Hansen had a total of $71.4 million of C$ equivalent borrowings outstanding on its committed bank line of credit (180.0 million Norwegian Krone ["NOK']) and its factoring facility (309.4 million NOK), CT REIT had no borrowings under its committed bank line of credit and CTB had no borrowings outstanding under either of its committed bank line of credit or note purchase facilities.

Subsequent to September 28, 2019, CTB extended the term of its committed bank line of credit totalling $250.0 million to October 2022 and extended the terms of its committed note purchase facilities, for purchase of up to $2.0 billion of senior and subordinated notes issued by GCCT, to October 2022.

5. Operating Segments

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

- The retail business is conducted under a number of banners including Canadian Tire, Canadian Tire Gas ("Petroleum"), Mark's, PartSource, Helly Hansen, and various SportChek banners. Retail also includes the Dealer Loan Program (the portion [silo] of Franchise Trust that issues loans to Dealers). Non-CT REIT real estate is included in Retail.

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

- Financial Services issues Canadian Tire's Triangle branded credit cards, including Triangle Mastercard, Triangle World Mastercard and Triangle World Elite Mastercard. Financial Services also offers Cash Advantage Mastercard and Gas Advantage Mastercard products, markets insurance and warranty products, and provides settlement services to the Company's affiliates. Financial Services includes CTB, a federally-regulated financial institution that manages and finances the Company's consumer Mastercard and retail credit card portfolios, as well as an existing block of Canadian Tire branded line of credit loans. CTB also offers high-interest savings deposit accounts, TFSAs and GIC deposits, both directly and through third-party brokers. Financial Services includes GCCT, a structured entity established to purchase co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases.

Performance is measured based on segment income before income taxes, as included in internal management reports. Management has determined that this measure is the most relevant in evaluating segment results and allocating resources. Information regarding the results of each reportable operating segment is as follows:

For the	13 weeks ended									
	September 28, 2019					September 29, 2018[1]				
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$ 3,295.5**	**$ 13.2**	**$ 332.1**	**$ (4.1)**	**$ 3,636.7**	$ 3,307.1	$ 11.3	$ 315.3	$ (2.4)	$ 3,631.3
Inter-company revenue	**0.8**	**108.5**	**10.9**	**(120.2)**	**—**	2.8	106.4	10.3	(119.5)	—
Total revenue	**3,296.3**	**121.7**	**343.0**	**(124.3)**	**3,636.7**	3,309.9	117.7	325.6	(121.9)	3,631.3
Cost of producing revenue	**2,273.3**	**—**	**154.3**	**(19.5)**	**2,408.1**	2,307.8	—	115.8	(15.1)	2,408.5
Gross margin	**1,023.0**	**121.7**	**188.7**	**(104.8)**	**1,228.6**	1,002.1	117.7	209.8	(106.8)	1,222.8
Other (income) expense	**(13.3)**	**—**	**0.9**	**30.3**	**17.9**	(38.1)	—	(0.1)	33.5	(4.7)
Selling, general and administrative expenses	**802.1**	**27.2**	**79.1**	**(76.1)**	**832.3**	868.6	29.1	78.3	(105.1)	870.9
Net finance costs (income)	**63.6**	**27.4**	**(0.2)**	**(19.3)**	**71.5**	4.9	26.3	(0.3)	12.5	43.4
Fair value (gain) loss on investment properties	**—**	**(13.0)**	**—**	**13.0**	**—**	—	(16.8)	—	16.8	—
Income before income taxes	**$ 170.6**	**$ 80.1**	**$ 108.9**	**$ (52.7)**	**$ 306.9**	$ 166.7	$ 79.1	$ 131.9	$ (64.5)	$ 313.2
Items included in the above:										
Depreciation and amortization	**$ 203.5**	**$ —**	**$ 3.3**	**$ (43.3)**	**$ 163.5**	$ 83.6	$ —	$ 2.5	$ 14.4	$ 100.5
Interest income	**24.6**	**0.1**	**286.1**	**(17.1)**	**293.7**	21.4	—	264.9	(17.1)	269.2
Interest expense	**83.0**	**27.5**	**36.4**	**(52.5)**	**94.4**	21.6	26.3	31.2	(17.5)	61.6

[1] *Certain prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2).*

For the	39 weeks ended									
	September 28, 2019					September 29, 2018[1]				
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$ 9,216.8**	**$ 38.2**	**$ 972.1**	**$ (9.4)**	**$10,217.7**	$ 8,990.8	$ 34.1	$ 907.8	$ (5.7)	$ 9,927.0
Inter-company revenue	**3.8**	**327.1**	**29.0**	**(359.9)**	**—**	5.8	319.1	29.3	(354.2)	—
Total revenue	**9,220.6**	**365.3**	**1,001.1**	**(369.3)**	**10,217.7**	8,996.6	353.2	937.1	(359.9)	9,927.0
Cost of producing revenue	**6,449.0**	**—**	**450.4**	**(52.5)**	**6,846.9**	6,285.9	—	390.6	(42.8)	6,633.7
Gross margin	**2,771.6**	**365.3**	**550.7**	**(316.8)**	**3,370.8**	2,710.7	353.2	546.5	(317.1)	3,293.3
Other (income) expense	**(110.5)**	**—**	**1.4**	**93.7**	**(15.4)**	(122.0)	—	(0.9)	99.4	(23.5)
Selling, general and administrative expenses	**2,403.6**	**90.0**	**233.2**	**(233.0)**	**2,493.8**	2,500.2	90.6	247.8	(309.9)	2,528.7
Net finance costs (income)	**182.3**	**81.7**	**(0.7)**	**(62.5)**	**200.8**	(7.1)	78.3	(0.8)	36.4	106.8
Fair value (gain) loss on investment properties	**—**	**(36.7)**	**—**	**36.7**	**—**	—	(42.1)	—	42.1	—
Income before income taxes	**$ 296.2**	**$ 230.3**	**$ 316.8**	**$ (151.7)**	**$ 691.6**	$ 339.6	$ 226.4	$ 300.4	$ (185.1)	$ 681.3
Items included in the above:										
Depreciation and amortization	**$ 606.3**	**$ —**	**$ 9.6**	**$ (132.1)**	**$ 483.8**	$ 270.1	$ —	$ 7.7	$ 43.7	$ 321.5
Interest income	**79.7**	**0.2**	**829.6**	**(51.4)**	**858.1**	69.4	0.1	759.0	(55.0)	773.5
Interest expense	**246.3**	**81.9**	**103.0**	**(157.5)**	**273.7**	48.6	78.4	88.6	(55.9)	159.7

[1] *Certain prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2).*

The eliminations and adjustments include the following items:

- reclassifications of certain revenues and costs in the Financial Services segment to net finance (income) costs;
- conversion from CT REIT's fair value investment property valuation policy to the Company's cost model, including the recording of depreciation; and
- inter-segment eliminations and adjustments including inter-company leases, property management fees, and credit card processing fees.

While the Company primarily operates in Canada, following the acquisition of Helly Hansen, it also operates in foreign jurisdictions. Foreign revenue earned by Helly Hansen for the 13 and 39 weeks ended September 28, 2019 amounted to $145.9 million (2018 - $156.5 million) and $352.0 million (2018 - $156.5 million), respectively. Property and equipment, intangible assets (brand and goodwill) and right-of-use assets located outside of Canada was $1.0 billion as at September 28, 2019 (2018 - $1.0 billion).

Capital expenditures by reportable operating segment are as follows:

For the	**13 weeks ended**							
	September 28, 2019				September 29, 2018[2]			
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Total**	Retail	CT REIT	Financial Services	Total
Capital expenditures[1]	**$ 110.7**	**$ 19.1**	**$ 1.5**	**$ 131.3**	$ 137.6	$ 17.1	$ 2.5	$ 157.2

[1] Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual property additions and tenant allowances received.
[2] Prior year figures includes investments in finance lease assets.

For the	**39 weeks ended**							
	September 28, 2019				September 29, 2018[2]			
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Total**	Retail	CT REIT	Financial Services	Total
Capital expenditures[1]	**$ 300.5**	**$ 56.6**	**$ 7.6**	**$ 364.7**	$ 281.0	$ 93.6	$ 5.7	$ 380.3

[1] Capital expenditures are presented on an accrual basis and include software additions, but exclude right-of-use asset additions, acquisitions relating to business combinations, intellectual property additions and tenant allowances received.
[2] Prior year figures includes investments in finance lease assets.

Right-of-use asset additions by reportable operating segment are as follows:

For the	**13 weeks ended**							
	September 28, 2019				September 29, 2018			
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Total**	Retail	CT REIT	Financial Services	Total
Right-of-use asset additions[1]	**$ 20.4**	**$ —**	**$ —**	**$ 20.4**	$ —	$ —	$ —	$ —

[1] Not applicable for the prior year due to the initial application of IFRS 16 in 2019 (refer to Note 2).

For the	**39 weeks ended**							
	September 28, 2019				September 29, 2018			
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Total**	Retail	CT REIT	Financial Services	Total
Right-of-use asset additions[1]	**$ 176.9**	**$ —**	**$ —**	**$ 176.9**	$ —	$ —	$ —	$ —

[1] Not applicable for the prior year due to the initial application of IFRS 16 in 2019 (refer to Note 2)

Total assets by reportable operating segment are as follows:

(C$ in millions) As at	September 28, 2019	September 29, 2018[1]	December 29, 2018[1]
Retail	$ 16,157.9	$ 12,149.5	$ 11,894.3
CT REIT	6,001.9	5,676.7	5,708.7
Financial Services	6,370.3	6,255.4	6,345.6
Eliminations and adjustments	(8,914.7)	(6,608.4)	(6,661.8)
Total assets[2]	$ 19,615.4	$ 17,473.2	$ 17,286.8

[1] Prior period figures are not comparable due to the adoption of IFRS 16 in 2019 (refer to Note 2).
[2] The Company employs a shared-services model for several of its back-office functions including Finance, Information Technology, Human Resources, and Legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

Total liabilities by reportable operating segment are as follows:

(C$ in millions) As at	September 28, 2019	September 29, 2018[1]	December 29, 2018[1]
Retail	$ 10,199.5	$ 5,660.2	$ 5,239.3
CT REIT	2,715.3	2,689.2	2,623.8
Financial Services	5,381.6	5,280.4	5,407.1
Eliminations and adjustments	(3,976.4)	(1,251.0)	(1,398.4)
Total liabilities[2]	$ 14,320.0	$ 12,378.8	$ 11,871.8

[1] Prior period figures are not comparable due to the adoption of IFRS 16 in 2019 (refer to Note 2).
[2] The Company employs a shared-services model for several of its back-office functions including Finance, Information Technology, Human Resources, and Legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

The eliminations and adjustments include the following items:

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

6. Loans Receivable

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

(C$ in millions)	Total principal amount of receivables[1]		
As at	September 28, 2019	September 29, 2018	December 29, 2018
Credit card loans[2]	$ 5,574.2	$ 5,244.0	$ 5,484.2
Dealer loans[3]	661.1	655.5	662.0
Total loans receivable	6,235.3	5,899.5	6,146.2
Less: long-term portion[4]	637.1	621.8	634.9
Current portion of loans receivable	$ 5,598.2	$ 5,277.7	$ 5,511.3

[1] Amounts shown are net of allowance for loan impairment.
[2] Includes line of credit loans.
[3] Dealer loans primarily relates to loans issued by Franchise Trust.
[4] The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer loans of $635.2 million (September 29, 2018 – $617.0 million and December 29, 2018 – $633.7 million).

A continuity of the Company's allowances for loans receivable is as follows:

				2019
(C$ in millions)	12-month ECL[1] (Stage 1)	Lifetime ECL[1] - not credit-impaired (Stage 2)	Lifetime ECL[1] - credit-impaired (Stage 3)	Total
Balance at December 29, 2018	$ 253.0	$ 186.1	$ 325.5	$ 764.6
Increase (decrease) during the period				
Write-offs	(9.1)	(22.8)	(322.2)	(354.1)
Recoveries	—	—	62.0	62.0
New loans originated	15.4	—	—	15.4
Transfers				
to Stage 1	136.6	(94.7)	(41.9)	—
to Stage 2	(26.3)	34.5	(8.2)	—
to Stage 3	(20.3)	(29.1)	49.4	—
Net remeasurements	(47.8)	124.7	231.9	308.8
Balance at September 28, 2019	$ 301.5	$ 198.7	$ 296.5	$ 796.7

[1] *Expected Credit Loss ("ECL") model.*

				2018
(C$ in millions)	12-month ECL[1] (Stage 1)	Lifetime ECL[1] - not credit-impaired (Stage 2)	Lifetime ECL[1] - credit-impaired (Stage 3)	Total
Balance at December 30, 2017	$ —	$ —	$ —	$ 111.0
IFRS 9 adjustment				584.0
Balance at December 31, 2017	227.0	182.3	285.7	695.0
Increase (decrease) during the period				
Write-offs	(7.7)	(20.2)	(253.0)	(280.9)
Recoveries	—	—	55.1	55.1
New loans originated	36.4	—	—	36.4
Transfers				
to Stage 1	65.7	(50.3)	(15.4)	—
to Stage 2	(28.8)	31.9	(3.1)	—
to Stage 3	(21.4)	(27.1)	48.5	—
Net remeasurements	(30.6)	69.9	199.1	238.4
Balance at September 29, 2018	$ 240.6	$ 186.5	$ 316.9	$ 744.0

[1] *Expected Credit Loss ("ECL") model.*

Credit card loans are considered impaired when a payment is 90 days past due or there is sufficient doubt regarding the collectability of the outstanding balance. No collateral is held against loans receivable, except for loans to Dealers. The Bank continues to seek recovery on the majority of amounts that were written off during the period. The Bank pursues recovery unless it no longer has the right to collect, the receivable has been sold to a third party, or all reasonable efforts to collect have been exhausted.

The following table sets out information about the credit risk exposure of loans receivable:

				September 28, 2019
(C$ in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low risk	**$ 2,401.5**	**$ 67.8**	**$ —**	**$ 2,469.3**
Moderate risk	**1,929.7**	**138.2**	**—**	**2,067.9**
High risk	**897.2**	**332.2**	**604.3**	**1,833.7**
Total gross carrying amount	**5,228.4**	**538.2**	**604.3**	**6,370.9**
ECL allowance	**301.5**	**198.7**	**296.5**	**796.7**
Net carrying amount	**$ 4,926.9**	**$ 339.5**	**$ 307.8**	**$ 5,574.2**

				September 29, 2018
(C$ in millions)	Stage 1	Stage 2	Stage 3	Total
Low risk	$ 1,985.5	$ 206.4	$ —	$ 2,191.9
Moderate risk	1,784.9	252.5	—	2,037.4
High risk	782.7	307.7	668.3	1,758.7
Total gross carrying amount	4,553.1	766.6	668.3	5,988.0
ECL allowance	240.6	186.5	316.9	744.0
Net carrying amount	$ 4,312.5	$ 580.1	$ 351.4	$ 5,244.0

				December 29, 2018
(C$ in millions)	Stage 1	Stage 2	Stage 3	Total
Low risk	$ 2,119.3	$ 210.6	$ —	$ 2,329.9
Moderate risk	1,864.4	251.9	—	2,116.3
High risk	836.6	290.4	675.6	1,802.6
Total gross carrying amount	4,820.3	752.9	675.6	6,248.8
ECL allowance	253.0	186.1	325.5	764.6
Net carrying amount	$ 4,567.3	$ 566.8	$ 350.1	$ 5,484.2

During the 13 and 39 weeks ended September 28, 2019, the amount of cash received from interest earned on credit cards and loans was $261.1 million (2018 – $243.5 million) and $764.4 million (2018 - $709.0 million), respectively.

7. Property and Equipment

During the second quarter of 2019, the Company sold surplus property located in Ontario to a third party for $18.3 million, which consisted of $4.6 million in cash at closing and a vendor-take-back mortgage of $13.7 million due in two years.

8. Long-Term Debt

During the second quarter of 2019, GCCT completed the issuance of $560.0 million term notes that have an expected repayment date of June 6, 2024, consisting of $523.6 million principal amount of senior notes that bear an interest rate of 2.28 percent per annum and $36.4 million principal amount of subordinated notes that bear an interest rate of 3.43 percent per annum.

During the quarter, GCCT repaid $472.5 million of senior notes, which bore an interest rate of 2.568 percent per annum as well as $27.5 million of subordinated notes, which bore an interest rate of 3.068 percent per annum.

9. Share Capital

Share capital consists of the following:

(C$ in millions) As at	September 28, 2019	September 29, 2018	December 29, 2018
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (September 29, 2018 – 3,423,366; December 29, 2018 – 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
58,177,090 Class A Non-Voting Shares (September 29, 2018 – 60,725,958; December 29, 2018 – 59,478,460)	**588.6**	601.0	591.3
	$ 588.8	$ 601.2	$ 591.5

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

During 2019 and 2018, the Company issued and repurchased Class A Non-Voting Shares. The Company's share repurchases were made pursuant to its normal course issuer bid ("NCIB") program. Share repurchases are charged to share capital at the average cost per share outstanding and the excess between the repurchase price and the average cost is first allocated to contributed surplus, with any remainder allocated to retained earnings.

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

For the	13 Weeks Ended				39 Weeks Ended			
	September 28, 2019		September 29, 2018		September 28, 2019		September 29, 2018	
(C$ in millions)	Number	$	Number	$	Number	$	Number	$
Shares outstanding at beginning of the period	**58,212,090**	**$ 586.0**	61,416,558	$ 605.1	**59,478,460**	**$ 591.3**	63,066,561	$ 615.5
Issued under the dividend reinvestment plan and stock option plan	**24,227**	**3.2**	17,800	2.9	**79,032**	**11.0**	53,794	9.0
Repurchased[1]	**(59,227)**	**(8.0)**	(708,400)	(117.0)	**(1,380,402)**	**(200.7)**	(2,394,397)	(402.1)
Excess of repurchase price over average cost	**—**	**7.4**	—	110.0	**—**	**187.0**	—	378.6
Shares outstanding at end of the period	**58,177,090**	**$ 588.6**	60,725,958	$ 601.0	**58,177,090**	**$ 588.6**	60,725,958	$ 601.0

[1] *Repurchased shares, pursuant to the Company's NCIB program, have been restored to the status of authorized but unissued shares. The Company records shares repurchased on a transaction date basis.*

As of September 28, 2019, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $63.9 million (2018 – $57.7 million) at a rate of $1.0375 per share (2018 – $0.900 per share).

On November 6, 2019, the Company's Board of Directors declared dividends payable on March 1, 2020 to shareholders of record as of January 31, 2020.

10. Share-Based Payments

During the 39 weeks ended September 28, 2019, the Company granted the following share-based payment awards:

Stock options

The Company granted 439,492 (2018 - 302,160) stock options to certain employees. These stock options vest on a graduated basis over a three-year period, are exercisable over a term of seven years and have exercise prices of $144.35 and $134.16 (2018 - $177.09).

11. Revenue

Revenue by reportable operating segment is as follows:

For the	13 weeks ended									
	September 28, 2019					September 29, 2018[1]				
(C$ in millions)	Retail	CT REIT	Financial Services	Adjust-ments	Total	Retail	CT REIT	Financial Services	Adjust-ments	Total
Sale of goods	$ 3,170.9	$ —	$ —	$ —	$ 3,170.9	$ 3,179.1	$ —	$ —	$ —	$ 3,179.1
Interest income on loans receivable	5.2	—	285.7	(3.4)	287.5	4.8	—	264.6	(2.4)	267.0
Royalties and licence fees	15.4	—	—	—	15.4	15.6	—	—	—	15.6
Services rendered	3.6	—	46.4	—	50.0	4.1	—	50.7	—	54.8
Rental income	100.4	13.2	—	(0.7)	112.9	103.5	11.3	—	—	114.8
	$ 3,295.5	$ 13.2	$ 332.1	$ (4.1)	$ 3,636.7	$ 3,307.1	$ 11.3	$ 315.3	$ (2.4)	$ 3,631.3

[1] *Certain prior period figures have been reclassified to align with current year presentation.*

For the	39 weeks ended									
	September 28, 2019					September 29, 2018[1]				
(C$ in millions)	Retail	CT REIT	Financial Services	Adjust-ments	Total	Retail	CT REIT	Financial Services	Adjust-ments	Total
Sale of goods	$ 8,849.1	$ —	$ —	$ —	$ 8,849.1	$ 8,610.8	$ —	$ —	$ —	$ 8,610.8
Interest income on loans receivable	15.6	—	828.4	(8.7)	835.3	13.8	—	758.1	(5.7)	766.2
Royalties and licence fees	40.6	—	—	—	40.6	41.9	—	—	—	41.9
Services rendered	11.7	—	143.7	—	155.4	12.2	—	149.7	—	161.9
Rental income	299.8	38.2	—	(0.7)	337.3	312.1	34.1	—	—	346.2
	$ 9,216.8	$ 38.2	$ 972.1	$ (9.4)	$10,217.7	$ 8,990.8	$ 34.1	$ 907.8	$ (5.7)	$ 9,927.0

[1] *Certain prior period figures have been reclassified to align with current year presentation.*

Retail revenue breakdown is as follows:

For the	13 weeks ended		39 weeks ended	
(C$ in millions)	**September 28, 2019**	September 29, 2018	**September 28, 2019**	September 29, 2018
Canadian Tire	**$ 1,813.2**	$ 1,781.8	**$ 5,184.3**	$ 5,087.3
SportChek	**543.3**	528.5	**1,416.9**	1,390.9
Mark's	**266.6**	265.5	**798.0**	778.2
Helly Hansen	**211.7**	181.7	**451.1**	181.7
Petroleum	**504.5**	550.8	**1,426.1**	1,547.9
Other and intersegment eliminations	**(43.8)**	(1.2)	**(59.6)**	4.8
	$ 3,295.5	$ 3,307.1	**$ 9,216.8**	$ 8,990.8

Major customers

The Company does not rely on any one customer.

12. Cost of Producing Revenue

For the	13 weeks ended		39 weeks ended	
(C$ in millions)	**September 28, 2019**	September 29, 2018	**September 28, 2019**	September 29, 2018
Inventory cost of sales[1]	**$ 2,268.4**	$ 2,305.1	**$ 6,444.8**	$ 6,288.6
Net impairment loss on loans receivable	**105.6**	69.9	**309.4**	257.9
Finance costs	**16.7**	16.2	**50.2**	45.7
Other	**17.4**	17.3	**42.5**	41.5
	$ 2,408.1	$ 2,408.5	**$ 6,846.9**	$ 6,633.7

[1] *Inventory cost of sales includes depreciation for the 13 and 39 weeks ended September 28, 2019 of $2.6 million (2018 – $1.7 million) and $6.9 million (2018 - $4.8 million), respectively.*

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 and 39 weeks ended September 28, 2019, were $19.0 million (2018 – $15.2 million) and $39.2 million (2018 - $31.9 million), respectively.

Inventory writedowns recognized in prior periods and reversed in the 13 and 39 weeks ended September 28, 2019 were $1.5 million (2018 – $1.4 million) and $4.5 million (2018 - $3.6 million), respectively. The reversal of writedowns was the result of actual losses being lower than previously estimated.

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

13. Selling, General and Administrative Expenses

For the (C$ in millions)	13 weeks ended **September 28, 2019**	 September 29, 2018	39 weeks ended **September 28, 2019**	 September 29, 2018
Personnel expenses	**$ 335.7**	$ 339.4	**$ 981.7**	$ 947.3
Occupancy[1]	**97.9**	185.9	**313.7**	554.8
Marketing and advertising	**64.6**	67.8	**210.2**	208.6
Depreciation of property and equipment and investment property[2,3]	**68.7**	69.5	**203.5**	221.1
Depreciation of right-of-use assets	**64.7**	—	**192.5**	—
Amortization of intangible assets	**27.5**	29.3	**80.9**	95.6
Information systems	**46.9**	44.8	**139.2**	125.6
Other	**126.3**	134.2	**372.1**	375.7
	$ 832.3	$ 870.9	**$ 2,493.8**	$ 2,528.7

[1] *Prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2). Lease payments previously recorded as occupancy cost are now reflected as depreciation of right-of-use-assets (disclosed in this note) and finance costs on lease liabilities (Note 12).*
[2] *Refer to Note 12 for depreciation included in cost of producing revenue.*
[3] *Prior period includes depreciation on finance leases for the 13 and 39 weeks ended September 29, 2018 of $2.3 million and $7.3 million respectively, now reflected as depreciation of right-of-use assets in the current period due to the adoption of IFRS 16 (refer to Note 2).*

14. Net Finance Costs

For the (C$ in millions)	13 weeks ended **September 28, 2019**	 September 29, 2018	39 weeks ended **September 28, 2019**	 September 29, 2018
Finance (income)	**$ (4.6)**	$ (2.0)	**$ (18.1)**	$ (7.2)
Finance (income) on lease receivables[1]	**(1.6)**	—	**(4.6)**	—
Finance costs[2]	**51.4**	45.4	**142.7**	114.0
Finance costs on lease liabilities[3]	**26.3**	—	**80.8**	—
	$ 71.5	$ 43.4	**$ 200.8**	$ 106.8

[1] *Prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2). Relates to properties where the Company is an intermediate lessor in a sublease arrangement classified as a finance sublease under IFRS 16.*
[2] *Prior period includes interest on finance leases for the 13 and 39 weeks ended September 29, 2018 of $1.7 million and $5.4 million respectively, now reflected as finance costs on lease liabilities in the current period due to the adoption of IFRS 16 (refer to Note 2).*
[3] *Prior period figures are not comparable due to the adoption of IFRS 16 (refer to Note 2).*

15. Income Taxes

Income tax expense (benefit) recognized in other comprehensive income is as follows:

For the	13 weeks ended		39 weeks ended	
(C$ in millions)	**September 28, 2019**	September 29, 2018	**September 28, 2019**	September 29, 2018
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges not subject to basis adjustment	**$ 0.3**	$ 1.0	**$ (7.8)**	$ 2.7
Deferred cost of hedging not subject to basis adjustment - Changes in fair value of the time value of an option in relation to time-period related hedged items	**(0.6)**	(0.3)	**(3.7)**	(0.7)
Reclassification of gains (losses) to income	**0.1**	1.0	**(0.1)**	1.6
Net fair value gains (losses) on hedging instruments entered into for cash flow hedges subject to basis adjustment	**7.3**	(8.7)	**(13.5)**	18.5
	$ 7.1	$ (7.0)	**$ (25.1)**	$ 22.1

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

During the second quarter, the Company reached an agreement with the Ontario Ministry of Finance relating to the tax treatment of income earned by a foreign affiliate of the Company for the 2004 and 2005 taxation years. As a result of the settlement, the Company recorded an income tax recovery of $3.3 million (2018 - nil) and pre-tax interest income earned on the overpayment of taxes of $6.9 million (2018 - nil).

The Company regularly reviews the potential for adverse outcomes with respect to tax matters. The Company believes that the ultimate disposition of these matters will not have a material adverse effect on its liquidity, consolidated financial position, or net income because the Company has determined that it has adequate provision for these tax matters. Should the ultimate tax liability materially differ from the provision, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved.

16. Notes to the Condensed Interim Consolidated Statements of Cash Flows

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

(C$ in millions)

As at	**September 28, 2019**	September 29, 2018	December 29, 2018
Cash	**$ 117.8**	$ 75.6	$ 125.2
Cash equivalents	**97.9**	361.4	324.8
Restricted cash and cash equivalents[1]	**10.5**	9.4	20.4
Total cash and cash equivalents[2]	**226.2**	446.4	470.4
Bank indebtedness	**(39.6)**	(23.0)	—
Cash and cash equivalents, net of bank indebtedness	**$ 186.6**	$ 423.4	$ 470.4

[1] Restricted cash and cash equivalents relates to GCCT - restricted for the purpose of paying note holders and additional funding costs $5.6 million (September 29, 2018 - $5.9 million and December 29, 2018 - $16.2 million) and other operational items $4.9 million (September 29, 2018 - $3.5 million and December 29, 2018 - $4.2 million).

[2] Included in cash and cash equivalents are amounts held in reserve in support of Financial Services' liquidity and regulatory requirements.

The total cash outflow for leases during the 13 and 39 weeks ended September 28, 2019 was $73.2 million and $311.1 million respectively.

Capital Commitments

As at September 28, 2019, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately $235.3 million (2018 – $205.4 million).

17. Financial Instruments

17.1 Fair Value of Financial Instruments

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

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

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

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

Investments in Debt Securities

The fair values of financial assets traded in active markets are determined by reference to their quoted closing bid price or dealer price quotations at the reporting date. For investments that are not traded in active markets, the Company determines fair values using a combination of discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models.

Derivatives

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

The fair value of interest rate swaps and swaptions reflects the estimated amounts the Company would receive or pay if it were to settle the contracts at the measurement date and is determined by an external service provider using valuation techniques based on observable market input data.

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

Redeemable Financial Instrument

The fair value of the redeemable financial instrument is calculated based on a discounted cash flow model using normalized earnings attributable to the Financial Services business, adjusted for any undistributed earnings and Scotiabank's proportionate interest in the Financial Services business. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy. Refer to Note 3 and Note 32 to the Company's 2018 Consolidated Financial Statements and Notes for further information regarding this financial instrument.

17.2 Fair Value of Financial Assets and Financial Liabilities Classified Using the Fair Value Hierarchy

The Company uses a fair value hierarchy to categorize the inputs used to measure the fair value of financial assets and financial liabilities.

The following table presents the financial instruments measured at fair value classified by the fair value hierarchy:

(C$ in millions)

As at		**September 28, 2019**			September 29, 2018			December 29, 2018		
Balance sheet line	**Category**	**Level**			Level			Level		
Trade and other receivables	FVTPL[1]	**2**	**$**	**16.3**	2	$	11.2	2	$	25.1
Trade and other receivables	Effective hedging instruments	**2**		**20.0**	2		45.6	2		121.8
Long-term receivables and other assets	FVTPL[1]	**2**		**—**	2		11.3	2		7.7
Long-term receivables and other assets	Effective hedging instruments	**2**		**23.3**	2		22.9	2		37.1
Trade and other payables	FVTPL[1]	**2**		**9.4**	2		13.8	2		16.7
Trade and other payables	Effective hedging instruments	**2**		**13.3**	2		6.8	2		4.7
Redeemable financial instrument	FVTPL	**3**		**567.0**	3		517.0	3		567.0
Other long-term liabilities	Effective hedging instruments	**2**		**4.0**	2		3.1	2		5.0

[1] *Relates to derivatives not designated as hedging instruments.*

There were no transfers in either direction among categories during the 13 and 39 weeks ended September 28, 2019 or the 13 and 39 weeks ended September 29, 2018.

17.3 Fair Value Measurement of Investments, Debt and Deposits

The fair value measurement of investments, debt, and deposits is categorized within Level 2 of the fair value hierarchy described in Note 32.2 to the Company's 2018 Consolidated Financial Statements and Notes. The fair values of the Company's investments, debt and deposits compared to the carrying amounts are as follows:

As at	**September 28, 2019**		September 29, 2018		December 29, 2018	
(C$ in millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments	**$ 233.3**	**$ 233.5**	$ 151.3	$ 151.4	$ 183.7	$ 183.7
Long-term investments	**116.0**	**116.4**	175.3	176.3	152.7	153.4
Debt	**4,517.2**	**4,757.9**	4,825.4	4,887.1	4,553.9	4,603.9
Deposits	**2,496.3**	**2,515.7**	2,339.2	2,316.5	2,471.2	2,450.4

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

18. Contingencies

Legal Matters

The Company is party to a number of legal and regulatory proceedings. The Company has determined that each such proceeding constitutes a routine matter incidental to the business conducted by the Company and that the ultimate disposition of the proceedings will not have a material effect on its consolidated net income, cash flows, or financial position.

The Bank's commodity tax assessments for the years 2011 through 2015 have been appealed to the Tax Court of Canada. In addition, the 2016 and 2017 tax years have also been reassessed and Management is taking the necessary steps to add them to the appeal. The Bank is of the view that certain credit card processing services are exempt financial services under the *Excise Tax Act* (Canada). Although the Court has recently ruled in a proceeding unrelated to the Bank that similar processing services are subject to Federal and Quebec sales taxes, that decision is currently under appeal and the Bank is of the view that there is a more likely than not chance that its position will be accepted by the Courts and the services will be viewed as exempt financial services. Accordingly, no provision has been made for amounts that would be payable in the event of an adverse outcome. If the Court rules against the Bank, the total aggregate exposure as of the third quarter of 2019 would not be significant.

19. Subsidiaries

Change in the Company's Ownership Interest in a Subsidiary

During the quarter, the Company reduced its interest in CT REIT from 76.1% to 69.3% and CT REIT completed a treasury unit offering, for gross proceeds of approximately $150.1 million and $90.0 million and net transaction costs of $7.4 million and $3.8 million, respectively. As a result, $228.9 million has been transferred to non-controlling interests.

20. Subsequent Events

On October 1, 2019, the Company acquired the brand, store network and employee base, leaseholds, and fixed assets of Party City in Canada for $174.4 million. Party City is a leading, one-stop shopping destination for party supplies, and an expert in seasonal and micro-seasonal celebrations, with 65 Canadian retail stores in seven provinces.

Given the transaction closed on October 1, 2019, as at the date of the condensed interim consolidated financial statements, the Company does not have sufficient information to complete the purchase price accounting and pro-forma revenue and profit or loss disclosures.

The Company has incurred acquisition-related costs of $2.3 million for the quarter relating to external legal, consulting fees and due diligence costs. These costs have been included in selling, general and administrative expenses in the condensed interim consolidated statements of income.