

Management's Discussion and Analysis

Canadian Tire Corporation, Limited

Third Quarter 2017

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, Mark’s[®], Sport Chek[®], Sports Experts[®], Atmosphere[®], and Pro Hockey Life (“PHL”).

In this document:

“Canadian Tire” refers to the general merchandise retail and services businesses carried on under the Canadian Tire and PartSource 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.

“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”).

“FGL Sports” refers to the retail business carried on by FGL Sports Ltd., and “FGL Sports[®] stores” including stores operated under the Sport Chek, Sports Experts, Atmosphere, PHL, National Sports, Sports Rousseau, and Hockey Experts names and trademarks.

“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.

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

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 forecast 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 8, 2017.

1.4 Quarterly and annual comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q3 2017 (13 and 39 weeks ended September 30, 2017) are compared against results for Q3 2016 (13 and 39 weeks ended October 1, 2016).

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 of 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 9.1 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.

Retail sales is one of these key operating performance measures and refers to the Point of Sale (“POS”) (i.e. cash register) value of all goods and services sold to retail customers at stores operated by Canadian Tire Associate Dealers (“Dealers”), Mark’s and FGL Sports franchisees, and Petroleum retailers, at corporately owned stores across all retail banners, of services provided as part of the Home Services offering, and of goods sold through the Company’s online sales channels, and in aggregate does not form part of the Company’s condensed interim consolidated financial statements. 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 indicators of the strength of the Company’s brand, which ultimately impacts its consolidated financial performance. Refer to section 9.3.1 for additional information on retail sales.

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 FGL Sports, the sale of gasoline through Petroleum retailers, the sale of goods to retail customers by stores that are corporately owned under the Mark’s, PartSource, and FGL Sports banners, the sale of services through the Home Services business, the sale of goods to customers through a business-to-business operation 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.

The Company also evaluates its performance based on the effective utilization of its assets. A common metric used to evaluate the performance of core retail assets is average sales per square foot. Comparison of sales per square foot over several periods will identify whether existing assets are more productive by the retail businesses’ introduction of new store layouts and merchandising strategies. In addition, Management believes that return on invested capital (“ROIC”), analyzed on a rolling 12-month basis, reflects how well the Company allocates capital toward profitable retail investments. Retail ROIC can be compared to CTC’s cost of capital to determine whether invested capital was used effectively. Refer to section 9.3.1 for additional information on Retail ROIC.

Management calculates and analyzes certain measures to assess the size, profitability, and quality of Financial Services’ total-managed portfolio of receivables. Growth in the total-managed portfolio of receivables is measured by growth in the average number of accounts and growth in the average account balance. A key profitability measure the Company tracks is the return on the average total-managed portfolio (also referred to as “return on receivables” or “ROR”). Refer to section 9.3.1 for a description of ROR.

Aspirations with respect to retail sales, Retail ROIC, and ROR have been included in our financial aspirations for the three years ending in 2017. Refer to section 3.0 in this MD&A for the financial aspirations, assumptions, and related risks.

Additionally, the Company considers earnings before interest, tax, depreciation and amortization, and any change in fair value of the redeemable financial instrument (“Adjusted EBITDA”) to be an effective measure of CTC’s profitability on an operational basis. Adjusted EBITDA is a non-GAAP financial metric and is commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses. Refer to section 9.3.2 for a schedule showing the relationship of the Company’s consolidated Adjusted EBITDA to the most comparable GAAP measure.

In the CT REIT segment, certain income and expense measurements recognized under GAAP are supplemented by Management's use of certain non-GAAP measures when analyzing operating performance. Management believes the non-GAAP measures provide useful information to both Management and investors in measuring the financial performance and financial condition of CT REIT. These measures include funds from operations ("FFO"), adjusted funds from operations ("AFFO"), and net operating income ("NOI"). Refer to section 9.3.2 for further information and for a reconciliation of these measures to the nearest GAAP measure.

1.8 Rounding and percentages

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

2.0 Company and industry overview

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 MD&A contained in the Company's 2016 Report to Shareholders, available on the Company's website (www.corp.canadiantire.ca/en/investors), and SEDAR (www.sedar.com).

3.0 Three-Year (2015 to 2017) financial aspirations

For a description of the Company's new three-year (2018-2020) financial aspirations refer to section 13.0 of this MD&A.

Financial aspirations: 2015 to 2017

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

The Company announced its three-year growth strategy and financial aspirations for fiscal years 2015 to 2017 in October 2014. The Company aims to achieve these aspirations within the stated three-year period and it is expected that performance in individual fiscal years within that period will vary. On a quarterly basis, Management reviews the significant risks and key underlying assumptions that might impact the achievement of its aspirational targets over the three-year period. Annually, the Company reports on the progress toward achievement of the stated aspirations. The financial aspirations are outlined below:

Financial Measure	Annual Aspiration
Canadian Tire retail sales annual growth	3%+
Mark's retail sales annual growth	5%+
FGL Sports retail sales annual growth	9%+
Financial Services return on receivables	6%+

In light of the current year sales results at FGL Sports, it is unlikely that its annual sales growth aspiration will be realized in 2017.

Financial Measure	Aspiration over 3-year period 2015 to 2017
Average diluted EPS growth ¹	8% to 10%
Retail return on invested capital	9%+

¹ Average diluted EPS growth is calculated using normalized diluted EPS.

Given the change in economic conditions since the financial aspirations were announced, Management is pleased with the focused effort that has been made to improve its Retail ROIC metric. Despite the deterioration of the Alberta economy and the decline in the value of the Canadian dollar compared to the U.S. dollar, third quarter reported ROIC increased to 8.86%.

There have been no other material changes to the key assumptions and significant risks that support the Company's financial aspirations. Based on its assessment as at the date of this MD&A, and as qualified above, Management's current view of its key assumptions and significant risks that support the Company's financial aspirations are outlined below:

1. Annual retail sales growth of 3+ percent at Canadian Tire, 5+ percent at Mark's, and 9+ percent at FGL Sports
<p>Key assumptions:</p> <ul style="list-style-type: none"> • Strong and consistent same-store sales growth across core retail businesses • Retail square footage growth at Canadian Tire and Mark's in line with recent years • Continued Sport Chek network expansion • Growth in eCommerce sales across all retail banners • Positive customer response to brand and product-focused marketing, in-store merchandising, category specific tactical growth initiatives, and digital initiatives • Effective use of loyalty program customer shopping data to create targeted customer offerings and enhance in-store experience
<p>Significant risks:</p> <ul style="list-style-type: none"> • Limitations on availability of preferred retail locations due to continued competition and demand for retail space in Canada • Increased competition due to expanding and new U.S. retailers, new and existing online competitors, or a significant change in the Canadian retail landscape • Decline in economic growth, consumer confidence, and household spending • The competitiveness of the Company's loyalty programs • Customers' willingness to participate in and the relative attractiveness of the Company's marketing offers • Impact of commodity prices and other factors on the economic condition of various geographic or customer segments
2. Average diluted EPS growth of 8 to 10 percent over the three-year period
<p>Key assumptions:</p> <ul style="list-style-type: none"> • Realization of retail sales growth aspirations • Increased bottom-line earnings across all businesses through strong margin management, operating expense growth in line with revenue growth, and growth in gross average accounts receivable ("GAAR") in the Financial Services segment • Realization of cost savings and benefits from initiatives aimed at improving gross margin and operating expenses, including Dealer contract initiatives and Company-wide operating efficiency initiatives
<p>Significant risks:</p> <ul style="list-style-type: none"> • Revenue growth not achieved; refer to significant risks associated with retail sales aspirations described above • Increased costs relating to foreign exchange and global sourcing of key products impacting the Company's ability to maintain or reduce operating, supply chain, and/or product costs • Inability to achieve enhanced purchasing efficiencies and reduced overhead expenses • 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 • GAAR growth could be challenged by new regulations and adverse economic conditions
3. Financial Services return on receivables of 6+ percent annually
<p>Key assumptions:</p> <ul style="list-style-type: none"> • Continued GAAR growth • Customers respond positively to new marketing initiatives, including enhanced loyalty program and in-store financing across the retail banners • Continued prudent expense management
<p>Significant risks:</p> <ul style="list-style-type: none"> • Decline in economic growth, consumer confidence, and household spending • Higher credit or default risk resulting in incremental allowance for future write-offs • GAAR growth could be challenged by new regulations and adverse economic conditions
4. Retail return on invested capital of 9+ percent by the end of 2017
<p>Key assumptions:</p> <ul style="list-style-type: none"> • Growth in retail earnings due to sales growth and successful execution of operating efficiency initiatives that increase retail gross margin and reduce operating expense as a percentage of revenue • Increased return from existing assets including enhanced same-store productivity and prudent working capital management • Continued successful investments in businesses to achieve organic growth and in projects and initiatives to improve returns • Average annual operating capital expenditures of \$450 million to \$500 million over the three-year period (updated from the original assumption of an investment between \$600 million and \$625 million, over the three-year period, given actual spend for 2015 and 2016 and the revised forecasts for 2017 operating capital expenditures)
<p>Significant risks:</p> <ul style="list-style-type: none"> • Earnings growth not achieved; refer to significant risks associated with retail sales and EPS growth aspirations described above • Increased capital investment due to inorganic growth opportunities that the Company may pursue

4.0 2017 Strategic imperatives

As outlined in section 6.0 of the MD&A contained in the Company's 2016 Report to Shareholders, the Company has been pursuing the following strategic imperatives and key initiatives in 2017 which support the achievement of the three-year (2015-2017) financial aspirations. These imperatives and initiatives are aligned with the Company's focus of being the undisputed number one retail brand in Canada by building strong connections with customers over their lifetime, providing a unique portfolio of world-class products and brands, and offering a unique customer experience while preparing customers for the jobs and joys for a lifetime in Canada.

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

1. Achieve sustainable growth by strengthening the Company's brands and product offerings and enhancing customer experiences (connections)

The Company is committed to being a "brand and product-led" organization and being the conduit between customers and the best portfolio of world-class products and brands. Management believes that the strength and value of the Company's brands are directly correlated to the strength of its business results. Successful achievement of the initiatives supporting this strategic imperative will enhance the public's awareness of the Company's brands and their perception that the Company's product offerings support Canadians throughout their lifetime.

2017 Initiatives

- Continue to drive sales and revenue across all banners through ongoing category management, new product brands and assortments, and enhanced in-store and digital experiences
- Continue to evolve the Company's retail eCommerce capabilities to drive sales growth and provide customers with access to the shopping channels and experiences that they want
- Pursue additional opportunities to integrate the financial services business with the Company's retail operations driving both retail sales, new accounts, and increased engagement with the Company's loyalty program
- Activate sports and community partnerships to keep the Company's brand elevated in the minds of Canadians
- Through the Consumer Brands division, continue to develop and offer high-quality, innovative owned brand assortments and pursue selective acquisitions that strengthen and grow the existing portfolio of brands across the Company's retail businesses

2. Drive profitability, operational excellence, and increased efficiencies in core businesses

The Company continues to focus on driving organic growth and operational efficiency within its four core banners: Canadian Tire, FGL Sports, Mark's, and Financial Services. Through various operational excellence initiatives, the Company expects to identify opportunities to implement new processes and technology that will drive ongoing improvements across the organization as well as higher profitability.

2017 Initiatives

- Achieve sustainable and profitable growth through operational efficiency initiatives that target the Company's operating expense structure and gross margin performance
- Become a world-class online destination with omni-channel and fulfillment options that meet evolving customer expectations
- Identify opportunities across the organization to consolidate functions and areas of expertise to build centres of excellence that support all banners
- Allocate capital through a balanced approach to maximize growth and long-term shareholder returns
- Identify opportunities within the current store network to make existing stores more profitable
- Continue to invigorate GAAR growth by investing in in-store financing and offers that drive sales at the Company's physical retail stores and drive new accounts or increase account balances at Financial Services

3. Transform the business by developing a high-performing, talented, and results-oriented corporate culture

The Company believes its success is closely tied to the quality of its leadership and is committed to attracting, developing, and retaining world-class talent that will drive growth in the business and foster a compelling corporate culture. The Company will continue to develop or acquire talent in key areas such as digital retailing, marketing, and data analytics in order to drive growth in its core businesses.

2017 Initiatives

- Attract, develop, and manage future leadership talent to build required capabilities and expertise to bring the Company into the new world of retail
- Engage employees to stimulate innovation and growth and collaborate across businesses where relevant
- Invest in talent to advance eCommerce, fulfillment, data analytics, and predictive marketing capabilities to fulfill customer experience expectations and win in omni-channel
- Deepen customer connections in communities across the country to focus on and expand customer lifecycle engagement

5.0 Financial performance

5.1 Consolidated financial performance

Non-operational items

The results of operations in the current and previous quarters and year-to-date ended September 30, 2017 and October 1, 2016 did not include material non-operational items. As a result, the Company has not included a measure of “normalized” earnings or “normalized” diluted EPS in this MD&A.

5.1.1 Consolidated financial results

(C\$ in millions, except where noted)	Q3 2017	Q3 2016	Change	YTD Q3 2017	YTD Q3 2016	Change
Retail sales ¹	\$ 3,701.1	\$ 3,521.6	5.1 %	\$ 10,381.4	\$ 9,987.1	3.9 %
Revenue	\$ 3,303.9	\$ 3,128.4	5.6 %	\$ 9,470.9	\$ 9,040.0	4.8 %
Gross margin dollars	\$ 1,120.6	\$ 1,071.6	4.6 %	\$ 3,244.5	\$ 3,095.8	4.8 %
Gross margin as a % of revenue	33.9%	34.3%	(34) bps	34.3%	34.2%	1 bps
Other expense	\$ —	\$ 1.1	(94.6)%	\$ 0.5	\$ (6.7)	(107.8)%
Selling, general and administrative expenses	822.3	779.4	5.5 %	2,453.3	2,381.1	3.0 %
Net finance costs	31.5	24.8	27.3 %	82.5	68.5	20.5 %
Income before income taxes	\$ 266.8	\$ 266.3	0.2 %	\$ 708.2	\$ 652.9	8.5 %
Income taxes	68.3	68.5	(0.1)%	184.8	170.5	8.4 %
Effective tax rate	25.6%	25.7%		26.1%	26.1%	
Net income	\$ 198.5	\$ 197.8	0.3 %	\$ 523.4	\$ 482.4	8.5 %
Net income attributable to:						
Shareholders of Canadian Tire Corporation	\$ 176.6	\$ 176.4	0.2 %	\$ 459.3	\$ 422.3	8.8 %
Non-controlling interests	21.9	21.4	1.9 %	64.1	60.1	6.6 %
	\$ 198.5	\$ 197.8	0.3 %	\$ 523.4	\$ 482.4	8.5 %
Basic EPS	\$ 2.59	\$ 2.45	5.9 %	\$ 6.63	\$ 5.80	14.3 %
Diluted EPS	\$ 2.59	\$ 2.44	5.9 %	\$ 6.62	\$ 5.79	14.3 %
Weighted average number of Common and Class A Non-Voting Shares outstanding:						
Basic	68,099,921	71,980,635	NM ²	69,243,297	72,779,775	NM ²
Diluted	68,252,446	72,145,192	NM ²	69,433,042	72,976,210	NM ²

¹ Key operating performance measure. Refer to section 9.3.1 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 14 of the annual consolidated financial statements contained in the Company's 2016 Report to Shareholders.

(C\$ in millions)	Q3 2017	Q3 2016	YTD Q3 2017	YTD Q3 2016
Financial Services				
Non-controlling interest percentage 20.0% (2016 - 20.0%)	\$ 14.5	\$ 13.7	\$ 43.1	\$ 40.2
CT REIT				
Non-controlling interest percentage 14.5% (2016 - 14.9%)	5.7	5.7	17.5	16.2
Retail segment subsidiary				
Non-controlling interest percentage 50.0% (2016 - 50.0%)	1.7	2.0	3.5	3.7
Net income attributable to non-controlling interests	\$ 21.9	\$ 21.4	\$ 64.1	\$ 60.1

Consolidated third-quarter 2017 versus third-quarter 2016

Earnings summary

Diluted EPS was \$2.59 in the quarter, an increase of \$0.15 per share, or 5.9 percent, compared to the prior year. The earnings performance reflects increased revenue and gross margin dollars from the Retail and Financial Services segments, partially offset by higher selling, general and administrative expenses, including the cost of operating the Bolton distribution centre ("Bolton DC"), which commenced operations on July 3, 2017. Diluted EPS benefited from the favourable impact of share repurchases, which resulted in a lower share base.

Retail sales

Consolidated retail sales increased \$179.5 million, or 5.1 percent, which includes a 10.0 percent increase in Petroleum retail sales primarily due to higher per litre gas prices. Excluding Petroleum consolidated retail sales increased 4.3 percent, reflecting increased sales at Canadian Tire, Mark's, and FGL Sports. Refer to section 5.2 for further information regarding Retail segment sales in the quarter.

Revenue

Consolidated revenue increased \$175.5 million, or 5.6 percent, which includes a \$47.6 million increase in Petroleum revenue primarily due to higher per litre gas prices. Excluding Petroleum consolidated revenue increased 4.7 percent, primarily due to increased revenue across all Retail banners and in the Financial Services segment. Refer to sections 5.2 and 5.4 for further information regarding revenue in the Retail and Financial Services segments.

Gross margin

Consolidated gross margin dollars increased \$49.0 million, or 4.6 percent, driven by increased revenue at Canadian Tire, Mark's, and FGL Sports, and in the Financial Services segment. The consolidated gross margin rate decrease of 34 basis points reflects a lower gross margin rate in Petroleum. Excluding Petroleum the gross margin rate was flat compared to last year. Refer to sections 5.2 and 5.4 for further information regarding gross margin in the Retail and Financial Services segments.

Selling, general and administrative expenses

Consolidated selling, general and administrative expenses increased \$42.9 million, or 5.5 percent, primarily due to higher year-over-year occupancy expense due to a larger than typical property tax refund received in the prior year, increased costs relating to the Bolton DC, which commenced operations in July 2017, and the execution of planned investment in the business to support the Company's strategic initiatives. Prior year expenses included severance costs associated with organizational changes and costs related to the Rio Olympics.

Income taxes

The effective tax rate decreased to 25.6 percent from 25.7 percent in the prior year. Refer to Tax Matters in section 8.0 of this MD&A for further details.

Consolidated year-to-date 2017 versus year-to-date 2016

Consolidated year-to-date net income attributable to owners of CTC increased \$37.0 million, or 8.8 percent, over the prior year. The increase in earnings reflects year-to-date retail sales and revenue growth across all Retail segment banners and the Financial Services segment. Increased earnings were partially offset by increased selling, general and administrative expenses, lower real estate gains than in the prior year, and higher net finance costs.

5.1.2 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 9.3.1 in this MD&A for definitions and further information.

(C\$ in millions)				YTD		Change
	Q3 2017	Q3 2016	Change	Q3 2017	Q3 2016	
Net income attributable to Shareholders of Canadian Tire Corporation	\$ 176.6	\$ 176.4	0.2%	\$ 459.3	\$ 422.3	8.8%
Adjusted EBITDA ¹	\$ 417.7	\$ 402.7	3.8%	\$ 1,135.3	\$ 1,055.2	7.6%
Selling, general and administrative expenses (excluding depreciation and amortization) as a % of revenue ²	21.3%	21.4%	(10) bps	22.3%	22.7%	(40) bps
Adjusted EBITDA ¹ as a % of revenue	12.6%	12.9%	(22) bps	12.0%	11.7%	32 bps

¹ Adjusted EBITDA is a non-GAAP measure; refer to section 9.3.2 in this MD&A for a reconciliation of Adjusted EBITDA to net income attributable to shareholders of Canadian Tire Corporation and additional information.

² Selling, general and administrative expenses exclude depreciation and amortization of \$117.7 million in Q3 2017 (2016 - \$109.4 million) and \$339.6 million Q3 YTD (2016 - \$327.7 million).

In the quarter, selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue decreased 10 basis points compared to the prior year. Excluding Petroleum revenue, selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue increased 10 basis points compared to the prior year. On a year-to-date basis, selling, general and administrative expense (excluding depreciation and amortization) as a percentage of revenue decreased 40 basis points. Excluding Petroleum revenue this measure decreased 21 basis points compared to the prior year as a result of revenue growth outpacing growth in expenses due to the strong performance of the Retail and Financial Services segments.

In the quarter Adjusted EBITDA increased while Adjusted EBITDA as a percentage of revenue decreased 22 basis points. Year to date Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue increased compared to the prior year due to the strong performance in the Retail and Financial Services segments.

5.1.3 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, largely due to the seasonal nature of certain merchandise and the timing of marketing programs in the retail businesses. In the first quarter, retail revenue is approximately 20 percent of total annual revenue and retail earnings is typically less than five percent of the total annual earnings for the Retail segment. The following table shows the 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 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Revenue	\$ 3,303.9	\$ 3,413.5	\$ 2,753.5	\$ 3,641.0	\$ 3,128.4	\$ 3,352.2	\$ 2,559.4	\$ 3,380.2
Net income	198.5	217.0	107.9	265.1	197.8	199.0	85.6	241.5
Basic EPS	2.59	2.82	1.24	3.47	2.45	2.47	0.90	3.02
Diluted EPS	2.59	2.81	1.24	3.46	2.44	2.46	0.90	3.01

5.2 Retail segment performance

5.2.1 Retail segment financial results

(C\$ in millions)				YTD		
	Q3 2017	Q3 2016	Change	Q3 2017	Q3 2016	Change
Retail sales ¹	\$ 3,701.1	\$ 3,521.6	5.1 %	\$ 10,381.4	\$ 9,987.1	3.9 %
Revenue	\$ 2,978.5	\$ 2,822.7	5.5 %	\$ 8,515.8	\$ 8,120.6	4.9 %
Gross margin dollars	\$ 898.7	\$ 863.6	4.1 %	\$ 2,586.6	\$ 2,479.4	4.3 %
Gross margin as a % of revenue	30.2%	30.6%	(42) bps	30.4%	30.5%	(16) bps
Other (income)	\$ (31.8)	\$ (29.1)	9.1 %	\$ (93.7)	\$ (92.2)	1.5 %
Selling, general and administrative expenses	775.3	737.4	5.1 %	2,311.8	2,246.3	2.9 %
Net finance (income)	(5.1)	(6.9)	(26.1)%	(19.8)	(30.6)	(35.3)%
Income before income taxes	\$ 160.3	\$ 162.2	(1.2)%	\$ 388.3	\$ 355.9	9.1 %

¹ Retail sales is a key operating performance measure. Refer to section 9.3.1 in this MD&A for additional information.

5.2.2 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 9.3.1 in this MD&A for definitions and further information on performance measures.

(Year-over-year percentage change, C\$ in millions, except as noted)	Q3 2017	Q3 2016	Change	YTD Q3 2017	YTD Q3 2016	Change
Retail segment - total						
Retail sales growth	5.1%	3.4 %		3.9%	2.6 %	
Consolidated same-store sales growth ¹	3.9%	4.1 %		2.2%	3.4 %	
Revenue ²	\$ 2,978.5	\$ 2,822.7	5.5 %	\$ 8,515.8	\$ 8,120.6	4.9 %
Retail ROIC ³	8.86%	8.15 %		n/a	n/a	
Income before income taxes	\$ 160.3	\$ 162.2	(1.2)%	\$ 388.3	\$ 355.9	9.1 %
EBITDA ⁴	\$ 250.9	\$ 246.0	2.0 %	\$ 647.8	\$ 598.9	8.1 %
Retail segment - by banner						
Canadian Tire						
Retail sales growth ⁵	5.3%	4.9 %		3.2%	4.0 %	
Same-store sales growth ^{1, 5}	4.7%	3.5 %		2.3%	2.7 %	
Sales per square foot ⁶ (whole \$)	\$ 410	\$ 409	0.2 %	n/a	n/a	
Revenue ^{2, 7}	\$ 1,690.5	\$ 1,612.5	4.8 %	\$ 4,963.8	\$ 4,773.4	4.0 %
FGL Sports						
Retail sales growth ⁸	0.5%	8.5 %		1.0%	7.2 %	
Same-store sales growth ^{1, 8}	0.4%	6.2 %		0.2%	6.5 %	
Sales per square foot ⁹ (whole \$)	\$ 292	\$ 298	(2.0)%	n/a	n/a	
Revenue ²	\$ 555.5	\$ 534.8	3.9 %	\$ 1,440.6	\$ 1,416.0	1.7 %
Mark's						
Retail sales growth ¹⁰	5.2%	4.4 %		5.2%	3.1 %	
Same-store sales growth ^{1, 10}	4.6%	4.3 %		4.6%	3.4 %	
Sales per square foot ¹¹ (whole \$)	\$ 345	\$ 325	6.2 %	n/a	n/a	
Revenue ^{2, 12}	\$ 251.5	\$ 238.1	5.6 %	\$ 753.4	\$ 711.7	5.9 %
Petroleum						
Gasoline volume growth in litres	0.9%	(0.4)%		0.4%	(0.8)%	
Same-store gasoline volume growth in litres ¹	1.1%	0.0 %		0.4%	(1.1)%	
Retail sales growth	10.0%	(7.8)%		10.4%	(7.3)%	
Revenue ²	\$ 477.2	\$ 429.6	11.1 %	\$ 1,346.3	\$ 1,209.0	11.4 %
Gross margin dollars	\$ 49.5	\$ 48.9	1.1 %	\$ 135.3	\$ 135.8	(0.4)%

¹ Refer to section 9.3.1 in this MD&A for additional information on same-store sales growth.

² Revenue reported for Canadian Tire, FGL Sports, Mark's, and Petroleum includes intersegment revenue. FGL Sports revenue has been restated for the 13 and 39 weeks ended October 1, 2016 to exclude revenue from its business-to-business operation. Therefore, in aggregate revenue for Canadian Tire, FGL Sports, Mark's, and Petroleum will not equal total revenue for the Retail segment.

³ Retail ROIC is calculated on a rolling 12-month basis. Refer to section 9.3.1 in this MD&A for additional information.

⁴ EBITDA is a non-GAAP measure. Refer to section 9.3.2 in this MD&A for a reconciliation of EBITDA to income before income taxes and additional information.

⁵ Retail sales growth includes sales from Canadian Tire stores, PartSource stores, and the labour portion of Canadian Tire's auto service sales.

⁶ Sales per square foot figures are calculated on a rolling 12-month basis and exclude PartSource stores. Retail space does not include seasonal outdoor garden centres, auto service bays, or warehouse and administrative space.

⁷ Revenue includes revenue from Canadian Tire, PartSource, and Franchise Trust.

⁸ Retail sales growth includes sales from both corporate and franchise stores.

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

¹⁰ Retail sales growth includes retail sales from Mark's corporate and franchise stores and ancillary revenue relating to embroidery and alteration services.

¹¹ 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.

¹² 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.

5.2.3 Retail banner network at a glance

Number of stores and retail square footage	September 30, 2017	October 1, 2016	December 31, 2016
Consolidated store count			
Canadian Tire stores ¹			
Smart stores	408	407	420
Traditional stores	35	34	31
Updated and expanded stores	31	31	22
Small market stores	25	25	25
Other	2	2	2
Total Canadian Tire stores	501	499	500
PartSource stores	90	91	91
FGL Sports stores			
Sport Chek	195	192	196
Sports Experts	69	72	68
Atmosphere	68	67	69
Other	98	98	100
Total FGL Sports stores	430	429	433
Mark's stores ¹			
Mark's	333	325	330
L'Équipeur	46	45	45
Mark's Work Wearhouse	6	12	7
Total Mark's stores	385	382	382
Canadian Tire gas bar locations	296	296	296
Total stores²	1,702	1,697	1,702
Consolidated retail square footage³ (in millions)			
Canadian Tire	21.4	21.3	21.6
FGL Sports	7.7	7.5	7.7
Mark's	3.6	3.5	3.6
PartSource	0.3	0.3	0.3
Total retail square footage³	33.0	32.6	33.2

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

² Store count does not include the retail locations acquired as part of the acquisition of the Canadian rights to the Paderno brand.

³ The retail square footage excludes Petroleum's convenience store rental space.

Retail segment third-quarter 2017 versus third-quarter 2016

Earnings summary

Income before income taxes decreased \$1.9 million, or 1.2 percent. Solid revenue and gross margin growth across the Retail segment banners was more than offset by increased selling, general and administrative expenses, which reflected property tax refunds received in the prior year, costs relating to operating the new Bolton DC and increased investment by the Company to support its strategic initiatives in the current year.

Retail sales

Canadian Tire retail sales increased 5.3 percent (same-store sales increased 4.7 percent). The increase in retail sales reflects consistently strong performance throughout the quarter in non-seasonal categories including automotive and fixing and strong customer demand in the spring/summer categories particularly through July and August. The positive trend of sales growth of owned brands such as Noma, Master Chef, and Canvas continued this quarter.

FGL Sports retail sales increased 0.5 percent (same-store sales increased 0.4 percent) due to solid growth in hard goods, casual apparel and footwear categories which was partially offset by softness in athletic clothing. Prior year sales benefited from strong licensed and Olympic-themed apparel which were boosted by the success of the Blue Jays, the Rio Olympics and the World Cup of Hockey. eCommerce continued to contribute to sales growth.

Retail sales at Mark's increased 5.2 percent (same-store sales increased 4.6 percent). The increase in retail sales was driven by growth in footwear, industrial apparel, and jeans. eCommerce continued to contribute to sales growth.

Petroleum retail sales increased 10.0 percent primarily due to an increase in year-over-year per litre gas prices.

Revenue

Revenue increased \$155.8 million, or 5.5 percent, compared to the prior year, excluding the impact of Petroleum which increased 11.1 percent, Retail segment revenue increased 4.5 percent. Revenue growth in the quarter was driven by increased product shipments to Dealers, retail sales growth at Mark's, and increased revenue at FGL Sports due to growth in franchise revenues and higher retail sales.

Gross margin

Gross margin dollars increased \$35.1 million, or 4.1 percent, reflecting an increase in revenue. The gross margin rate decreased 42 basis points; excluding Petroleum the gross margin rate was flat. Operational efficiencies which continued to contribute to margin expansion were offset by the impact of promotional activity at FGL Sports, the timing of sharing enterprise gross margin with the Dealers, and incremental product costs due to foreign exchange, which while still a headwind was less than the prior year.

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$37.9 million, or 5.1 percent, primarily due to:

- higher occupancy expense due to higher than typical property tax refunds received in 2016;
- execution of planned investment in the Company's strategic initiatives, which resulted in higher information systems and personnel costs;
- higher marketing and advertising expenses at FGL Sports; and
- increased costs relating to operating the newly opened Bolton DC;

partially offset by:

- prior year severance costs; and
- sponsorship and marketing costs relating to the Rio Olympics and the World Cup of Hockey in 2016.

Net finance income

Net finance income decreased \$1.8 million primarily due to lower capitalized interest expense relating to the Bolton DC.

Retail segment year-to-date 2017 versus year-to-date 2016

Retail sales on a year-to-date basis increased 3.9 percent. Petroleum retail sales increased 10.4 percent, primarily resulting from higher year-over-year gas prices. Excluding Petroleum, retail sales grew 2.9 percent driven by both seasonal and non-seasonal categories at Canadian Tire and Mark's, as well as owned brands at Canadian Tire. In addition, retail sales growth at FGL Sports reflects successful promotional events and continued increases in eCommerce sales. Revenue increased by 4.9 percent compared to the prior year. Excluding the impact of Petroleum, which increased 11.4 percent, Retail segment revenue increased 3.7 percent primarily attributable to the increased retail sales at Mark's and increased shipments to Canadian Tire Dealers.

Income before income taxes increased \$32.4 million, or 9.1 percent. This increase is primarily attributable to strong revenue growth and improved gross margin rate at Canadian Tire. These positive impacts to earnings performance more than offset increased selling, general and administrative expenses and lower net finance income.

5.2.4 Retail segment business risks

The Retail 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, supply chain disruption, seasonality, environmental, commodity price, market obsolescence and global sourcing risks. Refer to section 7.2.4 of the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of these business-specific risks. Also refer to section 12.2 of the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of other industry-wide and Company-wide risks affecting the business.

5.3 CT REIT segment performance

5.3.1 CT REIT segment financial results

(C\$ in millions)				YTD		
	Q3 2017	Q3 2016	Change	Q3 2017	Q3 2016	Change
Property revenue	\$ 109.3	\$ 102.9	6.2 %	\$ 332.0	\$ 302.9	9.6%
Property expense	22.7	24.2	(6.2)%	74.6	71.9	3.8%
General and administrative expense	2.1	2.0	10.9 %	8.2	7.9	6.2%
Net finance costs	24.4	20.2	20.3 %	72.0	65.2	10.2%
Fair value (gain) adjustment	(10.5)	(15.6)	(32.8)%	(43.0)	(35.7)	20.5%
Income before income taxes	\$ 70.6	\$ 72.1	(2.2)%	\$ 220.2	\$ 193.6	13.7%

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 9.3.1 in this MD&A for definitions and further information on performance measures.

(C\$ in millions)				YTD		
	Q3 2017	Q3 2016	Change	Q3 2017	Q3 2016	Change
Net operating income ¹	\$ 80.9	\$ 72.8	11.1%	\$ 240.3	\$ 213.4	12.6%
Funds from operations ¹	59.7	56.5	5.7%	177.2	158.1	12.1%
Adjusted funds from operations ¹	\$ 48.9	\$ 45.9	6.5%	\$ 144.7	\$ 126.8	14.2%

¹ Non-GAAP measures, refer to section 9.3.2 in this MD&A for additional information.

CT REIT segment third-quarter 2017 versus third-quarter 2016

Earnings summary

Income before income taxes decreased by \$1.5 million, or 2.2 percent, primarily due to a decrease of \$5.1 million in the fair market value gain over the prior year and increased interest expense, partially offset by the income generated from properties acquired and intensification activities completed during 2017 and 2016.

Property revenue

Property revenue consists of base rent as well as operating cost and property tax recoveries. Property revenue increased by \$6.4 million, or 6.2 percent, primarily due to higher base rent relating to properties acquired and intensification activities completed during 2017 and 2016.

Of the \$109.3 million in property revenue received, \$100.7 million was from CTC. The property revenue received from CTC was 4.8 percent higher than the prior year of \$96.1 million.

Property expense

Property expense for the quarter was \$22.7 million, a decrease of \$1.5 million or 6.2 percent over the prior year, primarily due to reduced property taxes, partially offset by costs relating to properties acquired in 2017 and 2016. The majority of the property expense costs are recoverable from tenants, with CT REIT absorbing these expenses to the extent that vacancies exist. Property expense consists primarily of property taxes, other recoverable operating expenses, property management expenses (including the outsourcing of property management services pursuant to the Property Management Agreement between CT REIT and CTC), and ground rent.

General and administrative expense

General and administrative expenses are primarily related to personnel costs, ongoing operational costs associated with the public entity, and outsourced costs which are largely related to the services provided by CTC pursuant to the Services Agreement between CT REIT and CTC. General and administrative expenses were relatively flat compared to the prior year with higher personnel costs being offset by decreased outsourced costs provided by CTC pursuant to the Services Agreement.

Net finance costs

Net finance costs consist of distributions on the Class C LP Units held by CTC, mortgage and debenture interest, bank credit facility interest expense, capitalized interest, and the amortization of financing costs. Net financed costs increased \$4.2 million primarily due to lower capitalized interest expense relating to the Bolton DC and higher interest expense from the issuance of Series E debentures in June 2017, partially offset by the redemption of Series 10-15 Class C LP Units in May 2017.

Net operating income

NOI was \$80.9 million, an increase of \$8.1 million, or 11.1 percent, primarily due to property acquisitions completed in 2017 and 2016. NOI is a non-GAAP measure. Refer to section 9.3.2 for additional information.

Funds from operations and adjusted funds from operations

FFO and AFFO for the quarter were \$59.7 million and \$48.9 million, respectively. FFO and AFFO were higher compared to the prior year by \$3.2 million and \$3.0 million, respectively, primarily due to property acquisitions completed in 2017 and 2016, partially offset by higher interest expense. FFO and AFFO are non-GAAP measures. Refer to section 9.3.2 for additional information.

CT REIT segment year-to-date 2017 versus year-to-date 2016

Property revenue was \$332.0 million, of which \$306.7 million was received from CTC. Property expense was \$74.6 million, of which the majority of the costs are recoverable from tenants. Property revenue and property expense increased 9.6 percent and 3.8 percent, respectively, primarily due to property acquisitions and intensification activities completed during 2017 and 2016.

NOI was \$240.3 million and FFO and AFFO were \$177.2 million and \$144.7 million, respectively. NOI, FFO and AFFO increased \$26.9 million, \$19.1 million and \$17.9 million, respectively, primarily due to property acquisitions completed in 2017 and 2016, partially offset by higher interest expense. FFO and AFFO are non-GAAP measures. Refer to section 9.3.2 for additional information.

5.3.2 CT REIT segment business risks

CT REIT 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, financial risks, real property ownership and tenant risks, and tax-related risks. Refer to section 7.3.2 of the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of these business-specific risks and to section 12.2 of the MD&A contained in the Company's 2016 Report to Shareholders 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, 2016, which are not incorporated herein by reference, for further discussion of risks that affect CT REIT's operations.

5.4 Financial Services segment performance

5.4.1 Financial Services segment financial results

(C\$ in millions)				YTD		Change
	Q3 2017	Q3 2016	Change	Q3 2017	Q3 2016	
Revenue	\$ 294.6	\$ 278.3	5.9 %	\$ 863.9	\$ 837.6	3.1 %
Gross margin dollars	176.4	168.0	5.0 %	524.9	496.5	5.7 %
Gross margin (% of revenue)	59.9%	60.3%	(48) bps	60.8%	59.3%	148 bps
Other (income) expense	(0.1)	0.3	(135.1)%	(0.1)	0.1	(348.8)%
Selling, general and administrative expenses	76.5	71.7	6.7 %	226.4	217.1	4.3 %
Net finance (income)	(0.2)	(0.1)	48.6 %	(0.4)	(0.5)	(23.7)%
Income before income taxes	\$ 100.2	\$ 96.1	4.3 %	\$ 299.0	\$ 279.8	6.9 %

5.4.2 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 9.3.1 in this MD&A for definitions and further information on performance measures.

(C\$ in millions)				YTD		Change
	Q3 2017	Q3 2016	Change	Q3 2017	Q3 2016	
Credit card sales growth ¹	7.6%	1.7%		7.8%	2.1%	
Gross average accounts receivable (GAAR)	\$ 5,313.8	\$ 4,921.5	8.0%	\$ 5,199.0	\$ 4,866.8	6.8%
Revenue ² (as a % of GAAR)	21.98%	22.68%		n/a	n/a	
Average number of accounts with a balance ³ (thousands)	1,918	1,840	4.2%	1,876	1,821	3.0%
Average account balance ³ (whole \$)	\$ 2,769	\$ 2,673	3.6%	\$ 2,769	\$ 2,670	3.7%
Net credit card write-off rate ^{2, 3}	5.50%	6.06%		n/a	n/a	
Past due credit card receivables ^{3, 4} (PD2+)	2.53%	2.78%		n/a	n/a	
Allowance rate ⁵	1.97%	2.18%		n/a	n/a	
Operating expenses ² (as a % of GAAR)	5.87%	5.88%		n/a	n/a	
Return on receivables ²	7.45%	7.40%		n/a	n/a	

¹ Credit card sales growth excludes balance transfers.

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

³ Credit card portfolio only.

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

⁵ The allowance rate was calculated based on the total-managed portfolio of loans receivable.

Financial Services segment third-quarter 2017 versus third-quarter 2016

Earnings summary

Income before income taxes of \$100.2 million increased \$4.1 million, or 4.3 percent, primarily due to an increase in revenue, which was partially offset by an increase in the incremental allowance for future write-offs and increased selling, general and administrative expenses.

GAAR increased 8.0 percent driven by increased average account balances and a higher number of average active accounts compared to the prior year. The continued increase in the average number of active accounts reflects positive results from the Company's initiatives to stimulate receivables growth and the continued focus on integration initiatives with the retail businesses.

Revenue

Revenue increased \$16.3 million, or 5.9 percent, due to higher credit card charges resulting from increased GAAR. This was partially offset by increased loyalty costs due to increased card sales.

Gross margin

Gross margin dollars increased 5.0 percent primarily due to the increase in revenue, partially offset by an increase in the incremental allowance for future write-offs and increased interest expense as a result of continued GAAR growth.

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$4.8 million, or 6.7 percent, primarily due to higher marketing costs to support the Company's digital strategy and increased costs for credit card operations.

Financial Services segment year-to-date 2017 versus year-to-date 2016

Revenue increased \$26.3 million, or 3.1 percent, compared to the prior year due to increased credit card charges as a result of increased GAAR, which were partially offset by lower insurance revenue, increased loyalty expenses, and the impact relating to a change in Management's estimate of the amortization period for loan acquisition costs which benefited revenue in the prior year.

Income before income taxes of \$299.0 million increased \$19.2 million, or 6.9 percent, primarily due to strong revenue growth, which was partially offset by increased personnel expense, marketing costs, and costs for credit card operations.

5.4.3 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, securitization funding risk, interest rate, and regulatory risk. Refer to sections 7.4.3 of the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of these business-specific risks. Also refer to section 12.2 in the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of additional industry-wide and Company-wide risks.

6.0 Balance sheet analysis, liquidity, and capital resources

6.1 Selected balance sheet highlights

Selected line items from the Company's assets, liabilities, and shareholders' equity as at September 30, 2017, October 1, 2016, and December 31, 2016 are noted below:

(C\$ in millions)	September 30, 2017	October 1, 2016	December 31, 2016
Assets			
Cash and cash equivalents	\$ 653.4	\$ 300.2	\$ 829.7
Trade and other receivables	810.4	883.4	690.8
Loans receivable	5,295.7	4,868.9	5,138.4
Merchandise inventories	2,280.9	2,206.8	1,710.7
Investment property	293.8	232.5	266.4
Total assets	16,078.9	15,254.1	15,302.8
Liabilities			
Bank indebtedness	\$ —	\$ 38.5	\$ 5.9
Deposits	994.1	901.8	950.7
Trade and other payables	2,172.7	2,054.9	1,856.9
Short-term borrowings	228.1	106.3	199.4
Current portion of long-term debt	456.7	231.2	653.4
Long-term debt	3,377.5	3,094.0	2,667.1
Long-term deposits	1,374.5	1,272.5	1,230.8
Total liabilities	10,575.1	9,663.7	9,565.5

The year-over-year increase in total assets of \$824.8 million was primarily due to:

- an increase in loans receivable of \$426.8 million largely relating to GAAR growth in the Financial Services segment;
- an increase in cash and cash equivalents, net of bank indebtedness, of \$391.7 million (refer to Summary cash flows in section 6.2 of this MD&A);
- an increase in merchandise inventories of \$74.1 million driven by increased inventory at Canadian Tire to support sales in the fall and winter seasons, partially offset by a decrease in inventory at FGL Sports; and
- an increase in investment property of \$61.3 million primarily due to CT REIT's acquisitions of a multi-tenanted property in British Columbia in Q4 2016 and 12 single tenant free standing buildings, occupied by CIBC branches, in Q3 2017;

partially offset by:

- a decrease in trade and other receivables of \$73.0 million due to the timing of payments relating to the Company's Dealer cost and margin sharing arrangement, a decrease in the fair value of derivative assets arising from less favourable valuation of the foreign exchange portfolios and a decrease in mortgage receivables due to timing of payments, partially offset by an increase at FGL Sports driven by the timing of franchisee payments.

The year-over-year increase in total liabilities of \$911.4 million was primarily due to:

- a net increase in debt (current portion and long-term) of \$509.0 million primarily due to the issuance of \$560 million of Series 2017-1 term notes at Financial Services in June 2017 and the issuance of \$175 million senior debentures at CT REIT in June 2017, offset by the maturity of \$211.6 million senior and subordinated notes in Financial Services in May 2017;
- a net increase in deposits (current portion and long-term) of \$194.3 million due to an increase in GIC deposits, partially offset by a lower volume of high interest savings accounts in the Financial Services segment;
- an increase in short-term borrowings of \$121.8 million driven by drawings on the Company's line of credit facility; and
- an increase in trade and other payables of \$117.8 million caused by an increase in the fair value of derivative liabilities arising from less favourable valuation of the foreign exchange portfolios, higher accruals for shared-based payments, and the timing of payments across all retail banners.

Total assets increased \$776.1 million compared to December 31, 2016 primarily due to an increase in merchandise inventories driven by a build-up of seasonal inventory for the winter season across all retail banners. The increase was further driven by a higher number of active accounts and higher average account balances in the Financial Services segment, as well as an increase in trade and other receivables from a higher level of shipments to Canadian Tire and FGL Sports as the stores prepare for the winter season. Partially offsetting these increases was a decrease in cash and cash equivalents, net of bank indebtedness (for details refer to the Summary of cash flows in section 6.2 of this MD&A) and a decrease in derivative assets due to less favourable valuation of the foreign exchange and equity hedge portfolios.

Total liabilities increased \$1,009.6 million compared to December 31, 2016 primarily due to a net increase in long-term debt as a result of the reasons noted above, an increase in trade and other payables due to higher inventory purchases in preparation for the winter season and higher derivative liabilities. This was partially offset by a decrease in accrued liabilities relating to gift cards and consulting fees. Net increase in deposits is due to an increase in GICs deposits, partially offset by a lower volume of high interest savings accounts in the Financial Services segment.

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 2017.

6.2 Summary cash flows

The Company's cash and cash equivalents position, net of bank indebtedness, was \$653.4 million at September 30, 2017.

The Company's Condensed Interim Consolidated Statements of Cash Flows for the periods ending September 30, 2017 and October 1, 2016 are noted in the following table:

(C\$ in millions)	Q3 2017	Q3 2016	Change	YTD Q3 2017	YTD Q3 2016	Change
Cash generated from operating activities before the undernoted item	\$ 64.4	\$ 108.0	\$ (43.6)	\$ 295.6	\$ 259.1	\$ 36.5
Change in loans receivable	(45.2)	(5.4)	(39.8)	(159.9)	(46.8)	(113.1)
Cash generated from operating activities	19.2	102.6	(83.4)	135.7	212.3	(76.6)
Cash (used for) generated from investing activities before the undernoted items	(26.0)	2.0	(28.0)	(49.7)	(15.4)	(34.3)
Change in short-term investments	231.7	72.4	159.3	5.9	(40.5)	46.4
Additions to property and equipment, investment property and intangibles	(144.6)	(154.7)	10.1	(338.9)	(596.6)	257.7
Cash generated from (used for) investing activities	61.1	(80.3)	141.4	(382.7)	(652.5)	269.8
Cash (used for) financing activities before the undernoted items	(93.0)	(86.0)	(7.0)	(170.4)	(130.2)	(40.2)
Change in long-term debt and short-term borrowings	134.2	(2.8)	137.0	540.3	345.6	194.7
Repurchase of share capital	(153.7)	(113.6)	(40.1)	(478.0)	(332.8)	(145.2)
Change in deposits	(3.7)	(81.7)	78.0	184.7	(81.3)	266.0
Cash (used for) generated from financing activities	(116.2)	(284.1)	167.9	76.6	(198.7)	275.3
Cash (used) in the period	\$ (35.9)	\$ (261.8)	\$ 225.9	\$ (170.4)	\$ (638.9)	\$ 468.5

The Company's cash used in the quarter decreased to \$35.9 million from \$261.8 million in the prior year. The \$225.9 million decrease in cash used was primarily due to:

- the maturity of approximately \$160.4 million in short-term investments;
- short-term borrowings of \$137.0 million due to drawings on the Company's credit facility; and
- an increase of \$78.0 million in GIC deposits in the Financial Services segment;

partially offset by:

- a \$40.1 million increase in payments in connection with the Company's share repurchase plan; and
- an increase of \$39.8 million in loans receivable as a result of the growth in the credit card portfolio.

On a year-to-date basis, the Company's cash used decreased to \$170.4 million from \$638.9 million in the prior year. The \$468.5 million decrease in cash used was primarily due to:

- an increase of \$266.0 million relating to GIC deposits in the Financial Services segment;
- a \$257.7 million decrease in additions to property and equipment, investment property, and intangibles due to fewer third-party acquisitions by CT REIT over the same period in 2016, as well as lower spending on real estate and the Bolton DC compared to the prior year;
- an increase of \$194.7 million from the issuance of Series 2017-1 term notes by Glacier, partially offset by the repayment of senior and subordinated notes and a year-over-year decrease in debenture issuances by CT REIT; and
- an increase of \$46.4 million in short-term investments;

partially offset by:

- a \$145.2 million increase in payments in connection with the Company's share repurchase plan; and
- an increase of \$113.1 million in loans receivable as a result of the growth in the credit card portfolio.

6.3 Capital management

In order to support its growth agenda and pursue its strategic imperatives, the Company actively manages its capital.

6.3.1 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.

6.3.2 Capital under management

The definition of capital varies from company to company, from industry to industry, and for different purposes. The Company's definition of capital is the same as that detailed in Note 4 of the consolidated financial statements contained in the Company's 2016 Report to Shareholders, which includes Glacier Credit Card Trust ("GCCT" or "Glacier") indebtedness but excludes Franchise Trust indebtedness.

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 30, 2017 to reported GAAP measures is provided in section 9.3.2 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 methodology of debt-rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, Management monitors these ratios against targeted ranges.

The Company was in compliance with all financial covenants under its existing debt agreements as at September 30, 2017 and October 1, 2016. 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 30, 2017 and October 1, 2016. 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 complied with all financial covenants under its credit facilities.

6.4 Capital expenditures

The Company's capital expenditures for the periods ended September 30, 2017 and October 1, 2016 were as follows:

(C\$ in millions)	Q3 2017	Q3 2016	YTD Q3 2017	YTD Q3 2016
Real estate	\$ 46.0	\$ 87.3	\$ 100.3	\$ 197.4
Information technology	38.9	47.9	111.3	136.3
Other operating	14.3	11.6	26.4	26.3
Operating capital expenditures	99.2	146.8	238.0	360.0
CT REIT acquisitions and developments excluding vend-ins from CTC ¹	41.6	13.7	55.3	131.9
Distribution capacity	4.7	25.4	33.2	93.1
Total capital expenditures²	\$ 145.5	\$ 185.9	\$ 326.5	\$ 585.0

¹ CT REIT capital expenditures include the construction of stores under Mark's and FGL Sports banners of \$0.2 million in Q3 2017 (2016 – \$1.0 million) and \$1.0 million Q3 YTD 2017 (2016 – \$1.4 million).

² Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions relating to business combinations and intellectual properties.

Total capital expenditures decreased \$40.4 million in Q3 2017 compared to Q3 2016 primarily due to a reduction in real estate spending as a result of fewer projects this year compared to the prior year and decreased spending on distribution capacity as the Bolton DC is now fully operational, partially offset by CT REIT's acquisition of 12 single tenant free standing buildings that are occupied by CIBC branches.

Total year-to-date capital expenditures decreased by \$258.5 million year-over-year primarily due to lower spending on real estate, CT REIT acquisitions and distribution capacity as discussed above. Real estate spending was \$97.1 million lower, as the prior year included spending relating to the conversion of five former Target locations to Canadian Tire stores and additional stores built for FGL Sports in 2016. The investments from CT REIT third-party acquisitions were \$76.6 million lower due to the acquisition of the Sears Canada Distribution Centre in the second quarter of 2016 for \$84.0 million.

Capital commitments

The Company had commitments of approximately \$61.2 million as at September 30, 2017 (2016 – \$99.4 million) for the acquisition of tangible and intangible assets.

Capital expenditure update

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

Operating capital expenditures (2017)

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 2015 to 2017. This forecast excludes spending for operational efficiency initiatives that may be identified.

For fiscal 2017, the Company expects annual operating capital expenditures to be at the low end of the previously disclosed range of \$400 million to \$425 million.

Distribution capacity capital expenditures (2017)

For fiscal 2017, the Company expects capital expenditures required for distribution capacity to be at the high end of the previously disclosed range of \$25 million to \$50 million, which include expenditures required to bring the Bolton DC into active service.

Operating capital expenditures (2018)

The Company expects 2018 annual and 2018 to 2020 three-year average annual operating capital expenditure to be within the range of \$450 million to \$500 million. This forecast excludes spending for operational efficiency initiatives that may be identified.

The annual and average annual operating capital expenditures outlined above do not include spending related to distribution capacity, the cost of third-party acquisitions by CT REIT as part of its growth strategy, or capital to fund future initiatives relating to operational efficiency.

6.5 Business acquisition

As part of its growth strategy, the Company actively pursues acquisition candidates that strategically fit with its retail businesses. Major acquisitions are only considered where the Company expects to strengthen its market position and create long-term value for Shareholders.

On July 14, 2017, the Company completed the acquisition of Padinox Inc., the company that owned the Canadian rights to the Paderno brand, for cash consideration of \$19.3 million. The fair value of the net assets acquired approximates the total consideration transferred.

6.6 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, to ensure an appropriate level of liquidity is available to meet the Company's strategic imperatives.

Committed bank lines of credit

On July 7, 2017, the term of Canadian Tire Corporation's committed bank line of credit was extended to July 2022. As at September 30, 2017, the Company had \$125.0 million of borrowings outstanding under its bank line of credit.

On September 27, 2017, CT REIT extended its bank credit facility totaling \$300 million to September 2022. As at September 30, 2017, CT REIT had \$1.8 million of letters of credit and \$13.0 million of borrowings outstanding under its bank line of credit. The Company had no other borrowings outstanding under its bank lines of credit.

Subsequent to September 30, 2017, CTB extended the term of its committed bank line of credit totaling \$250 million to October 2020 and extended the terms of its committed note purchase facilities, for purchase of up to \$2 billion of senior and subordinated notes issued by GCCT, to October 2020. As at September 30, 2017, CTB had no borrowings outstanding under either of these funding facilities.

Short form base-shelf prospectuses

On April 5, 2017, CT REIT renewed its short form base-shelf prospectus under which a total of \$2.0 billion of debt and equity capital can be issued.

On May 19, 2017, GCCT renewed its short form base-shelf prospectus under which it can issue up to \$2.0 billion of credit card asset-backed debt.

Debentures

On June 16, 2017, CT REIT completed the issuance of \$175 million 3.469 percent Series E senior unsecured debentures due June 16, 2027. The debenture issuance was made under CT REIT's short form base-shelf prospectus dated April 5, 2017 and prospectus supplement dated June 13, 2017.

Securitization of receivables

On June 1, 2017, under its short form base-shelf prospectus dated May 19, 2017 and pricing supplement No. 1 dated May 25, 2017, GCCT completed the issuance of \$560 million of Series 2017-1 term notes that have an expected repayment date of September 20, 2022, consisting of \$523.6 million principal amount of senior notes that bear an interest rate of 2.048 percent per annum and \$36.4 million principal amount of subordinated notes that bear an interest rate of 3.298 percent per annum.

As at September 30, 2017, Glacier had \$90.3 million of asset-backed commercial paper outstanding. In support of the program, on July 7, 2017 the term of GCCT's \$300 million liquidity facility, which provides backstop protection to its Series 1997-1 asset-backed commercial paper program, was extended to July 2020.

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 MD&A contained in the Company's 2016 Report to Shareholders.

6.6.1 Contractual obligations, guarantees, and commitments

The Company funds capital expenditures, working capital needs, dividend payments, and other financing needs, such as debt repayments and Class A Non-Voting Share purchases under a normal course issuer bid ("NCIB") program, from a combination of sources. In addition, the Company has a number of obligations relating to finance leases, operating leases, and purchase obligations. For a description of contractual obligations as at December 31, 2016, refer to section 8.5.1.1 of the MD&A contained in the Company's 2016 Report to Shareholders. 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 sufficient liquidity available to meet its contractual obligations as at September 30, 2017.

In the normal course of business, the Company enters into numerous agreements that may contain features that meet the definition of a guarantee and provides additional indemnification commitments to counterparties in various transactions that require the Company to compensate the counterparties for certain amounts and costs incurred. For a discussion of the Company's significant guarantees and commitments, refer to Note 34 of the consolidated financial statements contained in the Company's 2016 Report to Shareholders. The Company's maximum exposure to credit risk with respect to such guarantees and commitments is provided in Note 5 to the consolidated financial statements contained in the Company's 2016 Report to Shareholders. There were no significant changes in guarantees and commitments identified at year end, other than those discussed in this document.

7.0 Equity

7.1 Shares outstanding

(C\$ in millions)	September 30, 2017	October 1, 2016	December 31, 2016
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (October 1, 2016 - 3,423,366; December 31, 2016 - 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
64,141,483 Class A Non-Voting Shares (October 1, 2016 - 68,132,860; December 31, 2016 - 67,323,781)	623.9	653.7	647.9
	\$ 624.1	\$ 653.9	\$ 648.1

Each year, the Company files an NCIB with the Toronto Stock Exchange (“TSX”) which allows it to purchase its shares in the open market.

On November 10, 2016, the Company announced its intention to repurchase \$550 million of its Class A Non-Voting Shares by the end of 2017, in excess of the number of shares required to be purchased for anti-dilutive purposes. On February 23, 2017, the TSX accepted the Company’s notice of intention to make an NCIB to purchase up to 6.0 million Class A Non-Voting Shares during the period from March 2, 2017 through March 1, 2018, representing approximately 9.4 percent of the Class A Non-Voting Shares issued and outstanding as at February 14, 2017.

The following table summarizes the Company’s purchases made relating to the November 10, 2016 announcement:

(C\$ in millions)	
Share buy-back intention announced on November 10, 2016	\$ 550.0
Shares repurchased from January 1, 2017 through September 30, 2017	477.2
Shares remaining to be repurchased in 2017 under the November 10, 2016 announcement	\$ 72.8

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

In November 2017, the Company completed the repurchases under the November 10, 2016 announcement and announced its intention to repurchase a further \$550 million of its Class A Non-Voting Shares, in excess of the amount required for anti-dilutive purposes, by the end of fiscal 2018, subject to regulatory approval of the renewal of the Company’s NCIB.

7.2 Dividends

The Company has a track record of increasing its annual dividend and has historically targeted a payout ratio of 25 to 30 percent of its prior year’s normalized earnings. The Company has increased the dividend payout ratio target to approximately 30 to 40 percent of the prior year’s normalized earnings, after giving consideration to the period end cash position, future cash flow requirements, capital market conditions, and investment opportunities.

The Company declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of \$0.90 per share, an increase of \$0.25 per share on its quarterly dividend (or \$1.00 per share annually), payable on March 1, 2018 to shareholders of record as of January 31, 2018. The dividend is considered an “eligible dividend” for tax purposes.

7.3 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 125,000 stock option and performance share units settled and resulted in a payment to the Company of less than \$0.1 million. Also during the quarter, the Company entered into floating-rate equity forwards to offset its exposure to 140,000 stock options and performance share units at a weighted average purchase price of \$156.40.

8.0 Tax matters

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

There have been no material changes in the status of ongoing audits by tax authorities as disclosed in section 10.0 in the MD&A contained in the Company's 2016 Report to Shareholders.

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.

Income taxes for the 13 and 39 weeks ended September 30, 2017 were \$68.3 million (2016 - \$68.5 million) and \$184.8 million (2016 - \$170.5 million), respectively. The effective tax rates for the 13 and 39 weeks ended September 30, 2017 were 25.6 percent (2016 - 25.7 percent) and 26.1 percent (2016 - 26.1 percent), respectively. The tax rate was relatively flat compared to prior year as the increase in adjustments to tax estimates and reduction in tax benefits relating to capital property dispositions were mostly offset by lower non-deductible stock option expense in the period.

The following represents forward-looking information and users 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 2017 to be 27.0 percent. Management now expects the tax rate to be below this estimate (approximately 26.5 percent) due to adjustments to tax estimates in 2017.

Management expects the annual effective tax rate, excluding any impact of the change in fair value of the redeemable financial instrument, for fiscal 2018 to be approximately 27.0 percent.

9.0 Accounting policies, estimates, and non-GAAP measures

9.1 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 that are believed 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 of the consolidated financial statements contained in the Company's 2016 Report to Shareholders 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 published by the Ontario Securities Commission, except as noted below.

In the Company's view, the allowance for loan impairment in Financial Services is considered to be a "critical accounting estimate". Losses for impaired loans are recognized when there is objective evidence that an impairment of the loan portfolio has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. All individually significant loans receivable are assessed for specific impairment. Loans receivable that are not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics. The Company uses a roll-rate methodology, which employs analysis of historical data, economic indicators, and experience of delinquency and default to estimate the amount of loans that will eventually be written off. Future customer behaviour may be affected by a number of factors, including changes in interest and unemployment rates and

program design changes. Default rates, loss rates, and cash recoveries are regularly benchmarked against actual outcomes to assess whether Management's assumptions remain valid.

9.2 Changes in accounting policies

Standards, amendments, and interpretations issued and adopted

Disclosure initiative

In January 2016, the International Accounting Standard Board ("IASB") issued Disclosure Initiative Amendments to IAS 7 – *Statement of Cash Flows* as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes.

These amendments were effective for annual periods beginning on or after January 1, 2017. These amendments did not impact the Company's interim financial statements and the Company will disclose the required information in its annual disclosure.

Standards, amendments, and interpretations issued but not yet adopted

The following new standards, amendments, and interpretations have been issued and are expected to impact the Company, but are not effective for the fiscal year ending December 30, 2017 and, accordingly, have not been applied in preparing the interim financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 will be applied retrospectively for the 2018 annual fiscal period, without restatement of prior period comparatives. The IFRS 9 adjustments will be recognized in opening retained earnings for 2018.

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the Company's own credit risk recognized in other comprehensive income instead of net income, unless this would create an accounting mismatch. The implementation of the new classification and measurement requirements is expected to result in short-term and long-term investments being classified as Amortized Cost (previously classified either as Available-For-Sale or Fair Value Through Profit or Loss under IAS 39) without significant impact to the Company's financial results.

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities. The new hedge accounting requirements are not expected to have a significant impact to the Company.

Impairment – It is no longer necessary for a triggering event to occur before a provision for credit losses is recognized as the measurement for impairment of financial assets will be based on an expected credit loss ("ECL") model. The earlier recognition of losses, as a result of moving to an ECL model, will impact the Company's estimate of allowances on credit card loans receivable. On transition to IFRS 9, the impact of the earlier recognition of losses is expected to increase the allowance on credit card loans receivable by between \$650 million to \$750 million. The allowance for those credit card loans receivable for which credit risk has not increased significantly since initial recognition, is measured using the lifetime losses from accounts that are expected to default over the next 12 months. For all other accounts the Company will recognize an allowance at an amount equal to the lifetime ECL. There is a significant amount of judgment involved in determining the ECL estimate and it is expected to be more volatile under IFRS 9 as a result of the movement of accounts between 12-month and lifetime ECL and the incorporation of forward-looking information. Over the coming months the Company will finalize its calculation of the financial impact of this standard and complete its testing and validation of its ECL methodology application, including criteria for a significant increase in credit risk and the impact of forward-looking information. Simultaneously, internal controls, policies and information systems are being updated along with training and education of key stakeholders.

Regulatory impact – The Company is closely monitoring all regulatory, capital and covenant impacts as a result of the adoption of this standard. In March 2017, the Basel Committee on Banking Supervision issued "Regulatory treatment of

accounting provisions - interim approach and transitional arrangements". This standard retains, for an interim period, the current regulatory treatment of accounting provisions under the standardized and internal ratings-based approaches and also provides potential transitional arrangements. In August 2017, the Office of the Superintendent of Financial Institutions of Canada ("OSFI") released for public consultation revisions to the Capital Adequacy Requirement guideline for implementation in the first quarter of 2018. The revisions mainly relate to the treatment of allowances as a result of the expected adoption of IFRS 9. While final OSFI guidance has not been provided, based on preliminary information, the implementation is likely to require CTB to hold additional capital.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15"), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, and International Financial Reporting Interpretations Committee 13 – *Customer Loyalty Programmes* ("IFRIC 13"), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

In April 2016, the IASB published clarifications to IFRS 15 which addressed three topics (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts.

The Company will adopt IFRS 15 for the 2018 annual fiscal period and expects to do so on a full retrospective basis with restatement of prior period. IFRS 15 mainly impacts the presentation of the Company's loyalty programs, in particular My Canadian Tire 'Money'[®] customer loyalty program. The costs of the loyalty program previously presented within selling, general and administrative expenses ("SG&A") will be recorded as a reduction of revenue and the related liabilities previously presented within provisions will be recorded as trade and other payables.

Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaced IAS 17 – *Leases* ("IAS 17") and related interpretations. 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 with the distinction between operating leases and finance leases being retained.

IFRS 16 will be applied for the 2019 annual fiscal period. The Company is assessing the potential impact of this standard.

Insurance Contracts

In May 2017, the IASB issued IFRS 17 – *Insurance Contracts* ("IFRS 17"), which replaces IFRS 4 – *Insurance Contracts* and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 will be effective for annual periods beginning on or after January 1, 2021. Early adoption is permitted. The Company is assessing the potential impact of this standard.

9.3 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.

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

9.3.1 Key operating performance measures

Retail sales

Retail sales refers to the POS (i.e. cash register) value of all goods and services sold to retail customers at stores operated by Dealers, Mark's and FGL Sports franchisees, and Petroleum retailers, at corporately owned stores across all retail banners, of services provided as part of the Home Services offering, and of goods sold through the Company's online sales channels, and in aggregate does not form part of the Company's condensed interim consolidated financial statements. An aspiration with respect to 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 5.2.2 of this MD&A.

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.

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 FGL Sports, the sale of gasoline through Petroleum retailers, the sale of goods to retail customers by stores that are corporately owned under the Mark's, PartSource, and FGL Sports banners, the sale of services through the Home Services business, the sale of goods to customers through a business-to-business operation, 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.

Same-store sales

Same-store sales is a metric used by Management and is also commonly used in the retail industry to identify sales growth generated by a Company's existing store network and removes the effect of opening and closing stores in the period. For Canadian Tire stores, the calculation excludes stores that have been retrofitted, replaced, or expanded where the percentage change in square footage exceeds 25 percent of the original store size, and includes sales from all stores that have been open for a minimum of one year and one week, as well as eCommerce sales. For Mark's and FGL Sports, same-store sales include sales from all stores that have been open since at least the beginning of the comparative month in the prior year and include eCommerce sales. The Company also reviews consolidated same-store sales which include same-store sales at Canadian Tire (including PartSource), FGL Sports, and Mark's but excludes same-store sales at Petroleum. Additional information on same-store sales and retail sales growth descriptions for Canadian Tire, Mark's, and FGL Sports can be found in section 5.2.2 of this MD&A.

Sales per square foot

Management and investors use comparisons of sales per square foot metrics over several periods to help identify whether existing assets are being made more productive by the Company's introduction of new store layouts and merchandising strategies. Sales per square foot descriptions for Canadian Tire, Mark's, and FGL Sports can be found in section 5.2.2 of this MD&A and in the glossary contained in the Company's 2016 Report to Shareholders.

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-months' retail earnings divided by average invested retail capital. Retail earnings are defined as Retail segment after-tax earnings excluding interest expense, inter-segment earnings, minimum lease payments, and non-controlling interests. Average invested capital is defined as Retail segment total assets, including operating leases capitalized at a factor of eight, less Retail segment current 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. An ROR aspiration has been included as one of the Company's financial aspirations, to be achieved on an annual basis over the three-year period from 2015 to 2017.

9.3.2 Non-GAAP financial measures

Adjusted EBITDA

The following table reconciles consolidated income before income taxes, net finance costs, depreciation and amortization, and any change in fair value of redeemable financial instrument, or Adjusted 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 30, 2017 and October 1, 2016. Management uses Adjusted EBITDA 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 2017	Q3 2016	YTD Q3 2017	YTD Q3 2016
Adjusted EBITDA	\$ 417.7	\$ 402.7	\$ 1,135.3	\$ 1,055.2
Change in fair value of redeemable financial instrument	—	—	—	—
EBITDA	\$ 417.7	\$ 402.7	\$ 1,135.3	\$ 1,055.2
Less:				
Depreciation and amortization ¹	119.4	111.6	344.6	333.8
Net finance costs	31.5	24.8	82.5	68.5
Income before income taxes	\$ 266.8	\$ 266.3	\$ 708.2	\$ 652.9
Income taxes	68.3	68.5	184.8	170.5
Effective tax rate	25.6%	25.7%	26.1%	26.1%
Net income	\$ 198.5	\$ 197.8	\$ 523.4	\$ 482.4
Net income attributable to non-controlling interests	21.9	21.4	64.1	60.1
Net income attributable to shareholders of Canadian Tire Corporation	\$ 176.6	\$ 176.4	\$ 459.3	\$ 422.3

¹ Includes \$1.7 million reported in cost of producing revenue in the quarter (2016 - \$2.2 million) and \$5.0 million for Q3 YTD 2017 (2016 - \$6.1 million).

Retail segment EBITDA

The following table reconciles Retail segment income before income taxes, net finance costs, and depreciation and amortization, or 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 30, 2017 and October 1, 2016.

(C\$ in millions)	Q3 2017	Q3 2016	YTD Q3 2017	YTD Q3 2016
EBITDA	\$ 250.9	\$ 246.0	\$ 647.8	\$ 598.9
Less:				
Depreciation and amortization ¹	95.7	90.7	279.3	273.6
Net finance (income)	(5.1)	(6.9)	(19.8)	(30.6)
Income before income taxes	\$ 160.3	\$ 162.2	\$ 388.3	\$ 355.9

¹ Includes \$1.7 million reported in cost of producing revenue in the quarter (2016 - \$2.2 million) and \$5.0 million for Q3 YTD 2017 (2016 - \$6.1 million).

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.

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

As at September 30, 2017 (C\$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	\$ —	\$ —	\$ —	\$ —
Short-term deposits	994.1	—	—	994.1
Long-term deposits	1,374.5	—	—	1,374.5
Short-term borrowings	228.1	124.8	13.0	90.3
Current portion of long-term debt	456.7	15.8	17.3	423.6
Long-term debt	3,377.5	645.2	912.9	1,819.4
Debt	6,430.9	785.8	943.2	4,701.9
Liquid assets ¹	(975.6)	(82.9)	(11.8)	(880.9)
Net debt (cash)	5,455.3	702.9	931.4	3,821.0
Inter-company debt	—	(1,808.5)	1,451.6	356.9
Adjusted net debt (cash)	\$ 5,455.3	\$ (1,105.6)	\$ 2,383.0	\$ 4,177.9

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

As at October 1, 2016 (C\$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	\$ 38.5	\$ 1.1	\$ —	\$ 37.4
Short-term deposits	901.8	—	—	901.8
Long-term deposits	1,272.5	—	—	1,272.5
Short-term borrowings	106.3	—	17.0	89.3
Current portion of long-term debt	231.2	17.8	1.3	212.1
Long-term debt	3,094.0	660.1	750.2	1,683.7
Debt	5,644.3	679.0	768.5	4,196.8
Liquid assets ¹	(631.9)	(200.9)	(6.8)	(424.2)
Net debt (cash)	5,012.4	478.1	761.7	3,772.6
Inter-company debt	—	(1,615.3)	1,522.0	93.3
Adjusted net debt (cash)	\$ 5,012.4	\$ (1,137.2)	\$ 2,283.7	\$ 3,865.9

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 Condensed Consolidated Statements of Income and Comprehensive Income:

(C\$ in millions)	Q3 2017	Q3 2016	YTD Q3 2017	YTD Q3 2016
Property revenue	\$ 109.3	\$ 102.9	\$ 332.0	\$ 302.9
Less:				
Property expense	22.7	24.2	74.6	71.9
Straight-line rent adjustment	5.7	5.9	17.1	17.7
Add:				
Straight-line land lease expense adjustment	—	—	—	0.1
Net operating income	\$ 80.9	\$ 72.8	\$ 240.3	\$ 213.4

Funds from operations and adjusted funds from operations

CT REIT calculates its FFO and AFFO in accordance with the *Real Property Association of Canada White Paper on FFO and AFFO for IFRS* issued in February 2017. The purpose of the White Paper is to provide reporting issuers and investors with greater guidance on the definition of FFO and AFFO and promote more consistent disclosure from reporting issuers.

Management believes that FFO provides an operating performance measure that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and 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 property capital 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 Condensed Consolidated Statements of Income and Comprehensive Income, to FFO and AFFO:

(C\$ in millions)	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Income before income taxes	\$ 70.6	\$ 72.1	\$ 220.2	\$ 193.6
Fair value (gain) adjustment	(10.5)	(15.6)	(43.0)	(35.7)
Deferred taxes	(0.2)	(0.1)	0.2	(0.3)
Fair value of equity awards	(0.2)	0.1	(0.2)	0.5
Funds from operations	59.7	56.5	177.2	158.1
Properties straight-line rent adjustment	(5.6)	(5.9)	(17.1)	(17.7)
Straight-line land lease expense adjustment	—	—	—	0.1
Capital expenditure reserve	(5.2)	(4.7)	(15.4)	(13.7)
Adjusted funds from operations	\$ 48.9	\$ 45.9	\$ 144.7	\$ 126.8

10.0 Enterprise risk management

To preserve and enhance shareholder value, the Company approaches the management of risk strategically through its enterprise risk management program (“ERM Program”). The Company’s ERM Program supports the development of risk identification, quantification, monitoring, and reporting capabilities, as well as the integration of these capabilities into management processes.

The ERM Program is described in detail in sections 12.0 of the MD&A contained in the Company’s 2016 Report to Shareholders.

The Company continues to evolve the ERM Program in the normal course of its activities, with a focus on key risks to the Company’s strategy, and the execution of that strategy, as well as on the continuing development of the underlying processes and tools supporting the program.

11.0 Controls and procedures

Details relating to disclosure controls and procedures and internal control over financial reporting are disclosed in section 13.0 of the MD&A contained in the Company’s 2016 Report to Shareholders.

Changes in internal control over financial reporting

During the quarter ended September 30, 2017, 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.

12.0 Social and environmental responsibility

12.1 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.

12.2 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>.

12.3 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.

12.4 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>.

12.5 Environmental responsibility

The Company's sustainability strategy supports its corporate strategic imperatives. The strategy aims to achieve productivity gains and economic benefits from enhanced environmental and social outcomes by integrating sustainability into business operations. Through its sustainability strategy, the Company aims to serve its customers, communities, employees, and shareholders, both now and in the future.

The Company's sustainability strategy has four imperatives:

- optimize productivity: drive product and operations value-chain improvements;
- develop innovation: create and re-invent better processes, products, and services;
- enhance the brand: protect and enhance banner brands and corporate reputation; and
- drive Company engagement: engage employees through integration of sustainability practices into everyday business operations.

Benefits from the Company's sustainability initiatives and its annual environmental footprint reporting are included in section 14.0 of the MD&A contained in the Company's 2016 Report to Shareholders. For further details refer to the Company's Business Sustainability Reports at:

<http://corp.canadiantire.ca/EN/CorporateCitizenship/EnvironmentalSustainability/Pages/OurProgressReports.aspx>.

13.0 Three-Year (2018 to 2020) financial aspirations

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

The Company has established its financial aspirations for fiscal years 2018 to 2020. Achievement of these aspirations will contribute to the consistent increase of total shareholder return over the course of 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 MD&A contained in the Company's 2016 Report to Shareholders.

1. Consolidated Same Store Sales Growth (excluding Petroleum) of 3+ percent annually
Material assumptions <ul style="list-style-type: none">• Individual business units contribute positively to Consolidated Same Store 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 for One Customer strategy• Continued focus on promotional and pricing optimization
Material risks <ul style="list-style-type: none">• 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 <ul style="list-style-type: none">• Realization of the Consolidated Same Store Sales Growth aspiration• Successful rollout of operational efficiency programs and initiatives• Continued 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 <ul style="list-style-type: none">• Risks associated with the Consolidated Same Store 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 increase 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 Same Store 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

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 2015 to 2017 in section 3.0;
- 2017 strategic imperatives in section 4.0;
- capital expenditures in subsection 6.4;
- contractual obligations, guarantees, and commitments in subsection 6.6.1;
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in section 7.1;
- tax matters in section 8.0;
- the expected impact to the Company as a result of changes to accounting standards, including IFRS 9, in subsection 9.2; and
- the Company's financial aspirations for fiscal years 2018 to 2020 in section 13.0.

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. 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 FGL Sports franchisees, as well as the Company's financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at its stores or acquire its financial

products and services; (d) the Company's margins and sales and those of its competitors; (e) the changing consumer preferences toward 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, 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 programs, and share price and (i) the Company's ability to obtain all necessary regulatory approvals. Management cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company's results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, please refer to sections 5.2.4 (Retail segment business risks), 5.3.2 (CT REIT segment business risks), 5.4.3 (Financial Services segment business risks), 10.0 (Enterprise risk management), 13.0 (Three-Year (2018-2020) financial aspirations) and all subsections thereunder of this MD&A. Please also refer to section 2.10 (Risk Factors) of the Company's Annual Information Form for fiscal 2016, as well as the Company's other public filings, available on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com and at www.corp.canadiantire.ca.

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.

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

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: <http://corp.canadiantire.ca/en/investors>, includes the following documents and information of interest to investors:

- the 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, call Lisa Greatrix at (416) 480-8725 or email investor.relations@cantire.com.

November 8, 2017

CANADIAN TIRE CORPORATION, LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Q3 2017

Condensed Interim Consolidated Balance Sheets (Unaudited)

As at (C\$ in millions)	September 30, 2017	October 1, 2016	December 31, 2016
ASSETS			
Cash and cash equivalents (Note 15)	\$ 653.4	\$ 300.2	\$ 829.7
Short-term investments	146.1	166.6	117.2
Trade and other receivables	810.4	883.4	690.8
Loans receivable (Note 6)	5,295.7	4,868.9	5,138.4
Merchandise inventories	2,280.9	2,206.8	1,710.7
Income taxes recoverable	50.0	61.0	42.5
Prepaid expenses and deposits	134.0	120.9	103.8
Assets classified as held for sale	8.2	19.0	4.6
Total current assets	9,378.7	8,626.8	8,637.7
Long-term receivables and other assets	759.4	755.0	763.7
Long-term investments	176.1	165.1	175.2
Goodwill and intangible assets	1,281.5	1,274.2	1,280.3
Investment property	293.8	232.5	266.4
Property and equipment	4,059.2	4,093.3	4,097.2
Deferred income taxes	130.2	107.2	82.3
Total assets	\$ 16,078.9	\$ 15,254.1	\$ 15,302.8
LIABILITIES			
Bank indebtedness (Note 15)	\$ —	\$ 38.5	\$ 5.9
Deposits	994.1	901.8	950.7
Trade and other payables	2,172.7	2,054.9	1,856.9
Provisions	255.0	243.8	253.2
Short-term borrowings	228.1	106.3	199.4
Loans payable	713.4	699.7	700.3
Income taxes payable	31.4	40.2	61.1
Current portion of long-term debt	456.7	231.2	653.4
Total current liabilities	4,851.4	4,316.4	4,680.9
Long-term provisions	43.3	49.0	45.9
Long-term debt (Note 7)	3,377.5	3,094.0	2,667.1
Long-term deposits	1,374.5	1,272.5	1,230.8
Deferred income taxes	96.3	88.8	104.2
Other long-term liabilities	832.1	843.0	836.6
Total liabilities	10,575.1	9,663.7	9,565.5
EQUITY			
Share capital (Note 8)	624.1	653.9	648.1
Contributed surplus	2.9	2.9	2.9
Accumulated other comprehensive (loss) income	(56.0)	(18.5)	36.7
Retained earnings	4,123.8	4,157.2	4,250.9
Equity attributable to shareholders of Canadian Tire Corporation	4,694.8	4,795.5	4,938.6
Non-controlling interests	809.0	794.9	798.7
Total equity	5,503.8	5,590.4	5,737.3
Total liabilities and equity	\$ 16,078.9	\$ 15,254.1	\$ 15,302.8

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

Condensed Interim Consolidated Statements of Income (Unaudited)

For the (C\$ in millions, except per share amounts)	13 weeks ended		39 weeks ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Revenue (Note 10)	\$ 3,303.9	\$ 3,128.4	\$ 9,470.9	\$ 9,040.0
Cost of producing revenue (Note 11)	2,183.3	2,056.8	6,226.4	5,944.2
Gross margin	1,120.6	1,071.6	3,244.5	3,095.8
Other expense (income)	—	1.1	0.5	(6.7)
Selling, general and administrative expenses (Note 12)	822.3	779.4	2,453.3	2,381.1
Net finance costs (Note 13)	31.5	24.8	82.5	68.5
Income before income taxes	266.8	266.3	708.2	652.9
Income taxes	68.3	68.5	184.8	170.5
Net income	\$ 198.5	\$ 197.8	\$ 523.4	\$ 482.4
Net income attributable to:				
Shareholders of Canadian Tire Corporation	\$ 176.6	\$ 176.4	\$ 459.3	\$ 422.3
Non-controlling interests	21.9	21.4	64.1	60.1
	\$ 198.5	\$ 197.8	\$ 523.4	\$ 482.4
Basic EPS	\$ 2.59	\$ 2.45	\$ 6.63	\$ 5.80
Diluted EPS	\$ 2.59	\$ 2.44	\$ 6.62	\$ 5.79
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	68,099,921	71,980,635	69,243,297	72,779,775
Diluted	68,252,446	72,145,192	69,433,042	72,976,210

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

Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited)

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net income	\$ 198.5	\$ 197.8	\$ 523.4	\$ 482.4
Other comprehensive (loss), net of taxes				
Items that may be reclassified subsequently to net income:				
Cash flow hedges and available-for-sale financial assets:				
(Losses) gains	(49.1)	12.8	(92.6)	(112.2)
Reclassification of (losses) gains to non-financial assets	16.9	(14.1)	7.5	(58.1)
Reclassification of (losses) gains to income	0.6	(0.1)	(6.2)	(1.3)
Other comprehensive (loss)	(31.6)	(1.4)	(91.3)	(171.6)
Other comprehensive (loss) attributable to:				
Shareholders of Canadian Tire Corporation	\$ (33.3)	\$ (1.2)	\$ (92.7)	\$ (166.6)
Non-controlling interests	1.7	(0.2)	1.4	(5.0)
	\$ (31.6)	\$ (1.4)	\$ (91.3)	\$ (171.6)
Comprehensive income	\$ 166.9	\$ 196.4	\$ 432.1	\$ 310.8
Comprehensive income attributable to:				
Shareholders of Canadian Tire Corporation	\$ 143.3	\$ 175.2	\$ 366.6	\$ 255.7
Non-controlling interests	23.6	21.2	65.5	55.1
	\$ 166.9	\$ 196.4	\$ 432.1	\$ 310.8

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

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Cash (used for) generated from:				
Operating activities				
Net income	\$ 198.5	\$ 197.8	\$ 523.4	\$ 482.4
Adjustments for:				
Depreciation of property and equipment and investment property (Notes 11 and 12)	85.7	80.0	243.8	240.9
Income tax expense	68.3	68.5	184.8	170.5
Net finance costs (Note 13)	31.5	24.8	82.5	68.5
Amortization of intangible assets (Note 12)	33.7	31.6	100.8	92.9
Loss (gain) on disposal of property and equipment, investment property and assets held for sale	0.1	—	—	(12.3)
Interest paid	(32.1)	(28.2)	(92.9)	(82.7)
Interest received	2.9	1.8	6.5	5.7
Income taxes paid	(85.0)	(55.4)	(245.7)	(228.6)
Other	2.6	5.5	7.6	1.8
Total adjustments, except as noted below	306.2	326.4	810.8	739.1
Change in operating working capital and other (Note 15)	(241.8)	(218.4)	(515.2)	(480.0)
Change in loans receivable (Note 6)	(45.2)	(5.4)	(159.9)	(46.8)
Cash generated from operating activities	19.2	102.6	135.7	212.3
Investing activities				
Additions to property and equipment and investment property	(98.7)	(112.3)	(224.1)	(469.7)
Additions to intangible assets	(45.9)	(42.4)	(114.8)	(126.9)
Total additions	(144.6)	(154.7)	(338.9)	(596.6)
Acquisition of short-term investments	(58.8)	(58.5)	(376.3)	(402.8)
Proceeds from the maturity and disposition of short-term investments	290.5	130.9	382.2	362.3
Acquisition of long-term investments	(9.1)	—	(35.0)	(41.4)
Proceeds on disposition of property and equipment and assets held for sale	1.6	—	2.1	18.0
Acquisition of subsidiaries (Note 17)	(19.3)	—	(19.3)	—
Other	0.8	2.0	2.5	8.0
Cash generated from (used for) investing activities	61.1	(80.3)	(382.7)	(652.5)
Financing activities				
Dividends paid	(42.1)	(39.2)	(128.4)	(118.7)
Distributions paid to non-controlling interests	(20.7)	(25.4)	(55.2)	(55.7)
Total dividends and distributions paid	(62.8)	(64.6)	(183.6)	(174.4)
Net issuance of short-term borrowings	138.1	2.2	28.7	17.6
Issuance of loans payable	18.2	19.5	121.0	235.2
Repayment of loans payable	(48.4)	(40.9)	(107.8)	(191.0)
Issuance of long-term debt (Note 7)	0.4	—	741.4	350.0
Repayment of long-term debt and finance lease liabilities (Note 7)	(4.2)	(5.0)	(225.6)	(18.9)
Payment of transaction costs related to long-term debt	(0.1)	—	(4.2)	(3.1)
Repurchase of share capital	(153.7)	(113.6)	(478.0)	(332.8)
Change in deposits	(3.7)	(81.7)	184.7	(81.3)
Cash (used for) generated from financing activities	(116.2)	(284.1)	76.6	(198.7)
Cash (used) in the period	(35.9)	(261.8)	(170.4)	(638.9)
Cash and cash equivalents, net of bank indebtedness, beginning of period	689.3	523.5	823.8	900.6
Cash and cash equivalents, net of bank indebtedness, end of period	\$ 653.4	\$ 261.7	\$ 653.4	\$ 261.7

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	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
Balance at December 31, 2016	\$ 648.1	\$ 2.9	\$ 36.7	\$ 4,250.9	\$ 4,938.6	\$ 798.7	\$ 5,737.3
Net income	—	—	—	459.3	459.3	64.1	523.4
Other comprehensive (loss) income	—	—	(92.7)	—	(92.7)	1.4	(91.3)
Total comprehensive (loss) income	—	—	(92.7)	459.3	366.6	65.5	432.1
Contributions and distributions to shareholders of Canadian Tire Corporation							
Issuance of Class A Non-Voting Shares (Note 8)	7.2	—	—	—	7.2	—	7.2
Repurchase of Class A Non-Voting Shares (Note 8)	(484.2)	—	—	—	(484.2)	—	(484.2)
Excess of purchase price over average cost (Note 8)	453.0	—	—	(453.0)	—	—	—
Dividends	—	—	—	(133.4)	(133.4)	—	(133.4)
Contributions and distributions to non-controlling interests							
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	2.0	2.0
Distributions and dividends to non-controlling interests	—	—	—	—	—	(57.2)	(57.2)
Total contributions and distributions	(24.0)	—	—	(586.4)	(610.4)	(55.2)	(665.6)
Balance at September 30, 2017	\$ 624.1	\$ 2.9	\$ (56.0)	\$ 4,123.8	\$ 4,694.8	\$ 809.0	\$ 5,503.8

(C\$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
Balance at January 2, 2016	\$ 671.2	\$ 2.9	\$ 148.1	\$ 4,172.0	\$ 4,994.2	\$ 795.5	\$ 5,789.7
Net income	—	—	—	422.3	422.3	60.1	482.4
Other comprehensive loss	—	—	(166.6)	—	(166.6)	(5.0)	(171.6)
Total comprehensive income (loss)	—	—	(166.6)	422.3	255.7	55.1	310.8
Contributions and distributions to shareholders of Canadian Tire Corporation							
Issuance of Class A Non-Voting Shares (Note 8)	7.1	—	—	—	7.1	—	7.1
Repurchase of Class A Non-Voting Shares (Note 8)	(337.1)	—	—	—	(337.1)	—	(337.1)
Excess of purchase price over average cost (Note 8)	312.7	—	—	(312.7)	—	—	—
Dividends	—	—	—	(124.4)	(124.4)	—	(124.4)
Contributions and distributions to non-controlling interests							
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	1.2	1.2
Distributions and dividends to non-controlling interests	—	—	—	—	—	(56.9)	(56.9)
Total contributions and distributions	(17.3)	—	—	(437.1)	(454.4)	(55.7)	(510.1)
Balance at October 1, 2016	\$ 653.9	\$ 2.9	\$ (18.5)	\$ 4,157.2	\$ 4,795.5	\$ 794.9	\$ 5,590.4

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 the 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 its three reportable operating segments are provided in Note 5.

Due to the seasonal nature of some merchandise and the timing of marketing programs in the retail businesses, the fourth quarter typically generates the greatest contribution to revenues and earnings, and the first quarter the least.

2. Basis of preparation

Statement of compliance

These condensed interim consolidated financial statements (“interim financial statements”) for the 13 and 39 weeks ended September 30, 2017 (and comparative results for the 13 and 39 weeks ended October 1, 2016) 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 consolidated financial statements contained in the Company’s 2016 Report to Shareholders and have been prepared using the same accounting policies described in Note 3 to the consolidated financial statements contained in the Company’s 2016 Report to Shareholders.

These interim financial statements were authorized for issuance by the Company’s Board of Directors on November 8, 2017.

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;
- available-for-sale financial assets;
- 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 financial statements are presented in Canadian dollars (“C\$”), the Company’s functional currency.

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 consolidated financial statements contained in the Company's 2016 Report to Shareholders.

Standards, amendments, and interpretations issued and adopted

Disclosure initiative

In January 2016, the International Accounting Standard Board ("IASB") issued Disclosure Initiative Amendments to IAS 7 – *Statement of Cash Flows* as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes.

These amendments were effective for annual periods beginning on or after January 1, 2017. These amendments did not impact the Company's interim financial statements and the Company will disclose the required information in its annual disclosure.

Standards, amendments, and interpretations issued but not yet adopted

The following new standards, amendments, and interpretations have been issued and are expected to impact the Company, but are not effective for the fiscal year ending December 30, 2017 and, accordingly, have not been applied in preparing the interim financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 will be applied retrospectively for the 2018 annual fiscal period, without restatement of prior period comparatives. The IFRS 9 adjustments will be recognized in opening retained earnings for 2018.

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the Company's own credit risk recognized in other comprehensive income instead of net income, unless this would create an accounting mismatch. The implementation of the new classification and measurement requirements is expected to result in short-term and long-term investments being classified as Amortized Cost (previously classified either as Available-For-Sale or Fair Value Through Profit or Loss under IAS 39) without significant impact to the Company's financial results.

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities. The new hedge accounting requirements are not expected to have a significant impact to the Company.

Impairment – It is no longer necessary for a triggering event to occur before a provision for credit losses is recognized as the measurement for impairment of financial assets will be based on an expected credit loss ("ECL") model. The earlier recognition of losses, as a result of moving to an ECL model, will impact the Company's estimate of allowances on credit card loans receivable. On transition to IFRS 9, the impact of the earlier recognition of losses is expected to increase the allowance on credit card loans receivable by between \$650 million to \$750 million. The allowance for those credit card loans receivable for which credit risk has not increased significantly since initial recognition, is measured using the lifetime losses from accounts that are expected to default over the next 12 months. For all other accounts the Company will recognize an allowance at an amount equal to the lifetime ECL. There is a significant amount of judgment involved in determining the ECL estimate and it is expected to be more volatile under IFRS 9 as a result of the movement of accounts between 12-month and lifetime ECL and the incorporation of forward-looking information. Over the coming months the Company will finalize its calculation of the financial impact of this standard and complete its testing and validation of its ECL methodology application, including criteria for a significant increase in credit risk and the impact of forward-looking information. Simultaneously, internal controls, policies and information systems are being updated along with training and education of key stakeholders.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, and International Financial Reporting Interpretations Committee 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

In April 2016, the IASB published clarifications to IFRS 15 which addressed three topics (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts.

The Company will adopt IFRS 15 for the 2018 annual fiscal period and expects to do so on a full retrospective basis with restatement of prior period. IFRS 15 mainly impacts the presentation of the Company's loyalty programs, in particular My Canadian Tire ‘Money’[®] customer loyalty program. The costs of the loyalty program previously presented within selling, general and administrative expenses (“SG&A”) will be recorded as a reduction of revenue and the related liabilities previously presented within provisions will be recorded as trade and other payables.

Leases

In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”), which replaced IAS 17 – *Leases* (“IAS 17”) and related interpretations. 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 with the distinction between operating leases and finance leases being retained.

IFRS 16 will be applied for the 2019 annual fiscal period. The Company is assessing the potential impact of this standard.

Insurance Contracts

In May 2017, the IASB issued IFRS 17 – *Insurance Contracts* (“IFRS 17”), which replaces IFRS 4 – *Insurance Contracts* and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 will be effective for annual periods beginning on or after January 1, 2021. Early adoption is permitted. The Company is assessing the potential impact of this standard.

3. Capital management

The Company's objectives when managing capital are:

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

The definition of capital varies from company to company, industry to industry, and for different purposes. The Company's definition of capital is the same as that detailed in Note 4 to the consolidated financial statements contained in the Company's 2016 Report to Shareholders, which includes Glacier Credit Card Trust (“GCCT”) indebtedness but excludes Franchise Trust indebtedness.

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 methodology of debt-rating agencies and other market participants on a current and prospective basis. To assess its effectiveness in managing capital, Management monitors these ratios against targeted ranges.

The Company was in compliance with all financial covenants under its existing debt agreements as at September 30, 2017. Under these covenants, the Company has sufficient liquidity to support business growth.

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 the financial covenants thereunder as at September 30, 2017.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB"), a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain covenants established under its bank line of credit and note purchase facilities. As at September 30, 2017, CTB complied with all regulatory capital requirements and all financial covenants under its bank line of credit and note purchase facilities.

4. Liquidity and financing

On April 5, 2017, CT REIT renewed its short form base-shelf prospectus under which a total of \$2.0 billion of debt and equity capital can be issued. On May 19, 2017, GCCT renewed its short form base-shelf prospectus under which it can issue up to \$2.0 billion of credit card asset-backed debt.

On July 7, 2017, the term of Canadian Tire Corporation's committed bank line of credit was extended to July 2022 and the term of GCCT's \$300 million liquidity facility, which provides backstop protection to its Series 1997-1 asset-backed commercial paper program, was extended to July 2020.

On September 27, 2017, the term of CT REIT's committed bank line of credit was extended to five years (expiring September 2022).

Subsequent to September 30, 2017, CTB extended the term of its committed bank line of credit totaling \$250 million to October 2020 and extended the terms of its committed note purchase facilities, for purchase of up to \$2 billion of senior and subordinated notes issued by GCCT, to October 2020.

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 in 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, and various FGL Sports 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 markets a range of Canadian Tire branded credit cards including Canadian Tire Options MasterCard, Cash Advantage MasterCard, Gas Advantage MasterCard, and Sport Chek MasterCard and also participates in the Canadian Tire loyalty program. Certain costs associated with these activities were allocated to Financial Services for segment reporting purposes. Financial Services also 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, Visa, and retail credit card portfolios, as well as an existing block of Canadian Tire branded line of credit portfolios. CTB also offers high-interest savings deposit accounts, tax free savings accounts, and GIC deposits, both directly and through third-party brokers. Financial Services also 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 the 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					October 1, 2016				
	September 30, 2017					October 1, 2016				
(C\$ in millions)	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	\$ 2,977.1	\$ 8.6	\$ 288.8	\$ 29.4	\$ 3,303.9	\$ 2,821.0	\$ 6.8	\$ 274.7	\$ 25.9	\$ 3,128.4
Intercompany revenue	1.4	100.7	5.8	(107.9)	—	1.7	96.1	3.6	(101.4)	—
Total revenue	2,978.5	109.3	294.6	(78.5)	3,303.9	2,822.7	102.9	278.3	(75.5)	3,128.4
Cost of producing revenue	2,079.8	—	118.2	(14.7)	2,183.3	1,959.1	—	110.3	(12.6)	2,056.8
Gross margin	898.7	109.3	176.4	(63.8)	1,120.6	863.6	102.9	168.0	(62.9)	1,071.6
Other (income) expense	(31.8)	—	(0.1)	31.9	—	(29.1)	—	0.3	29.9	1.1
Selling, general and administrative expenses	775.3	24.8	76.5	(54.3)	822.3	737.4	26.2	71.7	(55.9)	779.4
Net finance (income) costs	(5.1)	24.4	(0.2)	12.4	31.5	(6.9)	20.2	(0.1)	11.6	24.8
Fair value (gain) loss on investment properties	—	(10.5)	—	10.5	—	—	(15.6)	—	15.6	—
Income before income taxes	\$ 160.3	\$ 70.6	\$ 100.2	\$ (64.3)	\$ 266.8	\$ 162.2	\$ 72.1	\$ 96.1	\$ (64.1)	\$ 266.3
Items included in the above:										
Depreciation and amortization	\$ 95.7	\$ —	\$ 2.6	\$ 21.1	\$ 119.4	\$ 90.7	\$ —	\$ 2.5	\$ 18.4	\$ 111.6
Interest income	22.2	—	237.0	(17.4)	241.8	22.3	0.1	217.7	(17.5)	222.6
Interest expense	13.0	24.4	28.9	(18.0)	48.3	11.7	20.3	26.1	(17.7)	40.4

For the	39 weeks ended					October 1, 2016				
	September 30, 2017					October 1, 2016				
(C\$ in millions)	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	\$ 8,511.4	\$ 25.3	\$ 847.3	\$ 86.9	\$ 9,470.9	\$ 8,116.3	\$ 17.4	\$ 827.7	\$ 78.6	\$ 9,040.0
Intercompany revenue	4.4	306.7	16.6	(327.7)	—	4.3	285.5	9.9	(299.7)	—
Total revenue	8,515.8	332.0	863.9	(240.8)	9,470.9	8,120.6	302.9	837.6	(221.1)	9,040.0
Cost of producing revenue	5,929.2	—	339.0	(41.8)	6,226.4	5,641.2	—	341.1	(38.1)	5,944.2
Gross margin	2,586.6	332.0	524.9	(199.0)	3,244.5	2,479.4	302.9	496.5	(183.0)	3,095.8
Other (income) expense	(93.7)	—	(0.1)	94.3	0.5	(92.2)	—	0.1	85.4	(6.7)
Selling, general and administrative expenses	2,311.8	82.8	226.4	(167.7)	2,453.3	2,246.3	79.8	217.1	(162.1)	2,381.1
Net finance (income) costs	(19.8)	72.0	(0.4)	30.7	82.5	(30.6)	65.2	(0.5)	34.4	68.5
Fair value (gain) loss on investment properties	—	(43.0)	—	43.0	—	—	(35.7)	—	35.7	—
Income before income taxes	\$ 388.3	\$ 220.2	\$ 299.0	\$ (199.3)	\$ 708.2	\$ 355.9	\$ 193.6	\$ 279.8	\$ (176.4)	\$ 652.9
Items included in the above:										
Depreciation and amortization	\$ 279.3	\$ —	\$ 7.6	\$ 57.7	\$ 344.6	\$ 273.6	\$ —	\$ 6.6	\$ 53.6	\$ 333.8
Interest income	67.2	0.1	689.3	(53.6)	703.0	68.8	0.2	655.3	(55.0)	669.3
Interest expense	35.9	72.1	82.5	(60.7)	129.8	27.7	65.5	78.2	(55.6)	115.8

The eliminations and adjustments include the following items:

- reclassifications of certain revenues and costs in the Financial Services segment to net finance costs;
- reclassifications of revenues and operating expenses to reflect loyalty program accounting in accordance with IFRIC 13 for the Company's Loyalty program;
- 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 intercompany rent, property management fees, credit card processing fees, and capitalized interest related to the Bolton distribution centre in 2017.

Capital expenditures by reportable operating segment are as follows:

For the (C\$ in millions)	13 weeks ended							
	September 30, 2017				October 1, 2016			
	Retail	CT REIT ¹	Financial Services	Total	Retail	CT REIT ¹	Financial Services	Total
Capital expenditures ²	\$ 102.1	\$ 41.6	\$ 1.8	\$ 145.5	\$ 170.6	\$ 13.7	\$ 1.6	\$ 185.9

¹ CT REIT capital expenditures include the construction of stores under Mark's and FGL Sports banners of \$0.2 million in Q3 2017 (2016 – \$1.0 million).

² Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions relating to business combinations and intellectual properties.

For the (C\$ in millions)	39 weeks ended							
	September 30, 2017				October 1, 2016			
	Retail	CT REIT ¹	Financial Services	Total	Retail	CT REIT ¹	Financial Services	Total
Capital expenditures ²	\$ 266.5	\$ 55.3	\$ 4.7	\$ 326.5	\$ 447.4	\$ 131.9	\$ 5.7	\$ 585.0

¹ CT REIT capital expenditures include the construction of stores under Mark's and FGL Sports banners of \$1.0 million YTD Q3 2017 (2016 – \$1.4 million).

² Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions relating to business combinations and intellectual properties.

Total assets by reporting operating segment are as follows:

(C\$ in millions)	September 30, 2017			October 1, 2016	December 31, 2016
As at					
Retail	\$	11,193.1	\$	11,030.3	\$ 11,024.4
CT REIT		5,265.1		4,915.2	5,014.6
Financial Services		6,334.9		5,527.7	5,773.5
Eliminations and adjustments		(6,714.2)		(6,219.1)	(6,509.7)
Total assets ¹	\$	16,078.9	\$	15,254.1	\$ 15,302.8

¹ The Company employs a shared-services model for several of its back-office functions including Finance, Information Technology, Human Resources, and Legal. As a result, expenses 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 reporting operating segment are as follows:

(C\$ in millions)	September 30, 2017			October 1, 2016	December 31, 2016
As at					
Retail	\$	4,353.0	\$	4,067.1	\$ 3,943.9
CT REIT		2,463.4		2,355.1	2,424.0
Financial Services		5,266.1		4,509.0	4,731.6
Eliminations and adjustments		(1,507.4)		(1,267.5)	(1,534.0)
Total liabilities ¹	\$	10,575.1	\$	9,663.7	\$ 9,565.5

¹ The Company employs a shared-services model for several of its back-office functions including Finance, Information Technology, Human Resources, and Legal. As a result, expenses 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) As at	Total principal amount of receivables ¹		
	September 30, 2017	October 1, 2016	December 31, 2016
Credit card loans ²	\$ 5,253.0	\$ 4,847.6	\$ 5,104.6
Dealer loans ³	716.9	703.2	705.4
Total loans receivable	5,969.9	5,550.8	5,810.0
Less: long-term portion ⁴	674.2	681.9	671.6
Current portion of loans receivable	\$ 5,295.7	\$ 4,868.9	\$ 5,138.4

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 \$671.4 million (October 1, 2016 – \$678.8 million and December 31, 2016 – \$668.9 million).

The gross impairment loss on loans receivable for the 13 and 39 weeks ended September 30, 2017 was \$93.3 million (2016 – \$89.6 million) and \$269.7 million (2016 - \$274.6 million), respectively. Recoveries of bad debts for the 13 and 39 weeks ended September 30, 2017 were \$17.8 million (2016 – \$17.7 million) and \$52.8 million (2016 - \$52.0 million), respectively.

During the 13 and 39 weeks ended September 30, 2017, the amount of cash received from interest earned on credit cards and loans was \$222.7 million (2016 – \$205.3 million) and \$646.2 million (2016 - \$613.7 million), respectively.

7. Long-term debt

On May 20, 2017, Glacier repaid \$200 million of senior notes, which bore an interest rate of 2.807 percent per annum as well as \$11.6 million of subordinated notes, which bore an interest rate of 3.827 percent per annum.

On June 1, 2017, under its short form base-shelf prospectus dated May 19, 2017 and pricing supplement No. 1 dated May 25, 2017, GCCT completed the issuance of \$560 million of Series 2017-1 term notes that have an expected repayment date of September 20, 2022, consisting of \$523.6 million principal amount of senior notes that bear an interest rate of 2.048 percent per annum and \$36.4 million principal amount of subordinated notes that bear an interest rate of 3.298 percent per annum.

On June 16, 2017, CT REIT completed the issuance of \$175 million 3.469 percent Series E senior unsecured debentures due June 16, 2027. The debenture issuance was made under CT REIT's short form base-shelf prospectus dated April 5, 2017 and prospectus supplement dated June 13, 2017.

Subsequent to September 30, 2017, GCCT repaid \$400 million of senior notes, which bore an interest rate of 2.394 percent per annum as well as \$23.3 million of subordinated notes, which bore an interest rate of 3.174 percent per annum.

8. Share capital

Share capital consists of the following:

(C\$ in millions)	September 30, 2017	October 1, 2016	December 31, 2016
As at			
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (October 1, 2016 - 3,423,366; December 31, 2016 - 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
64,141,483 Class A Non-Voting Shares (October 1, 2016 - 68,132,860; December 31, 2016 - 67,323,781)	623.9	653.7	647.9
	\$ 624.1	\$ 653.9	\$ 648.1

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

During 2017 and 2016, 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:

(C\$ in millions)	39 Weeks Ended			
	September 30, 2017		October 1, 2016	
	Number	\$	Number	\$
Shares outstanding at beginning of the year	67,323,781	\$ 647.9	70,637,987	\$ 671.0
Issued under the dividend reinvestment plan	46,796	7.2	52,574	7.1
Repurchased ¹	(3,229,094)	(484.2)	(2,557,701)	(337.1)
Excess of repurchase price over average cost	—	453.0	—	312.7
Shares outstanding at end of the period	64,141,483	\$ 623.9	68,132,860	\$ 653.7

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 30, 2017, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of \$43.9 million (2016 – \$41.1 million) at a rate of \$0.650 per share (2016 – \$0.575 per share).

On November 8, 2017, the Company's Board of Directors approved an increase to the quarterly dividend by \$0.25 to \$0.900 per share and declared dividends payable on March 1, 2018 to shareholders of record as of January 31, 2018.

9. Share-based payments

During the 39 weeks ended September 30, 2017, the Company granted the following share-based payment awards:

Stock options

The Company granted 300,217 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 \$152.64, \$153.72, and \$156.29.

10. Revenue

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Sale of goods	\$ 2,860.3	\$ 2,708.1	\$ 8,168.6	\$ 7,785.4
Interest income on loans receivable	239.0	220.2	696.3	661.9
Royalties and licence fees	105.5	100.6	309.7	296.1
Services rendered	79.9	83.1	239.0	248.7
Rental income	19.2	16.4	57.3	47.9
	\$ 3,303.9	\$ 3,128.4	\$ 9,470.9	\$ 9,040.0

Major customers

The Company does not rely on any one customer.

11. Cost of producing revenue

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Inventory cost of sales ¹	\$ 2,081.9	\$ 1,960.9	\$ 5,934.5	\$ 5,645.0
Net impairment loss on loans receivable	74.0	69.6	212.2	217.1
Finance costs	14.0	13.2	40.6	39.9
Other	13.4	13.1	39.1	42.2
	\$ 2,183.3	\$ 2,056.8	\$ 6,226.4	\$ 5,944.2

¹ Inventory cost of sales includes depreciation for the 13 and 39 weeks ended September 30, 2017 of \$1.7 million (2016 – \$2.2 million) and \$5 million (2016 – \$6.1 million), respectively.

Inventory writedowns, as a result of net realizable value being lower than cost, recognized in the 13 and 39 weeks ended September 30, 2017 were \$13.9 million (2016 – \$17.4 million) and \$35.6 million (2016 – \$43.4 million), respectively.

Inventory writedowns recognized in prior periods and reversed in the 13 and 39 weeks ended September 30, 2017 were \$4.5 million (2016 – \$2.5 million) and \$7.5 million (2016 – \$4.5 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.

12. Selling, general and administrative expenses

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Personnel expenses	\$ 288.0	\$ 287.9	\$ 868.1	\$ 849.7
Occupancy	171.5	147.6	516.7	484.1
Marketing and advertising	93.8	88.4	286.1	267.2
Depreciation of property and equipment and investment property ¹	84.0	77.8	238.8	234.8
Amortization of intangible assets	33.7	31.6	100.8	92.9
Information systems	42.2	35.9	120.8	104.9
Other	109.1	110.2	322.0	347.5
	\$ 822.3	\$ 779.4	\$ 2,453.3	\$ 2,381.1

¹ Refer to Note 11 for depreciation included in cost of producing revenue.

13. Net finance costs

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Finance (income)	\$ (2.8)	\$ (2.4)	\$ (6.7)	\$ (7.4)
Finance costs	34.3	27.2	89.2	75.9
	\$ 31.5	\$ 24.8	\$ 82.5	\$ 68.5

14. Income taxes

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

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Income tax (benefit) of cash flow hedges and available-for-sale financial assets:				
(Losses) gains	\$ (18.0)	\$ 4.7	\$ (33.8)	\$ (40.6)
Reclassification of (losses) gain to non-financial assets	6.1	(5.2)	2.7	(21.2)
Reclassification of (losses) gains to income	0.2	(0.1)	(2.2)	(0.5)
	\$ (11.7)	\$ (0.6)	\$ (33.3)	\$ (62.3)

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

There have been no material changes in ongoing audits by tax authorities as disclosed in Note 15 to the consolidated financial statements contained in the Company's 2016 Report to Shareholders.

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

15. Notes to the condensed interim consolidated statements of cash flows

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

(C\$ in millions)	September 30, 2017	October 1, 2016	December 31, 2016
As at			
Cash	\$ 73.2	\$ 127.5	\$ 81.0
Cash equivalents	146.2	162.4	738.2
Restricted cash and cash equivalents ¹	434.0	10.3	10.5
Total cash and cash equivalents ²	653.4	300.2	829.7
Bank indebtedness	—	(38.5)	(5.9)
Cash and cash equivalents, net of bank indebtedness	\$ 653.4	\$ 261.7	\$ 823.8

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

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

Change in operating working capital and other comprise the following:

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Change in operating working capital				
Trade and other receivables	\$ (341.3)	\$ (257.2)	\$ (202.0)	\$ (173.2)
Merchandise inventories	(344.0)	(347.4)	(542.2)	(432.3)
Prepaid expenses and deposits	(0.9)	12.1	(28.9)	(24.7)
Trade and other payables	442.5	357.7	263.1	110.8
Total	(243.7)	(234.8)	(510.0)	(519.4)
Change in other				
Provisions	(1.4)	9.4	4.0	28.6
Long-term provisions	(1.3)	1.2	(1.3)	(0.2)
Other long-term liabilities	4.6	5.8	(7.9)	11.0
Total	1.9	16.4	(5.2)	39.4
Change in operating working capital and other	\$ (241.8)	\$ (218.4)	\$ (515.2)	\$ (480.0)

Capital commitments

As at September 30, 2017, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately \$61.2 million (2016 – \$99.4 million).

16. Financial instruments

16.1 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 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 equity and debt securities

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

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 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 valuator 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 consolidated financial statements contained in the Company's 2016 Report to Shareholders for further information regarding this financial instrument.

16.2 Fair value measurement of debt and deposits

The fair value measurement of debt and deposits is categorized within Level 2 of the fair value hierarchy as described in Note 32.4 to the consolidated financial statements contained in the Company's 2016 Report to Shareholders. The fair values of the Company's debt and deposits compared to the carrying amounts are as follows:

As at (C\$ in millions)	September 30, 2017		October 1, 2016		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities carried at amortized cost						
Debt	\$ 3,834.2	\$ 3,942.5	\$ 3,325.2	\$ 3,564.6	\$ 3,320.5	\$ 3,476.9
Deposits	\$ 2,368.6	\$ 2,426.4	\$ 2,174.3	\$ 2,192.0	\$ 2,181.5	\$ 2,197.9

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 decreases in market interest rates for similar instruments. The fair values are determined by discounting the associated future cash flows using current market interest rates for items of similar risk.

16.3 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 million)

As at	Category	September 30, 2017		October 1, 2016		December 31, 2016	
		Level		Level		Level	
Balance sheet line	Category	Level		Level		Level	
Short-term investments	FVTPL	2	\$ 40.3	2	\$ 60.5	2	\$ 38.6
Short-term investments	Available for sale	2	105.8	2	106.1	2	78.6
Long-term investments	Available for sale	2	176.1	2	165.1	2	175.2
Trade and other receivables	FVTPL ¹	2	15.3	2	32.4	2	26.7
Trade and other receivables	Effective hedging instruments	2	2.8	2	19.2	2	49.9
Long-term receivables and other assets	FVTPL ¹	2	23.1	2	20.6	2	26.0
Long-term receivables and other assets	Effective hedging instruments	2	17.8	2	7.5	2	20.2
Trade and other payables	FVTPL ¹	2	11.3	2	1.9	2	1.1
Trade and other payables	Effective hedging instruments	2	79.5	2	33.2	2	12.3
Redeemable financial instrument	FVTPL	3	517.0	3	517.0	3	517.0
Other long-term liabilities	Effective hedging instruments	2	8.3	2	27.6	2	8.3

¹ Includes derivatives that are classified as held for trading.

There were no transfers in either direction among categories during the 13 and 39 weeks ended September 30, 2017 or 13 and 39 weeks ended October 1, 2016.

17. Business combinations

On July 14, 2017, the Company completed the acquisition of Padinox Inc., the company that owned the Canadian rights to the Paderno brand, for cash consideration of \$19.3 million. The fair value of the net assets acquired approximates the total consideration transferred. The financial results of Padinox Inc. have been included in these interim financial statements since the date of acquisition.

18. 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.

19. Comparative figures

Certain of the prior period figures have been reclassified to align with Management's current view of the Company's operations.