Management's Discussion and Analysis

Canadian Tire Corporation, Limited

Fourth Quarter and Full Year 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” 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.

“Jumpstart” refers to the Canadian Tire Jumpstart Charities.

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

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

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

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

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, trademarks and service marks referred to herein appear without the ® or TM symbol.

1.2 Forward-Looking Statements

This Management’s Discussion and Analysis (“MD&A”) contains statements that are forward looking and may constitute “forward-looking information” within the meaning of applicable securities legislation. Actual results or events may differ materially from those 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 17.0 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 February 14, 2018.

1.4 Quarterly and Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q4 2017 (13 weeks ended December 30, 2017) are compared against results for Q4 2016 (13 weeks ended December 31, 2016) and all comparisons of results for the full year 2017 (52 weeks ended December 30, 2017) are compared against results for the full year 2016 (52 weeks ended December 31, 2016).

1.5 Accounting Framework

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 3 of the annual consolidated financial statements.

1.6 Accounting Estimates and Assumptions

The preparation of 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 11.1 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 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 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 11.3.1 for additional information on retail sales.

Revenue, as reported in the Company's consolidated financial statements, comprises primarily the sale of goods to Dealers and to franchisees of Mark's and FGL, 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 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 11.3.1 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 11.3.1 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. Aspirations with respect to retail sales and Retail ROIC have been included in our financial aspirations

for the three years ending in 2020. Refer to section 5.1 and 6.1 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 11.3.2 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 11.3.2 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

2.1 Overview of the Business

Canadian Tire Corporation is a family of businesses that includes Canadian Tire, PartSource, Petroleum, FGL, Mark's, CT REIT, and a Financial Services division.

The Company's business model results in several distinct sources of revenue, which primarily comprise:

- shipments to Dealers of Canadian Tire and franchisees of FGL and Mark's;
- royalties on sales made by franchisees of FGL and Mark's;
- sales of goods to retail customers of corporately owned stores and wholesale revenue from sales to business customers;
- franchise rent and Dealer property licence fees;
- sales of gasoline and convenience items at gas bars;
- interest income and service charges on credit card loans receivable;
- merchant and interchange fees on credit card transactions;
- revenue from insurance products sold to credit card holders; and
- rental revenue from third-party tenants leasing space at properties owned by the Company.

The Company has three reportable operating segments for financial reporting purposes: Retail, CT REIT, and Financial Services.

2.1.1 Retail Segment

The Company's retail business results are delivered through the Company's retail banners: Canadian Tire, PartSource, Petroleum, Mark's, and the various FGL banners.

Canadian Tire is one of Canada's most shopped general merchandise retailers. For over 95 years, Canadian Tire has been Canadians' store for life in Canada. Canadian Tire, best known for the iconic red triangle affixed to every Canadian Tire storefront, offers products and services in the Automotive, Playing, Fixing, Living, and Seasonal categories. Canadian Tire also operates the specialty automotive hard parts banner PartSource. Canadian Tire aspires to be "Canada's store" and one of the Canadian consumers' most recognized and trusted brands. As part of its evolution, Canadian Tire now offers many of its products and services for purchase online through its website at www.canadiantire.ca, with in-store pick up across the entire store network and has recently launched a deliver-to-home service for online orders from select Canadian Tire stores. In addition to Canadian Tire's commitment to strengthening its eCommerce platform, the Company is focused on finding ways to use technology to service and connect with customers. Examples include in-aisle product locator devices, product-selection tools in the Automotive category, and search capability enhancements to the Canadian Tire mobile app and websites. Canadian Tire also offers one of Canada's most beloved loyalty programs, My Canadian Tire Money, which allows customers to choose between paper-based and electronic Money.

The 501 Canadian Tire stores across Canada, including approximately 5,600 automotive service bays, are run by independent business owners, known as Dealers. Dealers buy merchandise from CTC and sell it to consumers in Canadian Tire stores or online. The Company supports the Dealers with sourcing, purchasing, supply chain management, marketing, administrative, financial, and information technology services. Each Dealer owns the fixtures, equipment and inventory of the Canadian Tire store he or she operates and is responsible for the store staff and operating expenses of that store. Each Dealer agrees to comply with the policies, marketing plans, and operating standards prescribed by Canadian Tire, including purchasing merchandise primarily from Canadian Tire and offering merchandise for sale at prices not exceeding those set by Canadian Tire. In April 2013, the Company and its Dealers agreed to new contract terms which came into effect on June 30, 2013 and generally expire on December 31, 2024. Each contract includes guidelines for gross margin and cost sharing, simplified processes to achieve efficiencies and reduce costs, and guidelines to improve Dealer mobility within the network.

Petroleum is one of Canada's largest independent retailers of gasoline, with a network of 298 retailer-operated gas bars, including 298 convenience stores and 85 car washes. Petroleum operates under the banner Gas+. The majority of Petroleum sites are co-located with a Canadian Tire store as a strategy to drive traffic to the Company's core retail banner stores. As part of its network, Petroleum operates 20 Canadian Tire gas bars in state-of-the-art service centres along major Ontario highways (Highway 400 and Highway 401). The service centres feature a gas bar and an associated convenience store.

Mark's provides Canadians with apparel and footwear for everyday work and living by focusing its core business on developing durable, high-quality, and comfortable items for industrial and casual use. In addition to its 386 stores nationwide, including 354 corporate and 32 franchise stores, Mark's offers products for sale through its website at www.marks.com or www.lequipeur.com. Mark's operates under the banners Mark's, Mark's Work Wearhouse and, in Quebec, L'Équipeur. Mark's also conducts a business-to-business operation under its Commercial division.

FGL is a national retailer of sporting goods and active wear in Canada. FGL offers, both in-store and online, a comprehensive assortment of brand-name and owned-brand products under various banners, with the largest being Sport Chek, Sports Experts and Atmosphere (others include National Sports, Hockey Experts, Sports Rousseau and Pro Hockey Life). FGL operates 427 stores including 254 corporate and 173 franchise stores from coast to coast with Sport Chek and Sports Experts offering a full assortment of products through their websites at www.sportchek.ca and www.sportsexperts.ca.

Consumer Brands is a division of the retail segment which focuses on developing and growing the Company's existing owned-brand portfolio across the retail banners and also has responsibility for the identification and acquisition of brands that would be a logical complement or extension to the existing product portfolio. Certain brands are also sold under a business-to-business model under the name INA International Ltd. ("INA"). Owned-brands include, but are not limited to, Paderno, WOODS, NOMA, CANVAS, Master Chef, Premier, MOTOMASTER, and MasterCraft.

2.1.2 CT REIT Segment

CT REIT has a geographically-diversified portfolio of properties which comprises 331 properties located across Canada totaling approximately 25.8 million square feet of gross leasable area. The property portfolio includes single tenant retail properties, multi-tenant retail properties, some of which are anchored by a Canadian Tire store, distribution centres ("DC"s), a mixed-use commercial property, and properties under development. CT REIT's primary business involves owning, developing, and leasing income-producing commercial properties. CTC holds an 85.5 percent effective interest in CT REIT.

2.1.3 Financial Services Segment

Financial Services markets a range of Canadian Tire-branded credit cards, including the Canadian Tire Options MasterCard, the Cash Advantage MasterCard, and the Gas Advantage MasterCard as well as insurance and warranty products. Financial Services also supports the Retail business by processing credit card transactions for purchases made in Canadian Tire, FGL and Mark's stores as well as at Petroleum outlets and offering financing options to customers on certain purchases from various retail banners. CTC holds an 80.0 percent interest in the Financial Services business, which includes CTB, a federally-regulated financial institution that manages and finances the Company's consumer credit card portfolio. The Bank also offers and markets high-interest savings account deposits, tax-free savings account deposits ("TFSA"), and guaranteed investment certificate deposits ("GIC"s), both directly and through third-party brokers. The Financial Services business includes CTFS Bermuda, a Bermuda-based reinsurance company that reinsures the risk of certain insurance products marketed to CTC customers, and Glacier Credit Card Trust ("GCCT" or "Glacier"), a trust established to purchase co-ownership interests in the Bank's credit card loans. Glacier issues debt to third-party investors to fund its purchases.

2.1.4 Foreign Operations

The Retail segment has representative offices in the Pacific Rim that perform activities relating to product sourcing, logistics and vendor management, and a subsidiary that has wholesale operations based in the United States ("U.S."), including warehouse facilities in the state of Washington. The Financial Services segment includes CTFS Bermuda, a Bermuda-based reinsurance company.

2.2 Competitive Landscape

No single retailer (traditional bricks-and-mortar or online) competes directly with Canadian Tire across all its categories of product and service offerings, reflecting Canadian Tire's unique position in the Canadian retail marketplace. Canadian Tire's Living, Playing, Fixing, and Seasonal categories compete with mass merchants, home improvement warehouses, and specialty retailers across a number of product lines, including kitchen, cleaning, storage and organization, and tools.

Canadian Tire's Automotive business, including its auto service centres and hard-goods departments, PartSource hard-parts specialty stores and Petroleum retail outlets and gas bars, is one of the Company's core differentiators. The main competition in this category is from independent retailers, including online retailers, national and regional parts and tire specialty shops and automotive dealerships. In recent years, mass merchants and online specialty retailers have become an increasing source of competition, particularly in the tire market.

Mark's offers industrial apparel and footwear as well as men's and women's casual apparel and footwear through bricks-and-mortar stores and online offerings. Mark's has the highest market share in industrial apparel and footwear and is a leader in men's casual apparel in the Canadian retail marketplace. Mass merchants, department stores, and specialty retailers compete with Mark's in both bricks-and-mortar and online shopping channels. Mark's core differentiators are its strong owned-brand program which is complemented with select national brands that focuses on quality, comfort, durability and functionality, its wide assortment of industrial apparel, its casual and industrial-footwear offering, its online retail channel, and the business-to business operations of Mark's Commercial.

FGL is a leading national retailer of sporting goods and active wear, offering a wide assortment of national- and owned-brand products through a network of corporate and franchise stores and its online retail channels. The majority of the stores operate under the Sport Chek and Sports Experts banners, including FGL's websites www.sportchek.ca and www.sportsexperts.ca. Each banner is focused on a particular niche and operates in the highly fragmented retail marketplace with competitors including independent specialty shops, mass merchants, U.S.-based retailers, and vendor-direct online and outlet-store sales channels. FGL's core differentiators are world-class digital concept and customer experience, its online retail channel, real estate coverage with high-profile locations in major shopping centres including its key flagship stores, and its strategic sports partnerships and sponsorships.

The Company's retail banners are supported by a Company-wide Consumer Brands Division, focused on improving development and design capabilities and creating unique and exclusive products. The exclusive owned-brands developed or acquired by this Division will provide the Company with a competitive advantage and core differentiator in its unique assortment, which will engage customers and drive traffic to the various banners.

In order to remain competitive, the Company continues to expand its online presence and deliver-to-home capabilities. FGL and Mark's eCommerce platforms positively contribute to same store sales and have created a solid foundation on which to continue to evolve to ensure the eCommerce offering is complementing the bricks-and-mortar business. With the launch of the deliver-to-home capability in select markets, Canadian Tire is building off its current Click and Collect program to ensure it maintains its current position in the Canadian retail marketplace.

CT REIT's primary business involves owning, developing, and leasing income-producing commercial properties located in Canada. Competitors of CT REIT include other real estate investors, managers, and developers of commercial properties in the Canadian real estate market. Certain of these competitors may have greater financial and other resources and greater operating flexibility than CT REIT. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for attractive real estate property investments, thereby increasing purchase prices and reducing yields.

Financial Services plays a significant role strengthening and supporting the Company's core retail businesses. The credit card offering of Financial Services competes with those of the major Canadian banks and other retail companies' credit card offerings. Competitors in the this industry have been creating mobile-enabled solutions that allow customers the

choice of doing their banking online using their computer and mobile devices. In September 2015, Financial Services launched an innovative mobile-payments app which is exclusive to Canadian Tire Options MasterCard members.

In future years, the Company anticipates that it will face increased competition from new entrants for both sales and retail locations and new opportunities from industry consolidation. These challenges and opportunities include but are not limited to:

- U.S. or international retailers that do not have bricks-and-mortar stores in Canada but are capturing sales from Canadian customers through eCommerce sites such as Amazon and those belonging to various apparel retailers;
- U.S.-based retailers already in Canada (including Walmart, Costco, Home Depot, Cabela's, Bass Pro Shops, Lowe's, and Nordstrom) that are in the process of expansion or are expected to further expand their store networks in Canada;
- new retailers that may enter Canada;
- vendor-direct online and outlet-store sales channels, including, for example, those operated by Under Armour and Nike;
- non-traditional market entrants and new technologies such as mobile payments which impact the competitive landscape and credit card industry; and
- Retailers partnering with a competing financial institution or negotiating special arrangements with one of the credit card issuers.

In addition to the physical and online presence of other competitors in the marketplace, the expectations of retail consumers are also changing rapidly, with retailers modifying how they reach out to customers and encourage them to shop in their stores. The changes include:

- technology-savvy and better informed customers, due in part to the breadth of information available online for education on specific items and product features;
- advances in mobile technology, allowing retailers to market to customers based on their physical location by sending text and email messages with specific targeted offers as they come within a specific distance of stores;
- a changing Canadian demographic, with customers who have different shopping patterns and needs; and
- customers who are more price sensitive and price compare online before making purchases.

The Company is well positioned in this competitive environment and has identified core capabilities that differentiate the Company and its businesses and operations from those of its competitors and that add value for its customers. These core capabilities are discussed in further detail in section 3.0 of this MD&A.

3.0 Core Capabilities

Management has identified several core capabilities that differentiate the Company, and its businesses and operations, from those of its competitors and add value for its customers. Further information on these capabilities can be found in Section 2 "Description of the Business" and Section 3 "General Development of the Business" of the Company's Annual Information Form for fiscal 2017.

Portfolio of Brands and New and Innovative Products

- CTC is committed to being the #1 retail brand in Canada, preparing Canadians for the "Jobs and Joys for Life in Canada" by being a brand and product-led organization that offers a portfolio of world-class products and brands.
- The Company's Consumer Brands division, launched in 2016, strengthens the existing owned-brands portfolio by creating new and innovative products that appeal to consumers while actively pursuing acquisitions that will provide long-term growth for the Company.
- The Company's strength in introducing new and innovative product assortments and categories across its owned-brands and exclusively licensed brands, including WOODS, Premier, Paderno, Vermont Castings, Golfgreen, NOMA, WindRiver, Dakota, CANVAS, Master Chef, MAXIMUM, FRANK, MOTOMASTER, and MasterCraft have resulted in these brands earning a level of credibility that is on par with national brands, and are sought after by consumers from across the country.
- The Company successfully balances a portfolio of strong national and owned-brands to drive accelerated growth.

Marketing Expertise

- The Company's centralized marketing function allows CTC to create a 'One Company serving One Customer' marketing strategy.
- CTC's breath of marketing mediums builds customer awareness and traffic in stores. These mediums include, a weekly promotional flyers and/or digital flyers across all its banners (Canadian Tire's flyer is one of Canada's most read flyers

and is delivered to approximately 12 million households each week), catalogues, radio, television, digital and social media, newspaper and magazines.
- Canadian Tire's paper and digital catalogue known as the WOW Guide, uses innovative technology to bring on-line capabilities to a standard catalogue.
- The Company's commitment to sport provides an opportunity to broaden its reach among key consumer groups and increases the attractiveness of its brand and products to customers.

Loyalty Program

- Introduced in 1958 as an innovative customer traffic-builder for Canadian Tire stores and gas bars, My Canadian Tire Money is one of Canada's most well-known loyalty programs.
- In 2014, the Company introduced electronic Canadian Tire Money as an alternative to traditional paper bills at Canadian Tire and extended the program in 2017 to Marks and FGL. The My Canadian Tire Money program now has over 10 million members.
- The loyalty program provides the Company with valuable customer insights which are used to build more innovative and customer engaging retail strategies, product assortments and marketing programs.

Dealer Network

- The Canadian Tire Dealer model is unique to the Company and has served both the Dealers and the Company well for more than 80 years by allowing both parties to move forward collaboratively to succeed in rapidly changing environments with increased competition.
- The Dealer relationship and shared purpose to create a strong enterprise is a differentiator from other Canadian retailers and the ability to adapt stores and offerings to the local marketplace is a strategic advantage.

Real Estate Expertise

- The Company's portfolio represents one of Canada's largest retail networks, comprising 1,702 locations and over 30 million retail square feet.
- The Company's expertise in real estate enables it to quickly and efficiently identify properties that are ideally situated for future development or redevelopment and to secure high-traffic, sought-after locations for its retail outlets.
- The Company's strong in-house real estate team manages not only the entire retail network of owned and leased properties for all of its banners but also a significant portion of CT REIT's portfolio.

Technology Expertise

- CTC is strategically focused on developing technological capabilities that will drive the omni-channel experience for its customers.
- The Corporation's innovation lab and digital garage, located in Kitchener-Waterloo, Ontario support the Company's digital development capabilities with special emphasis on product innovation.
- CTC continues to demonstrate its strength in the design and implementation of powerful analytical capabilities that assist its buying and logistics function and digital search capabilities.
- CTC's dual data centres located in Winnipeg, Manitoba and Brampton, Ontario serve as the backbone of the Company's IT infrastructure and also house an advanced digital content warehouse and application lab.

Global Supply Chain Network

- The supply chain manages the flow of information and products from sources around the globe through sophisticated control tower systems which provide end-to-end visibility of product location and status as well as capacity planning functionality that is used to manage the Company's distribution network, placement of inventory and to optimize costs. The same functionality is shared with third-party service providers to provide advanced visibility to capacity requirements, secure timely product flow and competitive costing.
- CTC's newest DC, the Bolton Distribution Centre in Caledon, Ontario (Bolton DC) represents the next wave of distribution automation and technology for the Company. Fixed conveyance and storage automation has been replaced with flexible automated guided vehicles (AGVs) with one of the largest fleets of AGVs in any retail distribution centre in the world. Tire handling robots streamline the inbound and outbound flow of tires, improving productivity and workplace health and safety. The flexible systems and processes in this distribution centre are designed to be equally productive filling large store replenishment orders and individual customer on line orders.
- Online order fulfillment is performed out of both stores and DCs, supported by leading edge Distributed Order Management (DOM) technology to facilitate timely, cost effective shipments.
- CTC's supply chain is committed to sustainability. Management works closely with the Company's transportation partners to minimize impact on the environment. In 2017, CTC successfully completed the certification of the world's first 60' domestic rail container. This container has the capacity to move 14 percent more product than a conventional

53’ container by rail and over the road, with similar costs and minimal additional impact on the environment. CTC will start adding more of these 60’ containers to its fleet in 2018.

Prudent Credit Risk Management

- Financial Services has more than 25 years of experience using sophisticated industry-standard and proprietary credit-scoring models to manage credit card risk.

World-class Customer Contact Centres

- The Company’s commitment to creating lifelong relationships with its customers is reflected in the success of its customer contact centres which have earned six *Contact Centre of the Year* award titles and nine *Customer Satisfaction* awards over the past decade.

4.0 Historical Performance Highlights

4.1 Selected Annual Consolidated Financial Trends

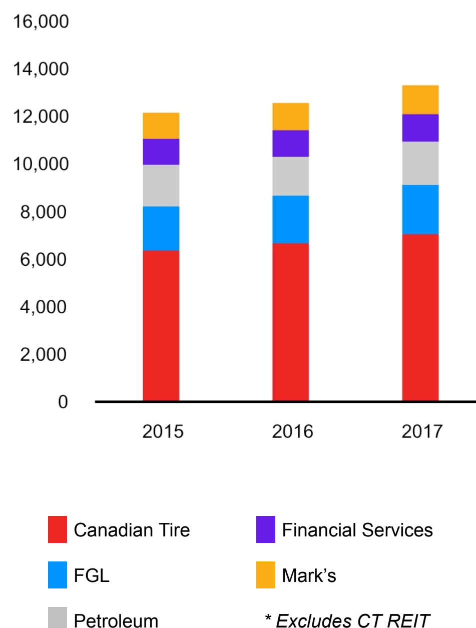
The following table provides selected annual consolidated financial and non-financial information for the last three fiscal periods. The financial information has been prepared in accordance with IFRS.

(C$ in millions, except per share amounts and number of retail locations)	**2017**	2016	2015
Revenue	**$ 13,434.9**	$ 12,681.0	$ 12,279.6
Net income	**818.8**	747.5	735.9
Basic EPS	**10.70**	9.25	8.66
Diluted EPS	**10.67**	9.22	8.61
Total assets	**15,624.2**	15,302.8	14,987.8
Total non-current financial liabilities[1]	**6,311.8**	6,027.3	5,778.6
Financial Services gross average accounts receivables (total portfolio)	**5,263.9**	4,911.9	4,838.7
Number of retail locations	**1,702**	1,702	1,698
Cash dividends declared per share	**$ 2.8500**	$ 2.3750	$ 2.1500
Stock price (CTC.A)[2]	**163.90**	139.27	118.16

[1] Includes short and long-term deposits, long-term debt including the current portion, long-term derivative liabilities included in other long-term liabilities, and the redeemable financial instrument.

[2] Closing share price as of the date closest to the Company’s fiscal year-end.

The three-year trend chart highlights changes in revenue by banner between 2015 and 2017.



Consolidated revenue increased in 2017 compared to 2016 primarily due to:

- higher shipments to Dealers relating to sales growth at Canadian Tire and retail sales growth in the Mark's and FGL banners;
- increased revenue in Financial Services largely attributable to higher credit card charges resulting from increased gross average accounts receivable (GAAR); and
- retail sales growth at Petroleum due to higher year-over-year gas prices.

Consolidated revenue increased in 2016 compared to 2015 primarily due to:

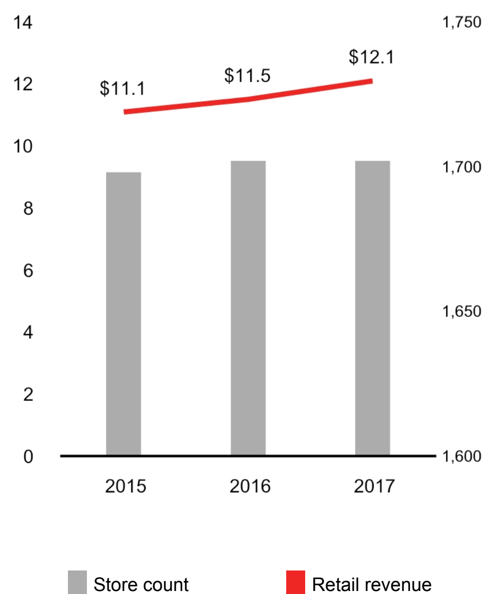
- higher shipments to Dealers relating to same-store sales growth at Canadian Tire and same-store sales growth across the Mark's and FGL banners;
- increased revenue in Financial Services largely attributable to higher credit card charges;

partially offset by:

- lower retail sales at Petroleum due to lower per litre gas prices.

The store count increase since 2015 is due to continued selective expansion or local optimization at Canadian Tire, which opened 3 new stores, and Mark's, which opened 6 new stores. FGL continues to convert franchise locations to buying members and has experienced a slight decline in store count due to the closure of lower performing stores.

Retail revenue has increased at a higher rate than store count since 2015 which is consistent with the same-store sales growth experienced in the retail banners

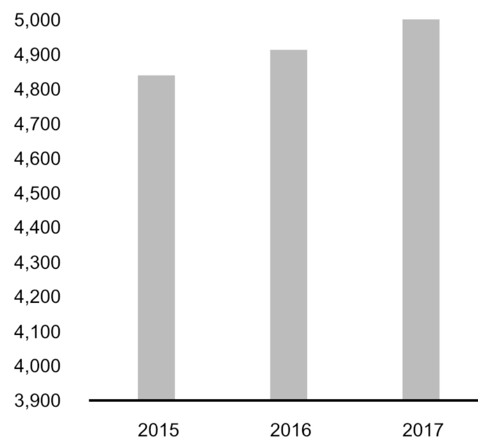


Financial Services gross average accounts receivable ("GAAR") for the total portfolio has increased over the past three years.

Average account balances and average number of accounts increased since 2015 due in part to enhanced in-store financing offers for Canadian Tire customers and the continued focus on integration initiatives with the retail businesses.

FINANCIAL SERVICES GROSS AVERAGE ACCOUNTS RECEIVABLE

($ millions)



The Company's diluted EPS has increased both years since 2015 primarily due to:

- solid gross margin growth from both the Retail and Financial Services segments, driven by strong revenue;
- strong retail sales growth at Canadian Tire and FGL (2015) and across all banners (2016-2017);
- increased credit card charges on increased GAAR and an increase in active accounts in the Financial Services segment; and
- the favourable impact of share repurchases;

partially offset by:

- an increase in selling, general, and administrative expenses in both years due to the execution of planned investments in the Company's key initiatives and higher costs related to the Bolton DC in 2017.

DILUTED EPS

($ per share)

5.0 2017 Financial Aspirations and Strategic Imperatives

5.1 2015 to 2017 Financial Aspirations

The Company announced its three-year growth strategy and financial aspirations for fiscal years 2015 to 2017 in October 2014. The financial aspirations are outlined below along with our 2017 performance and Management's assessment:

Financial Measure	Aspiration over 3-year period 2015 to 2017	3-year period 2015 to 2017	Achieved 3-year Aspiration?
Average diluted EPS growth[1]	8% to 10%	**10.4%**	✓
Retail return on invested capital[2]	9%+	**9.2%**	✓

[1] Average diluted EPS growth is calculated using normalized diluted EPS.
[2] Retail return on invested capital is a target intended to be achieved at the end of the three-year period, therefore, it has been calculated as at the year-end date.

The three-year average diluted EPS growth was 10.4 percent, which exceeded the Company's aspirational target. EPS performance over the three-year period was driven by increased revenue in the retail banners and operational efficiencies which are yielding improved margins and lower expenses, execution of the share repurchase program, and GAAR growth resulting from the continued investment in the Financial Services segment.

Retail return on invested capital in 2017 was 9.2 percent, which exceeded the Company's aspirational target. Earnings performance increased due to revenue growth which has offset challenges caused by the Alberta economy and the decline in the value of the Canadian dollar compared to the US dollar that occurred during the period. The Company also made prudent capital allocation decisions to develop its bricks and mortar and online network, including the construction of the Bolton DC, while seeing an overall decline in capital expenditures over the three-year period. Refer to section 11.3.2 in this MD&A for additional information on the Retail ROIC metric.

Financial Measure	Annual Aspiration	2017	Achieved in 2017?
Canadian Tire retail sales annual growth	3%+	**3.4%**	✓
Mark's retail sales annual growth	5%+	**4.7%**	✕
FGL retail sales annual growth	9%+	**2.4%**	✕
Financial Services return on receivables	6%+	**7.38%**	✓

Canadian Tire retail achieved its annual retail sales growth aspiration driven by strong performance across all categories, both seasonal and non-seasonal, supported by its expanding owned-brands portfolio.

Mark's had strong annual retail sales growth of 4.7 percent due to performance in key categories such as denim and footwear, complemented by successful promotional campaigns in 2017. This strong performance was on top of exceptional growth in the prior year of 6.0 percent.

FGL continued to see annual retail sales growth in 2017 despite not achieving its annual retail sales growth aspiration of 9+ percent in 2017. Although FGL continues to experience increases in eCommerce sales, lower than expected growth at its franchise stores, unseasonable weather patterns and the decline in the Alberta economy resulted in lower than expected growth.

Return on receivables in the Financial Services segment was 7.38 percent, which achieved its aspiration. Strong performance in this metric was caused by the strong earnings growth in the Financial Services segment as a result of continued investment in GAAR growth through integration initiatives in the retail businesses, which has resulted in an increase in active accounts.

5.2 2017 Strategic Imperatives

The following is a summary of the Company's strategic imperatives for 2017 along with Management's assessment:

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 providing customers with 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 within this strategic imperative will ensure that the Company's brands are supported and enhanced in the eyes of its customers and other key stakeholders and that the Company offers products that 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 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

During the year, the Company demonstrated its ability to drive sales and revenues across all banners as evidenced by strong sales and same-store sales growth, particularly at Canadian Tire. As a retailer committed to delivering quality products for life in Canada, Canadian Tire continued to expand the Tested for Life in Canada program through 2017. The number of products tested grew 600% to 7,500 through a panel of over 65,000 testers. Over 5,000 products earned the Tested for Life in Canada badge. Feedback from products that did not earn the badge of approval is driving product improvements, helping Canadians feel confident that they can count on the products they purchase at Canadian Tire.

At FGL, the Company focused on enhancing the kids assortment and the back-to-school business with the launch of owned-label Gravity jeans. The back to school business was also supported by the Lifestyle marketing campaign, which was designed to further strengthen Sport Chek's presence in casual wear.

At Mark's, the second half of 2017 saw the launch of the reinvention of the Mark's brand through the 'Well Worn' campaign, which aims to drive growth with a net new customer and broaden the definition of industrial. The campaign resulted in a remerchandised assortment reflecting the durability, character and confidence of apparel designed for those who live their life well-worn. Mark's launched 'Well Worn' with two thirty-second and one sixty-second TV commercial, which ran in the fourth quarter of 2017. Mark's has opened three pop-up locations to promote 'Well Worn' and shift consumers' perception of the brand. In addition, L'Equipeur launched a brand campaign in 2017, 'Equip Pour Tout'. The campaign was a multi-channel approach that included TV spots, digital video, digital display, billboards, and outdoor advertising in Montreal.

In 2017, the Company continued to strengthen its eCommerce capabilities with the development of a new search engine, which represents a major shift into ambient intelligence and machine learning. The enhanced search capabilities improve the customer experience and path to purchase through increased search efficiency and effectiveness. The benefits of continued investment in canadiantire.ca are tangible, as the site is now ranking amongst the top three websites in Canada. In the latter half of 2017, Canadian Tire started delivering to home from select stores with a view to expanding capabilities and delivering to wider markets in 2018. In addition, FGL's eCommerce capabilities were enhanced by the rollout of distributed order management in select locations, enabling real-time inventory tracking and eCommerce fulfillment from either DC or store, which allows for deeper and broader assortment and faster delivery.

The Financial Services business continued to grow its gross average accounts receivable, aided by in-store customer acquisition across CTR, Mark's and FGL banners. The Company began the journey of taking a 'One Company serving One Customer' approach to its loyalty program by awarding My Canadian Tire Money at Mark's and FGL banners, at the same rate as Canadian Tire, for in-store purchases. In addition to driving traffic to the Company's retail banners, this program stimulates customer acquisition and receivables growth for the Financial Services division.

The Company continues to believe that supporting sports and community partnerships elevates its brand and keeps the Company top-of-mind with Canadians throughout the year. The Company continued to execute on its prestigious partnerships and existing programs to offer unique experiences to communities across the country.

The Company's Consumer Brands division continued to expand the assortment of owned-brands across its portfolio of categories. During the year, the Company acquired the Canadian rights to Paderno, a premium kitchen brand. It acquired the worldwide rights to Vermont Castings, a premium international BBQ brand, which is expected to launch in the spring of 2019. It also acquired the North American rights to Golfgreen, a lawn and garden care products brand. All of these acquisitions will serve to strengthen the strong share position Canadian Tire holds in these critical categories. This is exemplified by the early work on the Paderno brand. Since acquiring the Paderno brand in July 2017, the Consumer Brands division designed, developed and launched an impressive category re-creation in the cookware, soft goods, and kitchen tools product lines. In addition, the Company continued to drive penetration of the WOODS brand in Canada by expanding the assortment to premium outerwear available for sale at Sport Chek stores.

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, 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 operational improvements across the organization as well as drive 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 the 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

The Company continued to focus on operational effectiveness, which contributed to retail gross margin rate expansion throughout the year. The Company has now embedded several margin efficiency processes across Canadian Tire and completed similar work at Mark's and FGL. New initiatives have been identified across the Company to benefit future years.

During the year, the Company continued to consolidate functions to build centres of excellence that leverage the Company's bench strength in the key areas of marketing and supply chain and fulfillment operations and is now organized with enterprise-wide departments which support the entire Company. This will enable the Company to find further synergies and efficiencies, to provide a more consistent customer experience, and operate as 'One Company serving One Customer'.

The Company is committed to allocating capital through a balanced approach. In addition to the allocation of capital to the development of its bricks and mortar and online network, the Company announced, in November 2017, a 38 percent increase to the annual dividend from $2.60 to $3.60 per share, and increased the dividend payout ratio target to approximately 30 percent to 40 percent of prior year normalized earnings. The Company also fulfilled its previously stated intention (announced November 2016) of repurchasing $550 million of its outstanding Class A Non-Voting shares and announced its intention to repurchase an additional $550 million of its Class A Non-Voting shares, in excess of the amount required for anti-dilutive purposes, by the end of 2018.

The Company will continue to drive same-store sales growth throughout its existing network of both bricks and mortar and online channels through improved utilization of existing assets, innovative marketing campaigns, growing owned-brand penetration in targeted categories, and utilizing an informed analytical approach to managing products, pricing and promotions and strengthening the relationship with its customer.

Increased awareness and available options for the Company's in-store financing programs, along with increased investment in key marketing initiatives such as the WOW Guide, had a favourable impact on GAAR growth.

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 to win in omni-channel • Deepen customer connections in communities across the country to focus on and expand customer lifecycle engagement

The Company has invested substantial resources to ensure it has the right skills and a work environment to encourage all forms of innovative thinking to improve the customer's shopping experience and win in a competitive marketplace. In addition, the Company has acquired and developed talent across all levels of the organization to accelerate capabilities in digital retailing, marketing, and data analytics. To prepare employees for the current state and future of retail, the Company launched the Triangle Learning Academy in 2017. The Triangle Learning Academy and culture of continuous learning will ensure the Company has a talent pipeline to compete in the new world of retail. In addition, 100 top senior leaders attended a world-class, three day program on driving growth with retail analytics. The learning from the program helped build organizational muscle and became the catalyst for new thinking and using data to drive business value.

Jumpstart continued to remove barriers for children in financial need by deepening its support of local communities throughout 2017. Approximately 140,000 children in financial need were helped through Jumpstart programs, supported by a network of over 1,900 community partner organizations across Canada. In September 2017 the Company announced an incremental commitment of $50 million over the next five-years to Jumpstart, to give Canadian kids with disabilities greater access to sport and play. Jumpstart's 'Play Finds A Way' movement will add to the Charity's work of removing financial barriers for kids in need and will include inclusive infrastructure and program funding, as well as the development of coaching resources. In 2017, as part of 'Play Finds A Way', Jumpstart awarded $500,000 in Parasport program grants, helped build the first universally accessible playground in Nanaimo, BC and initiated the construction of Winnipeg's first inclusive outdoor hockey rink.

6.0 2018 Financial Aspirations and Key Initiatives

Canadian Tire Corporation and its retail banners: Canadian Tire, PartSource, Gas+, Sport Chek, Sports Experts, PHL, National Sports, Mark's and L'Equipeur, are among Canada's most recognized and trusted brands. CTC offers over 1,700 bricks and mortar locations, some of the most visited digital retail properties in Canada, and a portfolio of world-class products and owned-brands. The Company's Retail business is supported and enhanced by its Financial Services business, its real estate capabilities and CT REIT, and by the impact CTC makes in local communities across Canada and through Jumpstart.

CTC's goal is to become the #1 retail brand in Canada by 2022 as measured by its customers, its shareholders, and its employees. The Company's primary focus is serving customers and markets across Canada. CTC is committed to deepening relationships with its customers and acquiring new customers by strengthening its purpose of preparing Canadians for the "Jobs and Joys for Life in Canada". CTC operates core businesses in Living, Fixing, Playing, Driving, Apparel and Services, and will continue to evolve its unique marketplace of products, brands and experiences over time.

While the role CTC plays in the lives of Canadians are its foundation, the Company is evolving customer experiences and the 'how we do it' to stay relevant as the retail market and consumer preferences evolve. Historically, the Company's strategies and plans have been focused on individual retail banners. Looking ahead, CTC will operate as 'One Company, serving One Customer' with strong individual banner brands and a shared platform of services and capabilities aligned to serve 'One CTC Customer'. The Company believes each of its retail banners and brands will be stronger together, as part of a CTC marketplace focused on a common CTC customer. By sharing capabilities, platforms, tools, and data across CTC, all banners and brands will be enabled to deliver unique, personalized and compelling experiences. The launch of an enhanced, Company-wide loyalty program in 2018 is one example of how CTC will engage existing customers, acquire

new ones, and promote cross-shopping across all its banners. The loyalty program strengthens the Company's marketplace approach and ultimately, every customer relationship.

6.1 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 this MD&A.

1. Consolidated Same Store Sales Growth (excluding Petroleum) of 3+ percent annually
Material assumptions: • 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 serving One Customer' strategy • Continued focus on promotional and pricing optimization
Material risks: • Pricing pressure driven by growing competition from new and existing market players • Accelerated disruption from eCommerce competitors • Decline in economic growth, consumer confidence, and household spending • The introduction of unfavourable foreign trade policies
2. Average Annual Diluted EPS Growth of 10+ percent over the three-year period
Material assumptions: • Realization of the Consolidated 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: • 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

6.2 2018 Key Initiatives

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

The Company categorizes its 2018 initiatives under five areas of focus and believes that successfully executing each by operating as One Company with a view towards serving the needs of a common customer over a lifetime in Canada, will allow it to achieve both its financial aspirations (section 6.1), and its goal to become the #1 retail brand in Canada by 2022. The Company's strategy to succeed in its brand and product portfolio, its customer experience and financial discipline are supported by its strategies with respect to talent and platforms.

Brand and Product Portfolio
• As a brand and product led Company, continue to introduce new, innovative and improved product assortments and categories across the retail banners and Financial Services business, demonstrating the Company's commitment to preparing Canadians for the "Jobs and Joys for Life in Canada" • Through the Consumer Brands division, strengthen the owned-brand portfolio organically and by selectively pursuing acquisitions to complement key categories

Customer Experience
• Continue to enhance the customer in-store and digital experience across banners, enabling them to shop how they want, when they want • Deliver on initiatives to continuously improve the customer experience, informed by direct customer feedback (Net Promoter Score)

Financial Discipline
• Across all banners, roll out productivity initiatives designed to increase the sales and profitability of the retail store network and digital properties • Utilize a One Company approach to identify and execute on opportunities to improve efficiency in our core functions through process automation and simplification • Adhere to a disciplined and balanced approach to capital allocation

Talent
• Evolve the Company's talent strategy with a focus on developing key talent and expertise in critical areas and on building core leadership capabilities required to execute our long term strategy • Continue to enhance the Triangle Learning Academy to support the development of our future leaders across the organization

Platforms
• Strengthen the Company's commitment to environmental sustainability, and community support through Jumpstart • Grow customer engagement through the launch of an enhanced enterprise-wide loyalty and associated credit card program • Advance our business models, processes and technology platforms to support our financial aspirations

7.0 Financial Performance

7.1 Consolidated Financial Performance

Non-Operational Items

The results of operations in the current and previous quarters and years ended December 30, 2017 and December 31, 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.

7.1.1 Consolidated Financial Results

(C$ in millions, except where noted)	Q4 2017	Q4 2016	Change	2017	2016	Change
Retail sales[1]	$ 4,599.3	$ 4,383.5	4.9 %	$ 14,980.7	$ 14,370.6	4.2 %
Revenue	$ 3,964.0	$ 3,641.0	8.9 %	$ 13,434.9	$ 12,681.0	5.9 %
Gross margin dollars	$ 1,393.9	$ 1,296.7	7.5 %	$ 4,638.4	$ 4,392.5	5.6 %
Gross margin as a % of revenue	35.2%	35.6%	(45) bps	34.5%	34.6%	(11) bps
Other (income) expense	$ (0.3)	$ 2.4	(114.7)%	$ 0.2	$ (4.3)	(103.9)%
Selling, general and administrative expenses	959.8	910.8	5.4 %	3,413.1	3,291.9	3.7 %
Net finance costs	30.1	25.4	18.2 %	112.6	93.9	19.9 %
Income before income taxes	$ 404.3	$ 358.1	12.9 %	$ 1,112.5	$ 1,011.0	10.0 %
Income taxes	108.9	93.0	17.0 %	293.7	263.5	11.4 %
Effective tax rate	26.9%	26.0%		26.4%	26.1%	
Net income	$ 295.4	$ 265.1	11.4 %	$ 818.8	$ 747.5	9.5 %
Net income attributable to:						
Shareholders of Canadian Tire Corporation	$ 275.7	$ 246.8	11.7 %	$ 735.0	$ 669.1	9.9 %
Non-controlling interests	19.7	18.3	7.6 %	83.8	78.4	6.8 %
	$ 295.4	$ 265.1	11.4 %	$ 818.8	$ 747.5	9.5 %
Basic EPS	$ 4.12	$ 3.47	18.6 %	$ 10.70	$ 9.25	15.7 %
Diluted EPS	$ 4.10	$ 3.46	18.5 %	$ 10.67	$ 9.22	15.7 %
Weighted average number of Common and Class A Non-Voting Shares outstanding:						
Basic	66,985,467	71,101,887	NM[2]	68,678,840	72,360,303	NM[2]
Diluted	67,188,141	71,249,119	NM[2]	68,871,847	72,555,732	NM[2]

[1] Key operating performance measure. Refer to section 11.3.1 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 2017 Report to Shareholders.

(C$ in millions)	Q4 2017	Q4 2016	2017	2016
Financial Services Non-controlling interest percentage 20.0% (2016 - 20.0%)	$ 12.9	$ 12.2	$ 56.0	$ 52.4
CT REIT Non-controlling interest percentage 14.5% (2016 - 14.9%)	5.6	5.2	23.1	21.4
Retail segment subsidiary Non-controlling interest percentage 50.0% (2016 - 50.0%)	1.2	0.9	4.7	4.6
Net income attributable to non-controlling interests	$ 19.7	$ 18.3	$ 83.8	$ 78.4

Consolidated Fourth-Quarter 2017 versus Fourth-Quarter 2016

Earnings Summary

Diluted EPS was $4.10 in the quarter, an increase of $0.64 per share, or 18.5 percent, compared to the prior year. The EPS performance reflects strong revenue growth in the Retail segment, driven by an increase in retail sales, and in the

Financial Services segments driven by GAAR growth as well as the favourable impact of share repurchases. These increases were partially offset by the decline in the gross margin rate and increased selling, general and administrative expenses due to increased personnel and marketing costs as well as costs related to the Bolton DC that opened in the year.

Retail Sales

Consolidated retail sales increased $215.8 million, or 4.9 percent, which includes an 11.6 percent increase in Petroleum retail sales primarily due to higher per litre gas prices. Excluding Petroleum consolidated retail sales increased 4.1 percent, reflecting increased sales at Canadian Tire, Mark's, and FGL. Refer to section 7.2 for further information regarding the Retail segment sales in the quarter.

Revenue

Consolidated revenue increased $323.0 million, or 8.9 percent, which includes a $53.2 million increase in Petroleum revenue primarily due to higher per litre gas prices. Excluding Petroleum consolidated revenue increased 8.4 percent, primarily due to increased revenue across all Retail banners and, in the Financial Services segment, due to continued receivables growth. Refer to sections 7.2 and 7.4 for further information regarding revenue in the Retail and Financial Services segments.

Gross Margin

Consolidated gross margin dollars increased $97.2 million, or 7.5 percent, driven by increased revenue at Canadian Tire, Mark's, and FGL and in the Financial Services segment. The consolidated gross margin rate decrease of 45 basis points reflects a lower gross margin rate in the Financial Services and Retail segments. Excluding Petroleum the gross margin rate decreased 47 basis points compared to last year. Refer to sections 7.2 and 7.4 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 $49.0 million, or 5.4 percent, primarily due to increased marketing costs in the Retail and Financial Services segments, increased loyalty costs due to increased sales, personnel costs in support of the execution of planned investments in support of key initiatives as well as increased costs relating to the Bolton DC which commenced operations in July 2017.

Net Finance Costs

Consolidated net finance costs increased $4.7 million, or 18.2 percent, primarily due to higher interest expense on long-term debt and a lower amount of capitalized interest expense relating to the Bolton DC.

Income Taxes

The effective tax rate increased to 26.9 percent from 26.0 percent in the prior year. Refer to Tax Matters in section 10.0 of this MD&A for further details.

Consolidated Full Year 2017 versus Full Year 2016

Earnings Summary

Diluted EPS was $10.67, an increase of $1.45 per share, or 15.7 percent, over the prior year driven by strong revenue growth, improved gross margin contribution from the Retail and Financial Services segments and the favourable impact of share repurchases; partially offset by increased selling, general, and administrative expenses.

Retail Sales

Consolidated retail sales increased $610.1 million, or 4.2 percent, over the prior year; however, this includes a 10.7 percent increase in Petroleum retail sales due to higher per litre gas prices. Excluding Petroleum, consolidated retail sales increased 3.3 percent reflecting higher sales at Canadian Tire, FGL, and Mark's. Refer to sections 7.2.1 for further information regarding Retail segment sales in the year.

Revenue

Consolidated revenue increased $753.9 million, or 5.9 percent, over the prior year, which includes a $190.5 million increase in Petroleum revenue resulting from higher per litre gas prices. Excluding Petroleum, consolidated revenue increased 5.1 percent due to increased shipments at Canadian Tire, higher sales at FGL and Mark's, and higher revenue in the Financial

Services segment. Refer to sections 7.2.1 and 7.4.2 for further information regarding Retail and Financial Services segment revenue.

Gross Margin

Consolidated gross margin dollars increased $245.9 million, or 5.6 percent, driven by increased sales and revenue across all retail banners and increased revenue in the Financial Services segment. The gross margin rate decreased 11 basis points due to lower year-over-year per litre gas margins at Petroleum. Excluding Petroleum, the gross margin rate increased 20 basis points reflecting solid growth in the gross margin rate at Canadian Tire and in the Financial Services segment. Refer to sections 7.2.1 and 7.4.2 for further information regarding Retail and Financial Services segment gross margin.

Selling, General and Administrative Expenses

Consolidated selling, general, and administrative expenses increased $121.2 million, or 3.7 percent, compared to the prior year primarily due to increased marketing and advertising expenditures in the Retail and Financial Services segments, increased loyalty costs due to higher sales, increased costs relating to operating the Bolton DC which opened in July 2017, and execution of planned investment in information systems and in the Company's key initiatives. Refer to sections 7.2.1 and 7.4.2 for further information regarding Retail and Financial Services segment selling, general and administrative expenses.

Net Finance Costs

Consolidated net finance costs increased $18.7 million, or 19.9 percent, primarily due to higher interest expense on long-term debt and a lower amount of capitalized interest expense relating to the Bolton DC.

Income Taxes

The effective tax rate increased to 26.4 percent from 26.1 percent in the prior year. Refer to Tax Matters in section 10.0 of this MD&A for further details.

7.1.2 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 11.3.1 in this MD&A for definitions and further information.

(C$ in millions)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Net income attributable to Shareholders of Canadian Tire Corporation	**$ 275.7**	$ 246.8	11.7%	**$ 735.0**	$ 669.1	9.9%
Adjusted EBITDA[1]	**$ 558.5**	$ 506.6	10.2%	**$ 1,693.8**	$ 1,561.8	8.4%
Selling, general and administrative expenses (excluding depreciation and amortization) as a % of revenue[2]	**21.1%**	21.7%	(55) bps	**22.0%**	22.4%	(45) bps
Adjusted EBITDA[1] as a % of revenue	**14.1%**	13.9%	17 bps	**12.6%**	12.3%	29 bps

[1] Adjusted EBITDA is a non-GAAP measure; refer to section 11.3.2 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 $122.3 million in Q4 2017 (2016 - $121.2 million) and $461.9 million Q4 YTD (2016 - $448.9 million).

In the fourth quarter, selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue was favourable by 55 basis points compared to the prior year. Excluding Petroleum revenue, selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue was 52 basis points better compared to the prior year, as increased marketing expenses across retail banners was more than offset by lower productivity consulting and the strong rate of revenue growth. On a full year basis, selling, general and administrative expense (excluding depreciation and amortization) as a percentage of revenue was favourable by 45 basis points compared to the prior year. Excluding Petroleum revenue this measure was 32 basis points better 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 10.2 percent while Adjusted EBITDA as a percentage of revenue increased 17 basis points. Full year 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. The EBITDA margin growth, both in the quarter and full year, reflects revenue growth outpacing the growth in operating expenses.

7.1.3 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)	**Q4 2017**	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue	**$ 3,964.0**	$ 3,303.9	$ 3,413.5	$ 2,753.5	$ 3,641.0	$ 3,128.4	$ 3,352.2	$ 2,559.4
Net income	**295.4**	198.5	217.0	107.9	265.1	197.8	199.0	85.6
Basic EPS	**4.12**	2.59	2.82	1.24	3.47	2.45	2.47	0.90
Diluted EPS	**4.10**	2.59	2.81	1.24	3.46	2.44	2.46	0.90

7.2 Retail Segment Performance

7.2.1 Retail Segment Financial Results

(C$ in millions)	**Q4 2017**	Q4 2016	Change	**2017**	2016	Change
Retail sales[1]	**$ 4,599.3**	$ 4,383.5	4.9 %	**$ 14,980.7**	$ 14,370.6	4.2 %
Revenue	**$ 3,633.3**	$ 3,332.8	9.0 %	**$ 12,149.1**	$ 11,453.4	6.1 %
Gross margin dollars	**$ 1,170.4**	$ 1,083.1	8.1 %	**$ 3,757.0**	$ 3,562.5	5.5 %
Gross margin as a % of revenue	**32.2%**	32.5%	(29) bps	**30.9%**	31.1%	(18) bps
Other (income)	**$ (29.8)**	$ (28.3)	5.5 %	**$ (123.5)**	$ (120.5)	2.5 %
Selling, general and administrative expenses	**904.7**	852.8	6.1 %	**3,216.5**	3,099.1	3.8 %
Net finance (income)	**(6.9)**	(7.3)	(5.0)%	**(26.7)**	(37.9)	(29.5)%
Income before income taxes	**$ 302.4**	$ 265.9	13.7 %	**$ 690.7**	$ 621.8	11.1 %

[1] Retail sales is a key operating performance measure. Refer to section 11.3.1 in this MD&A for additional information.

7.2.2 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 11.3.1 in this MD&A for definitions and further information on performance measures.

(year-over-year percentage change, C$ in millions, except as noted)	Q4 2017	Q4 2016	Change	2017	2016	Change
Retail Segment - Total						
Retail sales growth	**4.9 %**	8.7%		**4.2%**	4.4 %	
Consolidated same-store sales growth[1]	**3.9 %**	7.9%		**2.7%**	4.7 %	
Revenue[2]	**$ 3,633.3**	$ 3,332.8	9.0 %	**$ 12,149.1**	$11,453.4	6.1%
Retail ROIC[3]	**9.2 %**	8.3%		**n/a**	n/a	
Income before income taxes	**$ 302.4**	$ 265.9	13.7 %	**$ 690.7**	$ 621.8	11.1%
EBITDA[4]	**$ 398.3**	$ 359.9	10.7 %	**$ 1,046.1**	$ 958.8	9.1%
Retail Segment - By Banner						
Canadian Tire						
Retail sales growth[5]	**3.8 %**	9.6%		**3.4%**	5.6 %	
Same-store sales growth[1, 5]	**3.5 %**	8.1%		**2.7%**	4.2 %	
Sales per square foot[6] (whole $)	**$ 415**	$ 403	2.9 %	**n/a**	n/a	
Revenue[2, 7]	**$ 2,077.4**	$ 1,879.7	10.5 %	**$ 7,041.2**	$ 6,653.1	5.8%
FGL						
Retail sales growth[8]	**5.5 %**	6.4%		**2.4%**	6.9 %	
Same-store sales growth[1, 8]	**5.8 %**	5.1%		**2.0%**	6.0 %	
Sales per square foot[9] (whole $)	**$ 296**	$ 299	(0.9)%	**n/a**	n/a	
Revenue[2]	**$ 618.6**	$ 590.9	4.7 %	**$ 2,059.2**	$ 2,006.9	2.6%
Mark's						
Retail sales growth[10]	**3.9 %**	10.8%		**4.7%**	6.0 %	
Same-store sales growth[1, 10]	**3.4 %**	10.6%		**4.2%**	6.1 %	
Sales per square foot[11] (whole $)	**$ 349**	$ 337	3.6 %	**n/a**	n/a	
Revenue[2, 12]	**$ 461.8**	$ 442.7	4.3 %	**$ 1,215.2**	$ 1,154.4	5.3%
Petroleum						
Gasoline volume growth in litres	**(0.1)%**	3.1%		**0.3%**	0.1 %	
Same-store gasoline volume growth in litres[1]	**(0.1)%**	2.3%		**0.3%**	(0.2)%	
Retail sales growth	**11.6 %**	5.9%		**10.7%**	(4.2)%	
Revenue[2]	**$ 478.9**	$ 425.7	12.5 %	**$ 1,825.2**	$ 1,634.7	11.7%
Gross margin dollars	**$ 51.3**	$ 42.9	19.5 %	**$ 186.6**	$ 178.7	4.4%

1 Refer to section 11.3.1 in this MD&A for additional information on same-store sales growth.
2 Revenue reported for Canadian Tire, FGL, Mark's, and Petroleum includes intersegment revenue. FGL revenue has been restated for the 13 and 52 weeks ended December 31, 2016 to exclude revenue from its business-to-business operation. Therefore, in aggregate revenue for Canadian Tire, FGL, 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 11.3.1 in this MD&A for additional information.
4 EBITDA is a non-GAAP measure. Refer to section 11.3.2 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 but excludes ancillary revenue relating to alteration and embroidery 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.

7.2.3 Retail Banner Network at a Glance

Number of stores and retail square footage	2017	2016
Consolidated store count		
Canadian Tire stores	**501**	500
PartSource stores	**90**	91
FGL stores		
Sport Chek	**194**	196
Sports Experts	**102**	68
Atmosphere	**68**	69
Other	**63**	100
Total FGL stores	**427**	433
Mark's stores[1]		
Mark's	**335**	330
L'Équipeur	**45**	45
Mark's Work Wearhouse	**6**	7
Total Mark's stores	**386**	382
Canadian Tire gas bar locations	**298**	296
Total stores[2]	**1,702**	1,702
Consolidated retail square footage[3] (in millions)		
Canadian Tire	**21.7**	21.6
FGL	**7.7**	7.7
Mark's	**3.6**	3.6
PartSource	**0.3**	0.3
Total retail square footage[3]	**33.3**	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.

During 2017, 33 Intersport stores were rebranded to Sports Experts stores.

Retail Segment Fourth-Quarter 2017 versus Fourth-Quarter 2016

Earnings Summary
Income before income taxes increased $36.5 million, or 13.7 percent. Strong retail sales growth across all Retail banners drove revenue and gross margin dollars increases compared to the same period in the prior year. Selling, general and administrative expenses increased due in part to higher marketing costs to drive sales growth and costs relating to operating the new Bolton DC partially offset by reduced consulting fees.

Retail Sales
The retail banners performed exceptionally well in 2017, achieving impressive growth on top of the strong prior year results (Canadian Tire, FGL and Mark's Q4 2016 sales growth was 9.6 percent, 6.4 percent and 10.8 percent, respectively).

Canadian Tire retail sales increased 3.8 percent (same-store sales increased 3.5 percent). The increase in retail sales reflects strong performance throughout the quarter in winter weather categories, especially winter tires and batteries, due to the early winter start in western Canada and seasonable weather conditions which was partially offset by lower sales in Christmas lights and outdoor decor. Non-seasonal categories including kitchen and personal care, auto maintenance, and cleaning also showed strong performance. Owned-brands assortment contribution continued to gain momentum with strong sales in the Master Chef, MOTOMASTER, Premier and CANVAS brands. Promotional activity including the "Big Red Weekend" and "Spend and Get" promotions also played an instrumental role at driving sales.

FGL retail sales increased 5.5 percent (same-store sales increased 5.8 percent) due to solid growth in outerwear, casual apparel, and athletic clothing but was offset by lower sales of licensed and Olympic apparel due to the lack of Canadian participation in major sporting events compared to 2016. Promotional campaigns, such as Lifestyle, also contributed to

sales growth including strong results on both Black Friday and Cyber Monday. eCommerce continued to experience significant growth.

Retail sales at Mark's increased 3.9 percent (same-store sales increased 3.4 percent). The increase in retail sales was driven by growth in footwear and industrial apparel. eCommerce continued to contribute to sales growth.

Petroleum retail sales increased 11.6 percent primarily due to an increase in year-over-year per litre gas prices and non-gas sales which was partially offset by lower gas volumes.

Revenue

Revenue increased $300.5 million, or 9.0 percent, compared to the prior year, excluding the impact of Petroleum which increased 12.5 percent, Retail segment revenue increased 8.5 percent. Revenue growth in the quarter was driven by increased product shipments to Dealers particularly relating to tires and outdoor tools in response to key promotional activity in those categories. Mark's and FGL also contributed to increased revenue in the Retail segment due to higher retail sales.

Gross Margin

Gross margin dollars increased $87.3 million, or 8.1 percent, reflecting an increase in revenue. The gross margin rate decreased 29 basis points; excluding Petroleum the gross margin rate decreased 31 basis points. The increase in the gross margin rate at Canadian Tire was due to a favourable sales mix and the benefits earned from improved Dealer earnings as part of the Company's cost and margin sharing arrangement and was offset by the impact of promotional activity at FGL and Mark's.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $51.9 million, or 6.1 percent, primarily due to:

- higher marketing and advertising expenses at Canadian Tire, FGL and Mark's to support increased promotional activity and sales growth, at FGL in preparation for the 2018 Winter Olympics, and at Mark's for the launch of the "Well Worn" campaign;
- increased loyalty costs due to higher sales;
- higher occupancy costs due to store growth and increased property taxes due to higher than typical refund in 2016;
- increased personnel costs relating to the execution of planned investments in the Company's key initiatives and the growth of the Consumer Brands division; and
- increased costs relating to operating the newly opened Bolton DC;

partially offset by:

- lower consulting fees relating to the work done in the prior year regarding the operating efficiency initiatives that continue to create ongoing benefits.

Net Finance Income

Net finance income decreased $0.4 million primarily due to lower income earned on intersegment debt due to the redemption of CT REIT Series 10-15 Class C LP units in May 2017.

Retail Segment Full Year 2017 versus Full Year 2016

Earnings Summary

Income before income taxes increased $68.9 million, or 11.1 percent, compared to the prior year. Strong sales and revenue growth at Canadian Tire, FGL, and Mark's as well as an increase in the gross margin rate, excluding petroleum, of 12 basis points, primarily due to Canadian Tire margin rate expansion, more than offset increased selling, general, and administrative expenses.

Retail Sales

Canadian Tire retail sales increased 3.4 percent (same-store sales increased 2.7 percent). This increase in retail sales reflects growth across all divisions and in all regions in both seasonal and non-seasonal categories. Seasonal categories showed progressively stronger performance in the latter half of the year when the weather trend became more appropriate for the season. Non-seasonal categories showed strong growth including performance of the owned-brands portfolio which experienced double digit sales growth. eCommerce also played an increasingly larger role at driving sales growth at Canadian Tire.

FGL retail sales increased 2.4 percent (same-store sales increased 2.0 percent). The sales increase was driven by strong sales performance in key categories including athletic and casual clothing and outerwear categories. Throughout the year FGL showed positive growth from various promotional events and growing eCommerce sales.

Mark's sales increased 4.7 percent (same-store sales increased 4.2 percent) with growth across all regions. The growth in sales was achieved primarily due to strong performance in key categories such as industrial wear, footwear and denim which benefited from targeted promotional campaigns throughout the year. eCommerce continued to contribute to sales throughout the year.

Petroleum retail sales increased 10.7 percent resulting from higher year-over-year per litre gas prices throughout 2017.

Revenue

Revenue increased $695.7 million, or 6.1 percent, compared to prior year. Excluding the impact of Petroleum, which increased 11.7 percent year-over-year due to an increase in gas prices, Retail revenue increased 5.1 percent primarily driven by increased product shipments to Dealers at Canadian Tire and increased sales at FGL and Mark's.

Gross Margin

Gross margin dollars increased $194.5 million, or 5.5 percent, primarily due to higher shipments at Canadian Tire and increased retail sales at FGL and Mark's during the year. The gross margin rate decrease of 18 basis points was impacted by lower per litre gas margins at Petroleum. Excluding Petroleum, the gross margin rate increased 12 basis points in the Retail segment and was primarily attributable to a more profitable product mix at Canadian Tire and Mark's as well as the benefits earned from improved Dealer earnings as part of the Company's cost and margin sharing arrangement. These benefits more than offset the negative impacts to gross margin of foreign exchange headwinds and promotion activity.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses increased $117.4 million, or 3.8 percent, compared to the prior year due to:

- higher marketing and advertising expenses across all banners for promotional campaigns and activities including, Tested for Life in Canada and Canada 150 at Canadian Tire, the Lifestyle campaign and the 2018 Winter Olympics at FGL and the launch of the "Well Worn" campaign at Mark's;
- increased loyalty costs due to higher sales;
- increased costs relating to operating the Bolton DC which opened in July 2017;
- higher occupancy expenses related to new and renovated stores and a higher than typical property tax refund in 2016; and
- higher personnel and information systems costs due to the execution of planned investments;

partially offset by:

- lower consulting expenses relating to the Company's investment in operational efficiency initiatives.

Net Finance Income

Net finance income decreased $11.2 million compared to prior year primarily due to a lower amount of capitalized interest expense relating to Bolton DC and lower income earned on intersegment debt due to the redemption of CT REIT Series 2 Class C LP units in June 2016 and Series 10-15 Class C LP units in May 2017.

7.2.4 Retail Segment Business Risks

The Retail segment is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The following are some of the business risks specific to the Retail segment's operations. Refer to section 12.2 of this MD&A for a discussion of some other industry-wide and company-wide risks affecting the business.

Seasonality Risk

Canadian Tire derives a significant amount of its revenue from the sale of seasonal merchandise and, accordingly, derives a degree of sales volatility from abnormal weather patterns. Canadian Tire mitigates this risk, to the extent possible, through the breadth of its product mix and proactive assortment management, effective procurement and inventory management practices, as well as the development of products and offers to stimulate customer demand for 'non- seasonal' and year-round products which are not directly affected by weather patterns.

Mark's business remains seasonal, with the fourth quarter typically producing the largest share of sales and annual earnings. Detailed sales reporting and merchandise-planning modules assist Mark's in mitigating the risks and uncertainties associated with unseasonable weather and consumer behaviour during the important winter selling season but cannot

eliminate such risks completely because inventory orders, especially for a significant portion of merchandise purchased offshore, must be placed well ahead of the season.

FGL is affected by general seasonal trends that are characteristic of the apparel, footwear and hard goods industries. FGL strives to minimize the impact of the seasonality of the business by altering its merchandise mix at certain times of the year to reflect consumer demand.

Supply Chain Disruption Risk

A substantial portion of the Company's product assortment is sourced from foreign suppliers, lengthening the supply chain and extending the time between order and delivery to its DCs. Accordingly, the Company is exposed to potential supply chain disruptions due to foreign supplier failures, geopolitical risk, labour disruption or insufficient capacity at ports and risks of delays or loss of inventory in transit. The Company mitigates these risks through the use of advanced tracking systems and visibility tools, effective supplier selection and procurement practices and through strong relationships with transportation companies and port and other shipping authorities, supplemented by marine insurance coverage.

Environmental Risk

Environmental risk within Canadian Tire is primarily associated with the storage, handling, and recycling of certain materials, such as oil, lubricants, and other substances used in the servicing of automobiles, tires, paint, lawn chemicals and electronics sold in Canadian Tire and PartSource stores. The Company has established and follows comprehensive environmental policies and practices to avoid a negative impact on the environment, to comply with environmental laws and protect its reputation.

Environmental risk within Petroleum is primarily associated with the storage and handling of gasoline, oil and propane. Environmental contamination, if not prevented or remediated, could result in fines and/or sanctions and damage the Company's reputation. The Company mitigates its environmental risks through a comprehensive regulatory compliance program, which includes environmental investigations and the remediation of contaminated sites as required. Petroleum also has environmental insurance coverage.

The Company is also subject to federal and provincial regulations related to combating climate change such as carbon taxes, and cap and trade. The Company implements operational changes as required to comply with the various regulatory requirements. Climate change may be associated with extreme weather conditions, such as more intense thunderstorms, snow or ice storms, which could disrupt business operations and result in property damage. The Company mitigates these risks through business interruption and property insurance coverage.

Commodity Price and Disruption Risk

The operating performance of Petroleum can be affected by fluctuations in the commodity cost of oil. The wholesale price of gasoline is subject to global oil supply and demand conditions; domestic and foreign political policy; commodity speculation; and potential supply chain disruptions from natural and human-caused disasters. To mitigate this risk to profitability, Petroleum maintains tight controls over its operational costs and enters into long-term gasoline purchase arrangements with integrated gasoline wholesalers. Petroleum also enhances profitability through a comprehensive cross-marketing strategy with other retail banners and higher-margin, ancillary businesses such as convenience store and car wash sales.

Market Obsolescence Risk

Clothing and apparel retailers are exposed, to varying degrees, to ever-changing consumers' fashion preferences. FGL and Mark's mitigate this risk through brand positioning, consumer preference monitoring, demand forecasting and merchandise selection efforts; as well as the product development process at Mark's. FGL offers a comprehensive assortment of brand-name products under its various banners and partners with strong, national-branded suppliers that continually evolve their assortments to reflect customer preferences. In addition, FGL employs a number of inventory management practices, including certain agreements with vendors to manage unsold product or offer markdown dollars to offset margin deterioration in liquidating aged inventory. Mark's specifically targets consumers of durable everyday casual wear and is less exposed to changing fashions than apparel retailers offering high-fashion apparel and accessories. Mark's industrial wear category is exposed to fluctuations in the resource and construction industry.

Global Sourcing Risk

Canadian Tire, FGL, and Mark's use internal resources and third-party logistics providers to manage supply chain technology and the movement of foreign-sourced goods from suppliers to the Company's Canadian DCs and to their retail stores. Similar to other retailers that source products internationally, there is exposure to risks associated with foreign suppliers

which can include, but are not limited to, currency fluctuations, the stability of manufacturing operations in other countries and transportation and port disruptions (see supply chain disruption risk). The Company uses internal resources and third-party quality assurance providers to proactively manage product quality with vendors in the foreign sourcing regions. The Company believes that its business practices are appropriate to mitigate the risks. Further information regarding the Company's exposure to foreign currency risk is provided in section 12.3.

7.3 CT REIT Segment Performance

7.3.1 CT REIT Segment Financial Results

(C$ in millions)	Q4 2017	Q4 2016	Change	2017	2016	Change
Property revenue	**$ 111.2**	$ 104.3	6.7 %	**$ 443.3**	$ 407.2	8.9%
Property expense	**23.7**	24.5	(3.3)%	**98.3**	96.4	2.0%
General and administrative expense	**2.7**	2.4	9.1 %	**11.0**	10.3	6.9%
Net finance costs	**24.4**	20.7	18.5 %	**96.4**	85.9	12.2%
Fair value (gain) adjustment	**(36.7)**	(8.8)	NM	**(79.7)**	(44.5)	78.9%
Income before income taxes	**$ 97.1**	$ 65.5	48.3 %	**$ 317.3**	$ 259.1	22.5%

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

(C$ in millions)	Q4 2017	Q4 2016	Change	2017	2016	Change
Net operating income[1]	**$ 81.9**	$ 73.7	11.2%	**$ 322.3**	$ 287.1	12.2%
Funds from operations[1]	**60.4**	56.8	6.5%	**237.6**	214.9	10.6%
Adjusted funds from operations[1]	**$ 49.6**	$ 46.0	7.9%	**$ 194.4**	$ 172.8	12.5%

[1] Non-GAAP measures, refer to section 11.3.2 in this MD&A for additional information.

CT REIT Segment Fourth-Quarter 2017 versus Fourth-Quarter 2016

Earnings Summary

Income before income taxes increased by $31.6 million, or 48.3 percent, primarily due to an increase of $27.9 million in the fair market value gain primarily related to the Bolton DC and an industrial property in Montreal, Quebec. The increase in earnings was also due to the income generated from properties acquired and intensification activities completed during 2017 and 2016, partially offset by increased interest expense.

Property Revenue

Property revenue consists of base rent as well as operating cost and property tax recoveries. Property revenue increased by $6.9 million, or 6.7 percent, primarily due to higher base rent relating to properties acquired and intensification activities completed during 2017 and 2016.

Of the $111.2 million in property revenue received, $101.8 million was from CTC. The property revenue received from CTC was 5.3 percent higher than the prior year of $96.8 million.

Property Expense

Property expense for the quarter was $23.7 million, a decrease of $0.8 million or 3.3 percent over the prior year, primarily due to reduced property taxes, partially offset by property acquisitions 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 due to the variable components of compensation awards.

Net Finance Costs

Net finance costs include distributions on the Class C LP units held by CTC, mortgage and debenture interest, interest expense related to credit facilities, capitalized interest, and the amortization of financing costs. Net finance costs increased by $3.7 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 $81.9 million, an increase of $8.2 million, or 11.2 percent, primarily due to property acquisitions completed in 2017 and 2016. NOI is a non-GAAP measure. Refer to section 11.3.2 for additional information.

Funds from Operations and Adjusted Funds from Operations

FFO and AFFO for the quarter were $60.4 million and $49.6 million, respectively. FFO and AFFO were higher compared to the prior year by $3.6 million and $3.6 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 11.3.2 for additional information.

CT REIT Segment Full Year 2017 versus Full Year 2016

Earnings Summary

Income before income taxes increased $58.2 million, or 22.5 percent, compared to the prior year largely due to an increase in property revenue, and a $35.2 million increase in fair value adjustment on investment properties, primarily due to fair value gains recorded for the Bolton DC and an industrial property in Montreal, Quebec partially offset by an increase in net finance costs.

Property Revenue

Property revenue growth of 8.9 percent was attributable to higher base rent relating to properties acquired and intensification activities completed during 2017 and 2016.

Of the $443.3 million in property revenue received, $408.5 million was from CTC. The rent revenue received from CTC is 6.9 percent higher than the prior year of 382.3 million.

Property Expense

Property expense for the year was $98.3 million, the majority of costs being recoverable from tenants, with CT REIT absorbing these expenses for vacant properties. Property expense increased 2.0 percent compared to the prior year largely due to property acquisitions in 2016 and 2017, partially offset by reduced property taxes.

General and Administrative Expense

General and administrative expenses increased marginally by $0.7 million compared to the prior year primarily due to increased personnel expense, increased income tax expense; partially offset by decreased land transfer tax.

Net Finance Costs

Net financed costs increased $10.5 million, primarily due to higher interest expense from the issuance of debentures issued in May 2016 and June 2017, lower capitalized interest expense relating to the Bolton DC; partially offset by the redemption of Series 2 Class C LP units in June 2016 and the redemption of Series 10-15 Class C LP units in May 2017.

Net Operating Income

NOI was $322.3 million, an increase of 12.2 percent from the prior year primarily due to property acquisitions completed in 2017 and 2016. NOI is a non-GAAP measure; refer to section 11.3.2 for additional information.

Funds from Operations and Adjusted Funds from Operations

FFO and AFFO were $237.6 million and $194.4 million respectively. FFO and AFFO were higher compared to the prior year by $22.7 million and $21.6 million largely due to property acquisitions completed in 2017 and 2016 partially offset by

higher interest expense and for AFFO higher normalized capital expenditure reserve. FFO and AFFO are non-GAAP measures; refer to section 11.3.2 for additional information.

7.3.2 CT REIT Segment Business Risks

CT REIT is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The following are some of the business risks specific to the operations of CT REIT. Please refer to section 4 in CT REIT's Annual Information Form and Section 11.0 Enterprise Risk Management in CT REIT's Management's Discussion and Analysis for the period ended December 31, 2017, which are not incorporated herein by reference, for a discussion of risks that affect CT REIT's operations and also to section 12.2 in this MD&A for a discussion of industry-wide and Company-wide risks affecting the business.

Financial Risks

In the normal course of business, CT REIT is exposed to financial risks of varying degrees which could affect its ability to achieve its key initiatives and could materially adversely affect the financial performance of CT REIT, its ability to make distributions to its unitholders, and the trading price of its publicly traded units. Refer to Note 20(b) in CT REIT's annual consolidated financial statements for a discussion of financial risk management.

Real Estate Ownership and Tenant Risks

Real estate ownership is generally subject to numerous factors and risks, including changes in local economic conditions, local real estate conditions, the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs. The properties of CT REIT are well located within their respective markets and provide an attractive platform from which to grow given their stable characteristics, which include high occupancy, staggered lease maturities, and strong retailing attributes.

Tax-Related Risks

Risks relating to the changes in income tax laws applicable to CT REIT including those such that the CT REIT would not qualify as a mutual fund trust for the purposes of the Income Tax Act, including the treatment of real estate investment trusts, mutual fund trusts, or the exclusion from the definition of "SIFT TRUST" for a trust qualifying as a "real estate investment trust" for a taxation year under the Income Tax Act, could have a material and adverse impact on the value of the publicly traded units and on distributions to unitholders. Management of CT REIT has a compliance program to provide reasonable assurances that CT REIT satisfies the conditions to qualify as a closed-end mutual fund trust, by complying with the restrictions in the Income Tax Act as they are interpreted and applied by the Canada Revenue Agency ("CRA"). No assurance can be given that CT REIT will be able to comply with these restrictions at all times. There can be no assurance that income tax laws applicable to CT REIT, including the treatment of real estate investment trusts and mutual fund trusts under the Income Tax Act, will not be changed in a manner that adversely affects CT REIT or unitholders.

7.4 Financial Services Segment Performance

7.4.1 Financial Services Segment Financial Results

(C$ in millions)	Q4 2017	Q4 2016	Change	2017	2016	Change
Revenue	**$ 292.7**	$ 270.2	8.3 %	**$ 1,156.6**	$ 1,107.8	4.4 %
Gross margin dollars	**170.8**	162.1	5.3 %	**695.7**	658.6	5.6 %
Gross margin (% of revenue)	**58.3%**	60.0%	(166) bps	**60.1%**	59.5%	69 bps
Other (income) expense	**(0.6)**	0.3	(255.2)%	**(0.7)**	0.4	(267.3)%
Selling, general and administrative expenses	**82.1**	76.6	7.2 %	**308.5**	293.7	5.0 %
Net finance (income)	**(0.2)**	(0.1)	89.4 %	**(0.6)**	(0.6)	(1.5)%
Income before income taxes	**$ 89.5**	$ 85.3	4.9 %	**$ 388.5**	$ 365.1	6.4 %

7.4.2 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 11.3.1 in this MD&A for definitions and further information on performance measures.

(C$ in millions) except where noted	Q4 2017	Q4 2016	Change	2017	2016	Change
Credit card sales growth[1]	**8.6%**	4.0%		**8.0%**	2.6%	
Gross average accounts receivable (GAAR)	**$ 5,458.7**	$ 5,047.4	8.1%	**$ 5,263.9**	$ 4,911.9	7.2%
Revenue[2] (as a % of GAAR)	**21.97%**	22.55%	(58) bps	**n/a**	n/a	
Average number of accounts with a balance[3] (thousands)	**1,951**	1,864	4.7%	**1,895**	1,832	3.4%
Average account balance[3] (whole $)	**$ 2,796**	$ 2,706	3.3%	**$ 2,776**	$ 2,679	3.6%
Net credit card write-off rate[2, 3]	**5.48%**	5.94%		**n/a**	n/a	
Past due credit card receivables[3, 4] (PD2+)	**2.50%**	2.60%		**n/a**	n/a	
Allowance rate[5]	**1.97%**	2.05%		**n/a**	n/a	
Operating expenses[2] (as a % of GAAR)	**5.86%**	5.98%		**n/a**	n/a	
Return on receivables[2]	**7.38%**	7.43%		**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 Fourth-Quarter 2017 versus Fourth-Quarter 2016

Earnings Summary

Income before income taxes of $89.5 million increased $4.2 million, or 4.9 percent, primarily due to an increase in revenue, which was partially offset by higher net impairment expense and increased selling, general and administrative expenses.

GAAR increased 8.1 percent driven by higher number of average active accounts compared to the prior year and increased average account balances. 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 $22.5 million, or 8.3 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 5.3 percent primarily due to the increase in revenue, partially offset by higher net impairment charges (incremental allowance and insolvency write-offs) and increased interest expense as a result of increased borrowings to support continued GAAR growth.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $5.5 million, or 7.2 percent, primarily due to higher marketing costs to support the Company's digital strategy and increased costs for credit card operations.

Financial Services Segment Full Year 2017 versus Full Year 2016

Earnings Summary

Income before income taxes increased $23.4 million, or 6.4 percent, compared to the prior year primarily due to increased revenue and improved gross margin due to continued GAAR growth. This increase was partially offset by an increase in selling, general, and administrative expenses due to increased marketing, personnel and credit card operation expenses to support the Company's digital strategy.

GAAR increased 7.2 percent driven by increased average account balances and higher number of average active accounts throughout the year.

Revenue

Revenue increased $48.8 million, or 4.4 percent, compared to the prior year primarily driven by higher credit charges (due to higher yield and increased GAAR) and higher credit card sales revenue. These increases were partially offset by

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.

Gross Margin

Gross margin dollars increased 5.6 percent compared to the prior year as a result of higher revenue which was partially offset by higher net impairment charges (incremental allowance and insolvency write-offs) and increased interest expense.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses increased $14.8 million, or 5.0 percent, primarily due to higher marketing costs to support the Company's continued investment in its digital strategy, increased variable compensation, and higher expenses for credit card operations.

7.4.3 Financial Services Segment Business Risks

Financial Services is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The following are some of the business risks specific to Financial Services' operations. Refer to section 12.2 for a discussion of Company-wide risks.

Consumer Credit Risk

Financial Services grants credit to its customers on its credit cards, which may include varying payment options. With the granting of credit, Financial Services assumes certain risks with respect to the ability and willingness of its customers to repay debt. Financial Services manages credit risk to optimize profitability, within the scope of internal risk policy, by:

- employing sophisticated credit-scoring models to constantly monitor the creditworthiness of customers;
- using the latest technology to make informed credit decisions for each customer account to limit credit risk exposure;
- adopting technology to improve the effectiveness of the collection process; and
- monitoring the macroeconomic environment, especially with respect to consumer debt levels, interest rates, employment levels, and income levels.

Liquidity and Funding Risk

Liquidity and funding risk is the risk that Financial Services will be unable to meet its funding obligations or obtain funding at a reasonable cost. Financial Services mitigates its liquidity and funding risk by maintaining multiple diversified funding sources that include securitization of receivables, broker GIC deposits, retail deposits, and committed bank lines of credit. Further mitigation is provided by maintaining a pool of high-quality marketable securities that can be used as a source of liquidity under a short-term stress scenario. With respect to bank lines, Financial Services has a $2.25 billion committed credit facility with Scotiabank. A number of regulatory metrics are monitored including Liquidity Coverage Ratio, Net Cumulative Cash Flow, and Net Stable Funding Ratio. Further details on financing sources for Financial Services are included in section 8.5.

Interest Rate Risk

The Financial Services segment is exposed to interest rate risk to the extent that changes in interest rates impact net interest income and net economic value. A significant proportion of the funding liabilities for Financial Services are fixed rate, which reduces interest rate risk. A one percent change in interest rates does not materially affect net interest income or net economic value.

Regulatory Risk

Regulatory risk is the risk of negative impact to business activities, earnings or capital, regulatory relationships, or reputation as a result of failure to comply with or failure to adapt to current and changing regulations or regulatory expectations. The Bank's Compliance department is responsible for the development and maintenance of a regulatory compliance management system. Specific activities that assist the Company in adhering to regulatory standards include communication of regulatory requirements, advice, training, testing, monitoring, reporting, escalation of control deficiencies, and regulatory risks.

8.0 Balance Sheet Analysis, Liquidity, and Capital Resources

8.1 Selected Balance Sheet Highlights

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

(C$ in millions)	2017	2016	Change $	Change (%)
Assets				
Cash and cash equivalents	**$ 437.0**	$ 829.7	$ (392.7)	(47.3)%
Loans receivable	**5,613.2**	5,138.4	$ 474.8	9.2 %
Merchandise inventories	**1,769.8**	1,710.7	$ 59.1	3.5 %
Investment property	**344.7**	266.4	$ 78.3	29.4 %
Property and equipment	**4,193.3**	4,097.2	$ 96.1	2.3 %
Total assets	**15,624.2**	15,302.8	$ 321.4	2.1 %
Liabilities				
Bank indebtedness	**$ —**	$ 5.9	$ (5.9)	(100.0)%
Deposits	**973.9**	950.7	$ 23.2	2.4 %
Trade and other payables	**2,100.3**	1,859.3	$ 241.0	13.0 %
Short-term borrowings	**144.6**	199.4	$ (54.8)	(27.5)%
Current portion of long-term debt	**282.3**	653.4	$ (371.1)	(56.8)%
Long-term debt	**3,122.1**	2,667.1	$ 455.0	17.1 %
Long-term deposits	**1,412.9**	1,230.8	$ 182.1	14.8 %
Total liabilities	**10,050.5**	9,565.5	$ 485.0	5.1 %

For the complete balance sheet, refer to the Consolidated Balance Sheets in the 2017 Report to Shareholders.

The year-over-year increase in total assets of $321.4 million was primarily due to:

- an increase in loans receivable of $474.8 million primarily driven by higher credit card loans at Financial Services;
- an increase in property and equipment of $96.1 million resulting from capital expenditures including spending on IT initiatives, investment in the retail network and CTC anchored properties acquired by CT REIT from third parties, partially offset by higher depreciation and amortization;
- an increase in investment property of $78.3 million mainly due to CT REIT`s acquisitions of third party occupied properties; and
- an increase in merchandise inventory of $59.1 million due to higher inventory levels at Canadian Tire to support the winter season and first quarter sales, partially offset by decreased inventory at FGL due to strong sales at the end of the year;

partially offset by;

- a decrease in cash and cash equivalents net of bank indebtedness of $386.8 million (for details refer to section 8.2 of this MD&A).

The year-over-year increase in total liabilities of $485.0 million was primarily due to:

- an increase in trade and other payables by $241.0 million due to an increase in merchandise inventory purchases at Canadian Tire and FGL, the timing of payments at Mark's and an increase in the fair value of derivative liabilities arising from less favourable valuation of the foreign exchange hedge portfolio;
- a net increase in deposits (deposits and long-term deposits) of $205.3 million due to GAAR growth in the Financial Services segment; and
- a net increase in long term debt (current portion of long-term debt and long-term debt) of $83.9 million 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 senior and subordinated notes in the Financial Services in May and October 2017 respectively and the payment of mortgages in CT REIT;

partially offset by:

- a decrease in short-term borrowings of $54.8 million primarily due to the repayment of CT REIT's credit facility.

8.2 Summary Cash Flows

The Company's cash and cash equivalents position, net of bank indebtedness, was $437.0 million at December 30, 2017.

The Company's Consolidated Statements of Cash Flows for the quarters and years ending December 30, 2017 and December 31, 2016 are noted in the following table:

(C$ in millions)	Q4 2017	Q4 2016	Change	2017	2016	Change
Cash generated from operating activities before the undernoted item	$ 1,107.6	$ 1,033.4	$ 74.2	$ 1,403.2	$ 1,292.5	$ 110.7
Change in loans receivable	(270.5)	(259.3)	(11.2)	(430.4)	(306.1)	(124.3)
Cash generated from operating activities	837.1	774.1	63.0	972.8	986.4	(13.6)
Cash generated from (used for) investing activities before the undernoted items	11.7	14.3	(2.6)	(3.0)	40.3	(43.3)
Change in short-term and long-term investments	24.8	39.6	(14.8)	(4.3)	(42.3)	38.0
Additions to property and equipment, investment property and intangibles	(293.7)	(184.2)	(109.5)	(632.6)	(780.8)	148.2
Cash (used for) investing activities	(257.2)	(130.3)	(126.9)	(639.9)	(782.8)	142.9
Cash (used for) financing activities before the undernoted items	(102.3)	(58.9)	(43.4)	(272.7)	(189.1)	(83.6)
Change in long-term debt and short-term borrowings	(529.5)	87.4	(616.9)	10.8	433.0	(422.2)
Repurchase of share capital	(181.3)	(116.6)	(64.7)	(659.3)	(449.4)	(209.9)
Change in deposits	16.8	6.4	10.4	201.5	(74.9)	276.4
Cash (used for) financing activities	(796.3)	(81.7)	(714.6)	(719.7)	(280.4)	(439.3)
Cash (used) generated in the period	$ (216.4)	$ 562.1	$ (778.5)	$ (386.8)	$ (76.8)	$ (310.0)

Consolidated Fourth-Quarter 2017 versus Fourth-Quarter 2016

The Company used cash of $216.4 million in the quarter compared to generating cash of $562.1 million in the prior year. The variance was primarily due to:

- a $616.9 million decrease in cash generation from long-term debt and short-term borrowings due to the repayment of $423.3 million of senior and subordinated notes in October 2017, as well as the repayment of short-term borrowings in 2017 compared to net issuances in 2016;
- a $109.5 million increase in additions to property and equipment, investment property and intangibles primarily due to CT REIT's purchase of property from third parties;
- a $64.7 million increase in payments in connection with the Company's share repurchase plan; and
- a decrease of $14.8 million in short-term and long-term investments;

partially offset by:

- an increase in cash generated from operating activities (other than loans receivable) of $74.2 million.

Consolidated Full Year 2017 versus Full Year 2016

On a full year basis, the Company's cash used in the period increased to $386.8 million from $76.8 million in the prior year. The $310.0 million increase was primarily due to:

- a $422.2 million decrease in cash generated from long-term debt and short-term borrowings due to a year-over-year decrease in debenture issuances by CT REIT, as well as the repayment of short-term borrowings in 2017 compared to net issuances in 2016;
- a $209.9 million increase in payments in connection with the Company's share repurchase plan; and
- an increase of $124.3 million in loans receivable as a result of the growth in the credit card portfolio

partially offset by:

- an increase of $276.4 million relating to GIC deposits in the Financial Services segment to support GAAR growth;
- a $148.2 million decrease in additions to property and equipment, investment property, and intangibles due to lower spending on real estate initiatives and the Bolton DC compared to the prior year;
- an increase in cash generated from operating activities (other than loans receivable) of $110.7 million; and
- an increase of $38.0 million in short-term and long-term investments.

8.3 Capital Management

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

8.3.1 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.

8.3.2 Capital Under Management

The definition of capital varies from company to company, from industry to industry, and for different purposes. In the process of managing the Company's capital, Management includes the following items in its definition of capital and includes Glacier indebtedness but excludes Franchise Trust indebtedness:

(C$ in millions)		**2017**	**% of total**		2016	% of total
Capital Components						
Deposits	**$**	**973.9**	**8.6%**	$	950.7	8.5%
Short-term borrowings		**144.6**	**1.3%**		199.4	1.8%
Current portion of long-term debt		**282.3**	**2.5%**		653.4	5.9%
Long-term debt		**3,122.1**	**27.8%**		2,667.1	24.0%
Long-term deposits		**1,412.9**	**12.6%**		1,230.8	11.1%
Total debt	**$**	**5,935.8**	**52.8%**	$	5,701.4	51.3%
Redeemable financial instrument		**517.0**	**4.6%**		517.0	4.7%
Share capital		**615.7**	**5.5%**		648.1	5.8%
Contributed surplus		**2.9**	**—%**		2.9	—%
Retained earnings		**4,169.3**	**37.1%**		4,250.9	38.2%
Total Capital Under Management	**$**	**11,240.7**	**100.0%**	$	11,120.3	100.0%

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 the Company's liquidity.

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.

In order to maintain or adjust the capital structure, the Company has the flexibility to adjust the amount of dividends paid to shareholders, repurchase shares pursuant to a normal course issuer bid ("NCIB") program, repay debt, issue new debt and equity at Canadian Tire Corporation and CT REIT, issue new debt with different characteristics to replace existing debt, engage in additional sale and leaseback transactions of real estate properties, and increase or decrease the amount of sales of co-ownership interests in loans receivable to GCCT.

The Company has a policy in place to manage capital. As part of the overall management of capital, Management and the Audit Committee of the Board of Directors review the Company's compliance with, and performance against, the policy. In addition, periodic review of the policy is performed to ensure consistency with risk tolerances.

Financial covenants of the existing debt agreements are reviewed by Management on an ongoing basis to monitor compliance with the agreements. The key financial covenant for Canadian Tire Corporation is a requirement for the retail segment to maintain, at all times, a ratio of total indebtedness to total capitalization equal to or lower than a specified maximum ratio (as defined in the Company's bank credit agreements, but which excludes consideration of CTFS Holdings, CT REIT, Franchise Trust, and their respective subsidiaries).

The Company was in compliance with all key covenants as at December 30, 2017 and December 31, 2016. Under these covenants, the Company currently has sufficient liquidity to support business growth.

CT REIT is required to comply with financial covenants established under its Trust Indenture, bank credit agreement, and the Declaration of Trust and was in compliance with all key covenants as at December 31, 2017 and 2016.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of CTB, a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain financial covenants established under its bank credit agreement and note purchase facilities.

8.3.3 Canadian Tire Bank's Regulatory Environment

CTB manages its capital under guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI"). OSFI's regulatory capital guidelines are based on the international Basel Committee on Banking Supervision framework entitled Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems ("Basel III"), which came into effect in Canada on January 1, 2013, and measures capital in relation to credit, market, and operational risks. The Bank has various capital policies and procedures and controls, including an Internal Capital Adequacy Assessment Process ("ICAAP"), which it utilizes to achieve its goals and objectives.

The Bank's objectives include:

- providing sufficient capital to maintain the confidence of investors and depositors; and
- being an appropriately capitalized institution, as measured internally, defined by regulatory authorities and compared with the Bank's peers.

OSFI's regulatory capital guidelines under Basel III allow for two tiers of capital. As at December 31, 2017, the Bank's fiscal year end, Common Equity Tier 1 ("CET1") capital includes common shares, retained earnings, and Accumulated Other Comprehensive Income ("AOCI"), less regulatory adjustments including items risk-weighted at zero percent which are deducted from capital. The Bank currently does not hold any additional Tier 1 or Tier 2 capital instruments. Therefore, the Bank's CET1 is equal to its Tier 1 and total regulatory capital. Risk-weighted assets ("RWA") include a credit risk component for all on-balance-sheet assets weighted for the risk inherent in each type of asset, off-balance sheet financial instruments, an operational risk component based on a percentage of average risk-weighted revenues, and a market-risk component for assets held for trade. For the purposes of calculating RWA, securitization transactions are considered off-balance-sheet transactions and, therefore, securitization assets are not included in the RWA calculation. Assets are classified as held for trade when they are held with trading intent.

The Leverage Ratio prescribed by OSFI's Leverage Requirements Guideline provides an overall measure of the adequacy of an institution's capital and is defined as the all-in Tier 1 capital divided by the leverage ratio exposure. The leverage ratio exposure is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures, and off-balance sheet items.

As at December 31, 2017 and 2016, the Bank complied with all regulatory capital guidelines established by OSFI, its internal targets as determined by its ICAAP, and all financial covenants under its bank credit agreement and note purchase facilities.

8.4 Investing

8.4.1 Capital Expenditures

The Company's capital expenditures for the periods ended December 30, 2017 and December 31, 2016 were as follows:

(C$ in millions)		**2017**		2016
Real estate	**$**	**139.1**	$	232.8
Information technology		**181.4**		181.4
Other operating		**63.7**		41.6
Operating capital expenditures		**384.2**		455.8
CT REIT acquisitions and developments excluding vend-ins from CTC[1]		**215.4**		176.8
Distribution capacity		**42.5**		122.3
Total capital expenditures[2]	**$**	**642.1**	$	754.9

[1] CT REIT capital expenditures include the construction of stores under Mark's and FGL banners of $1.8 million (2016 - $2.0 million).
[2] Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions relating to business combinations, intellectual properties and tenant allowances received.

Total capital expenditures for 2017 decreased by $112.8 million year-over-year primarily due to lower spending on real estate and distribution capacity as Bolton DC is now fully operational. Real estate spending was $93.7 million lower, as the prior year included spending related to the conversion of five former Target locations to Canadian Tire stores and additional stores built for FGL in 2016. The investments from CT REIT third-party acquisitions were $38.6 million higher due to the acquisition of 12 single tenant free standing buildings, occupied by CIBC branches, the portfolio of properties acquired from RioCan and Totem Mall upgrades partially offset by the Sears DC acquisition in the prior year.

Capital Commitments

The Company had commitments of approximately $120.3 million as at December 30, 2017 (2016 – $54.8 million) for the acquisition of tangible and intangible assets.

Operating Capital Expenditures (2017)

As previously announced, the Company expected its three-year average annual operating capital expenditures to be within the range of $450 million to $500 million from 2015 to 2017, over the three year period the average annual capital expenditures were $456.3 million. For fiscal 2017, the Company's annual operating capital expenditures were below the previously disclosed range of $400 million to $425 million.

Distribution Capacity Capital Expenditures (2017)

For fiscal 2017, the Company's capital expenditures required for distribution capacity were within the previously disclosed range of $25 million to $50 million, which include expenditures required to bring the Bolton DC into active service.

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

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.

8.4.2 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.

8.5 Liquidity and Financing

The Company is in a strong liquidity position with the ability to access capital from multiple sources. A number of alternative financing sources are available to the Company, CT REIT, and CTB to help ensure an appropriate level of liquidity is available to meet the Company's key initiatives.

Summary of the Company's Financing Sources as of December 30, 2017:

Committed Bank Lines of Credit

Provided by a syndicate of seven Canadian and four international financial institutions, $1.975 billion in committed bank lines are available to the Company for general corporate purposes expiring in July 2022. The Company had no borrowings under its bank lines as at December 30, 2017.

Provided by a syndicate of seven Canadian financial institutions, $300 million in committed bank lines are available to CT REIT for general business purposes expiring in September 2022. CT REIT had $53.9 million of borrowings under its bank lines as at December 30, 2017.

Scotiabank has provided CTB with a $250 million unsecured revolving credit facility and $2.0 billion in note purchase facilities for the purchase of senior and subordinated notes issued by GCCT, both of which expire in October 2020. CTB had less than $0.1 million of borrowings outstanding under these facilities as at December 30, 2017.

Medium-Term Notes and Debentures

The Company had a total of $550 million in medium-term notes outstanding as at December 30, 2017.

On June 16, 2017, CT REIT issued $175 million of senior unsecured debentures under its base-shelf prospectus dated April 5, 2017. CT REIT had a total of $875 million of senior and unsecured debentures outstanding as at December 30, 2017.

Securitization of Receivables

Securitization transactions, in the form of a $300 million asset-backed commercial paper program, senior notes, and subordinated notes issued through GCCT, continue to be a cost-effective form of financing for CTB. GCCT had a total of $1.8 billion in senior and subordinated notes and $90.7 million in commercial paper outstanding as at December 30, 2017.

Broker GIC Deposits

Funds continue to be readily available to CTB through broker networks. As at December 30, 2017, CTB held $1.7 billion in broker GIC deposits.

Retail Deposits

Retail deposits consist of high-interest savings accounts ("HIS") and retail GIC deposits held by CTB, available both within and outside a TFSA. As at December 30, 2017, CTB held $640.3 million in retail deposits.

Real Estate

The Company can undertake strategic real estate transactions involving properties not owned by CT REIT. It also owns an investment in CT REIT in the form of publicly traded CT REIT Units.

Additional sources of funding are available to CT REIT as appropriate, including the ability to access equity and other debt markets, subject to the terms and conditions of CT REIT's Declaration of Trust and all applicable regulatory requirements.

Credit Rating

Canadian Tire Corporation is rated by two independent credit rating agencies: DBRS Limited ("DBRS") and S&P Global Ratings ("S&P"), which provide credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally "AAA") to default in payment (generally "D").

In Q3 2017, DBRS confirmed its rating for the Company. In Q4 2017, S&P confirmed its rating for the Company. In Q4 2017, both DBRS and S&P confirmed their ratings for CT REIT. In Q4 2016, S&P confirmed its ratings on all of GCCT's outstanding senior and subordinated notes. In Q2 2017, Fitch Ratings, Inc. ("Fitch") confirmed its rating on GCCT's

asset-backed commercial paper notes. In Q3 2017, DBRS confirmed its ratings on GCCT's asset-backed commercial paper notes and all outstanding senior and subordinated notes.

Credit rating summary	DBRS	S&P	Fitch
Canadian Tire Corporation			
Issuer rating	BBB (high)	BBB+	-
Medium-term notes	BBB (high)	BBB+	-
Trend or outlook	Stable	Stable	-
Glacier Credit Card Trust			
Asset-backed commercial paper	R-1 (high) (sf)	-	F1+ (sf)
Asset-backed senior notes	AAA (sf)	AAA (sf)	-
Asset-backed subordinated notes	A (sf) - Series 2015-1 & 2017-1 A (high) (sf) - Series prior to 2015	A (sf) - Series 2015-1 & 2017-1 A+ (sf) - Series prior to 2015	- -
CT REIT			
Issuer rating	BBB (high)	BBB+	-
Senior unsecured debentures	BBB (high)	BBB+	-
Trend or outlook	Stable	Stable	-

8.5.1 Contractual Obligations, Guarantees, and Commitments

8.5.1.1 Contractual Obligations

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 an NCIB program from a combination of sources. The following table shows the Company's contractual obligations required to be paid over the next five years and beyond. The Company believes it has sufficient liquidity available to meet its contractual obligations as at December 30, 2017.

Contractual Obligations Due by Period

(C$ in millions)	Total	2018	2019	2020	2021	2022	2023 & beyond
Current and long-term debt[1, 3]	**$ 1,470.4**	$ 0.9	$ 44.1	$ 0.4	$ 150.0	$ 150.0	$ 1,125.0
Glacier Credit Card Trust debt[2, 3]	**1,824.6**	264.6	500.0	500.0	—	560.0	—
Finance lease obligations[4]	**157.1**	24.4	21.7	20.0	19.0	18.2	53.8
Operating leases	**2,152.1**	338.9	313.6	286.6	247.1	196.9	769.0
Purchase obligations	**1,980.8**	1,653.0	74.1	61.8	38.2	30.0	123.7
Financial Services' deposits[3]	**2,395.2**	982.4	425.3	287.1	176.5	523.9	—
Other obligations	**169.4**	71.4	36.4	30.2	15.9	7.3	8.2
	$ 10,149.6	$ 3,335.6	$ 1,415.2	$ 1,186.1	$ 646.7	$ 1,486.3	$ 2,079.7

1 Excludes senior and subordinated notes at GCCT.
2 Represents senior and subordinated notes.
3 Excludes interest obligations on debt or deposits.
4 Includes interest obligations on finance leases.

8.5.1.2 Guarantees and Commitments

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 other 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 annual consolidated financial statements.

The Company's maximum exposure to credit risk with respect to such guarantees and commitments is provided in Note 5 to the annual consolidated financial statements.

8.6 Funding Costs

The table below shows the funding costs relating to short-term and long-term debt and excludes deposits held by CTB and Franchise Trust indebtedness:

(C$ in millions)		2017		2016
Interest expense[1]	$	114.6	$	103.0
Cost of debt[2]		3.23%		3.20%

[1] Represents the interest expense relating to short-term and long-term debt. Short-term debt includes lines of credit. Long-term debt includes medium-term, debentures, senior, and subordinated notes.
[2] Represents the weighted average cost of short-term and long-term debt during the period.

For a discussion of the liquidity and credit risks associated with the Company's ability to generate sufficient resources to meet its financial obligations, refer to section 12.3 and 12.4 in this MD&A.

9.0 Equity

9.1 Shares Outstanding

(C$ in millions)		2017		2016
Authorized				
3,423,366 Common Shares				
100,000,000 Class A Non-Voting Shares				
Issued				
3,423,366 Common Shares (2016 - 3,423,366)	$	0.2	$	0.2
63,066,561 Class A Non-Voting Shares (2016 - 67,323,781)		615.5		647.9
	$	615.7	$	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 in 2017 relating to the November 10, 2016 announcement:

(C$ in millions)		
Share buy-back intention announced on November 10, 2016	$	550.0
Shares repurchased in 2017 under the November 10, 2016 announcement		550.0
Shares remaining to be repurchased in 2017 under the November 10, 2016 announcement	$	—

On November 1, 2017, the Company completed the repurchases under the November 10, 2016 announcement. On November 9, 2017, the Company 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. As at December 30, 2017, $100 million shares were repurchased under this announcement.

The following table summarizes the Company's purchases made relating to the November 9, 2017 announcement:

(C$ in millions)		
Share buy-back intention announced on November 9, 2017	$	550.0
Shares repurchased in 2017 under the November 9, 2017 announcement		100.0
Shares remaining to be repurchased in 2018 under the November 9, 2017 announcement	$	450.0

9.2 Dividends

The Company has a consistent record of increasing its annual dividend and has historically targeted a payout ratio of 25 to 30 percent of prior year normalized earnings. On November 9, 2017, the Company increased the dividend payout ratio target to approximately 30 to 40 percent of the prior year normalized earnings, after giving consideration to the period end cash position, future cash flow requirements, capital market conditions, and investment opportunities.

The Company 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) as previously announced on November 9, 2017, payable on June 1, 2018 to shareholders of record as of April 30, 2018. The dividend is considered an “eligible dividend” for tax purposes.

9.3 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 year, equity forwards that hedged 815,000 stock option and performance share units settled and resulted in a payment to the Company of approximately $27.1 million. Also during the year, the Company entered into floating-rate equity forwards to offset its exposure to 960,000 stock options and performance share units at a weighted average purchase price of $155.70.

10. 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.

With respect to temporary differences relating to and arising from the Company’s investment in its subsidiaries, the Company is able to control and has no plans that would result in the realization of the respective temporary differences. Accordingly, the Company has not provided for deferred taxes relating to these respective temporary differences that might otherwise occur from transactions relating to the Company’s investment in its subsidiaries.

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 52 weeks ended December 30, 2017 were $108.9 million (2016 - $93.0 million) and $293.7 million (2016 - $263.5 million), respectively. The effective tax rates for the 13 and 52 weeks ended December 30, 2017 increased to 26.9 percent (2016 - 26.0 percent) and 26.4 percent (2016 - 26.1 percent) respectively. The effective tax rate increases are primarily due to changes in income tax rates and reductions in tax benefits relating to capital property dispositions in the year.

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

In Q3 2017, the Company announced the annual effective tax rate, excluding any impact for a potential change in fair value of the redeemable financial instrument, for fiscal 2018, to be approximately 27.0 percent.

11.0 Accounting Policies, Estimates, and Non-GAAP Measures

11.1 Critical Accounting Estimates

The Company estimates certain amounts reflected in its 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 2017 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". Under the current accounting standards, 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. Accounting standards related to the allowance for loan impairments will change effective for the Company's 2018 fiscal year, see section 11.2 for additional information.

11.1.1 Change in Accounting Estimates

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

Based on an analysis of the Company's assets, which was completed in Q1 2018, the Company believes that the straight-line method of depreciation better reflects the pattern of consumption of the economic benefits of its assets. As a result, the Company intends to change its depreciation method to straight-line for all of its depreciable assets that were previously depreciated using the declining balance method.

This change will be considered a change in accounting estimate in accordance with IFRS and as such will be accounted for prospectively. It is expected that the change in estimation methodology will result in a one-time charge (due to accelerated depreciation) in Q1 2018 of between $15 million to $20 million. In addition, under the straight-line methodology the Company expects that the ratio measuring its annual depreciation expense as a percent of consolidated revenue will decrease by approximately 40 to 50 bps. The ratio may also vary due to among other items, the timing and type of assets coming in and out of service and fluctuations to capital expenditures and revenue.

11.2 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 and the additional disclosures are included in Note 31 in the consolidated financial statements.

Standards, Amendments, and Interpretations Issued but not yet Adopted

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

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 consolidated 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 using the modified retrospective approach for the 2018 annual fiscal period, without restatement of prior period comparatives. The IFRS 9 adjustments will be recognized in the opening retained earnings of fiscal 2018. The most significant impact to the organization is due to the changes relating to impairment, which are outlined below, and, to a lesser extent, classification and measurement and hedging.

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, it is expected that the opening allowance on credit card loans receivable will increase by approximately $550 million to $650 million over its current reported balance. In addition, as compared to the current standard, the requirement to recognize lifetime expected credit losses earlier will result in an increase in the allowance rate (and therefore future annual net impairment charges) from the currently reported amount of 2.0 percent to a range of 11.5 percent to 13.5 percent. Future allowance rates will vary due to, among other items, changes in the quality of the credit card loan portfolio, changes in the overall Canadian economy, and the timing and amount of growth (or decline) in the credit card loan receivable balance.

The allowance for credit card loans receivable for accounts for which credit risk has not increased significantly since initial recognition, is measured using the lifetime losses that result from possible default events 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 which may result in it being more volatile under IFRS 9 than under the current model, as a result of the movement of accounts between 12-month and lifetime ECL and the incorporation of forward-looking information.

Regulatory impact - The Company is closely monitoring all regulatory, capital and covenant impacts as a result of the adoption of this standard and expects that the opening adjustment to retained earnings will temporarily lower the amount of regulatory capital retained by CTB, and that this will be replenished throughout 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 except for changing the presentation of certain items in the consolidated statements of comprehensive income and the consolidated statement of changes in equity.

Modification of financial liabilities - In October 2017, the IASB issued "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". The component of the amendments relevant to the Company relates to clarifying the accounting for the modification of financial liabilities and requires the Company to recognize any adjustments to the amortized cost of

the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange, regardless of whether the changes are substantial and result in derecognition of the financial liability. The effective date for these amendments is January 1, 2019; however, the Company will adopt these amendments early for fiscal 2018. The impact of the change is not expected to be significant and will be recorded in opening retained earnings for 2018 and without prior period restatement.

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.

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 results. 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, which were 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. As a result, when the 2018 financial statements are prepared, revenue and SG&A in the 2017 annual comparatives are expected to decrease by approximately $140 million to $170 million.

Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which will replace 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 is expected to have a material impact on the Company's Consolidated Balance Sheets, with the addition of lease liabilities and right-of-use assets and on the Consolidated Statements of Income with a shift in the timing of expense recognition. IFRS 16 will change the presentation of cash flows relating to leases in the Company's Consolidated Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between the parties of a lease. IFRS 16 will be applied for the 2019 annual fiscal period. The Company is currently assessing the expected impact of this change on its portfolio of leases, including the impact on its existing accounting system and internal controls.

Share-Based Payment

In June 2016, the IASB issued amendments to IFRS 2 - *Share-based Payment,* clarifying how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature, and a modification to the terms and conditions that changes the classification of the transactions. The Company will adopt this amendment in the 2018 annual fiscal period. The impact of the change is not expected to be significant and will be recorded in opening retained earnings for 2018 and without prior period restatement.

Annual Improvements 2015-2017

In December 2017, the IASB issued amendments to four standards, including IFRS 3 - *Business Combinations,* IFRS 11 *Joint Arrangements,* IAS 12 - *Income Taxes* and IAS 23 - *Borrowing Costs.* These amendments will be effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the potential impacts of these amendments.

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.

11.3 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.

11.3.1 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 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 consolidated financial statements. Retail sales has been included as one of the Company's financial aspirations. Sales descriptions for the retail banners can be found in the footnotes to the table contained within section 7.2.2 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 consolidated financial statements, comprises primarily the sale of goods to Dealers and to franchisees of Mark's and FGL, 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 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, 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, 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 can be found in section 7.2.2 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 can be found in section 7.2.2 of this MD&A.

Retail Return on Invested Capital

The Company believes that Retail ROIC is useful in assessing the return on capital invested in its retail assets. Retail ROIC is calculated as the rolling 12-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.

11.3.2 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 consolidated financial statements for the periods ended December 30, 2017 and December 31, 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)	**Q4 2017**	Q4 2016	**2017**	2016
Adjusted EBITDA	**$ 558.5**	$ 506.6	**$ 1,693.8**	$ 1,561.8
Change in fair value of redeemable financial instrument	**—**	—	**—**	—
EBITDA	**$ 558.5**	$ 506.6	**$ 1,693.8**	$ 1,561.8
Less:				
Depreciation and amortization[1]	**124.1**	123.1	**468.7**	456.9
Net finance costs	**30.1**	25.4	**112.6**	93.9
Income before income taxes	**$ 404.3**	$ 358.1	**$ 1,112.5**	$ 1,011.0
Income taxes	**108.9**	93.0	**293.7**	263.5
Effective tax rate	**26.9%**	26.0%	**26.4%**	26.1%
Net income	**$ 295.4**	$ 265.1	**$ 818.8**	$ 747.5
Net income attributable to non-controlling interests	**19.7**	18.3	**83.8**	78.4
Net income attributable to shareholders of Canadian Tire Corporation	**$ 275.7**	$ 246.8	**$ 735.0**	$ 669.1

[1] Includes $1.8 million reported in cost of producing revenue in the quarter (2016 - $1.9 million) and $6.8 million in 2017 (2016 - $8.0 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 consolidated financial statements for the periods ended December 30, 2017 and December 31, 2016.

(C$ in millions)	**Q4 2017**	Q4 2016	**2017**	2016
EBITDA	**$ 398.3**	$ 359.9	**$ 1,046.1**	$ 958.8
Less:				
Depreciation and amortization[1]	**102.8**	101.3	**382.1**	374.9
Net finance (income)	**(6.9)**	(7.3)	**(26.7)**	(37.9)
Income before income taxes	**$ 302.4**	$ 265.9	**$ 690.7**	$ 621.8

[1] Includes $1.8 million reported in cost of producing revenue in the quarter (2016 - $1.9 million) and $6.8 million in 2017 (2016 - $8.0 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 December 30, 2017 (C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ —	$ —	$ —	$ —
Short-term deposits	973.9	—	—	973.9
Long-term deposits	1,412.9	—	—	1,412.9
Short-term borrowings	144.6	—	53.9	90.7
Current portion of long-term debt	282.3	16.8	0.4	265.1
Long-term debt	3,122.1	652.2	913.1	1,556.8
Debt	5,935.8	669.0	967.4	4,299.4
Liquid assets[1]	(734.5)	(355.0)	(10.9)	(368.6)
Net debt (cash)	5,201.3	314.0	956.5	3,930.8
Inter-company debt	—	(2,073.8)	1,577.7	496.1
Adjusted net debt (cash)	$ 5,201.3	$ (1,759.8)	$ 2,534.2	$ 4,426.9

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

As at December 31, 2016 (C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ 5.9	$ 5.9	$ —	$ —
Short-term deposits	950.7	—	—	950.7
Long-term deposits	1,230.8	—	—	1,230.8
Short-term borrowings	199.4	—	109.8	89.6
Current portion of long-term debt	653.4	16.8	1.3	635.3
Long-term debt	2,667.1	656.2	750.1	1,260.8
Debt	5,707.3	678.9	861.2	4,167.2
Liquid assets[1]	(1,122.1)	(693.6)	(6.4)	(422.1)
Net debt (cash)	4,585.2	(14.7)	854.8	3,745.1
Inter-company debt	—	(1,850.2)	1,522.0	328.2
Adjusted net debt (cash)	$ 4,585.2	$ (1,864.9)	$ 2,376.8	$ 4,073.3

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

CT REIT Non-GAAP Financial Measures

Net Operating Income

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

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

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

(C$ in millions)		Q4 2017		Q4 2016		2017		2016
Property revenue	$	**111.2**	$	104.3	$	**443.3**	$	407.2
Less:								
Property expense		**23.7**		24.5		**98.3**		96.4
Straight-line rent adjustment		**5.6**		6.1		**22.8**		23.8
Add:								
Straight-line land lease expense adjustment		**—**		—		**0.1**		0.1
Net operating income	$	**81.9**	$	73.7	$	**322.3**	$	287.1

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 Consolidated Statements of Income and Comprehensive Income, to FFO and AFFO:

(C$ in millions)		Q4 2017		Q4 2016		2017		2016
Income before income taxes	$	**97.1**	$	65.5	$	**317.3**	$	259.1
Fair value (gain) adjustment		**(36.7)**		(8.8)		**(79.7)**		(44.5)
Deferred taxes		**(0.2)**		(0.1)		**—**		(0.4)
Fair value of equity awards		**0.2**		0.2		**—**		0.7
Funds from operations		**60.4**		56.8		**237.6**		214.9
Properties straight-line rent adjustment		**(5.6)**		(6.1)		**(22.8)**		(23.8)
Straight-line land lease expense adjustment		**—**		—		**0.1**		0.1
Capital expenditure reserve		**(5.2)**		(4.7)		**(20.5)**		(18.4)
Adjusted funds from operations	$	**49.6**	$	46.0	$	**194.4**	$	172.8

12.0 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 risk identification, quantification, monitoring and reporting capabilities as well as the integration of these capabilities into management processes.

The Company's strategies and objectives influence the priorities of the ERM Program. The program addresses strategic, financial, and operational risks and their potential impacts across all of the Company's banners and is:

- cross-functional in its perspective;
- intended to provide a consistent and disciplined approach to support the effective management of risks;
- designed to help support and optimize risk/reward related decisions;
- integrated into the strategic planning and reporting processes;
- designed to assess and incorporate risk mitigation strategies including avoidance, control, transfer, and acceptance; and
- developed and implemented by Management with Board oversight.

The Company continues to mature 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 the development of underlying processes and tools supporting the program.

12.1 Risk Governance

The mandate of the Board of Directors includes overseeing the development and implementation of an ERM Policy and ERM Program, for which the Board has delegated primary responsibility to the Audit Committee. The Audit Committee is responsible for:

- an annual review and recommendation to the Board of the Principal Risks of the Corporation; and
- recommending to the Board a comprehensive ERM Policy and reporting to the Board on the ERM Program.

The Officer in charge of each banner and corporate function is accountable for effectively managing risks relevant to their respective areas. The ERM Program enables the Chief Executive Officer ("CEO") to govern the Company's risk profile and oversee the management of Principal Risks and other enterprise-wide risks.

The Company's Internal Audit Services' ("IAS") primary role is to assist the Audit Committee in the discharge of its responsibilities relating to risk and uncertainty, with respect to controls that mitigate strategic, financial, and operational risks, compliance with the Company's Code of Business Conduct and compliance with Board-approved policies. To this end, IAS is responsible for conducting independent and objective assessments of the effectiveness of risk management, control, and governance processes across the Company.

12.2 Principal Risks

A key element of the Company's ERM Program is the periodic identification and assessment of Principal Risks. The Company defines a Principal Risk as one that, alone or in combination with other interrelated risks, could have a significant adverse impact on the Company's brand, financial position, and/or ability to achieve its strategic objectives. These Principal Risks are enterprise-wide in scope and represent strategic, financial, and operational risks. Management has completed its formal annual review of its Principal Risks, which has been presented to the Audit Committee and approved by the Board of Directors.

The following provides a high-level perspective on each of the identified thirteen Principal Risks and describes the main strategy that the Company has in place to mitigate the potential impacts of these risks on its business objectives. The mitigation and management of Principal Risks is approached holistically with a view to ensuring all risk exposures associated with a Principal Risk are considered. The Corporation maintains insurance coverage to further mitigate exposures to certain risks. Although the Corporation believes the measures taken to mitigate risks described below are reasonable, there can be no assurance that they will effectively mitigate risks that may have a negative impact on CTC's financial position, brand, and/or ability to achieve its strategic objectives.

Global and Domestic Marketplace

CTC is subject to risks resulting from fluctuations or fundamental changes in the external business environment. These fluctuations or fundamental shifts in the marketplace could include:

- economic recession, depression, or high inflation, impacting consumer spending;
- changes in the competitive landscape in the retail, banking, or real estate sectors, impacting the attractiveness of shopping at CTC's businesses and the value of its real estate holdings;
- changes in the domestic or international political environments, impacting the cost of products and/or ability to do business;
- shifts in the demographics of the Canadian population, impacting the relevance of the products and services offered by CTC;
- changes in the buying behaviour of consumers or weather patterns, impacting the relevance of the products and services offered by CTC; and
- introduction of new "technologies" impacting the relevance of the products, channels, or services offered by CTC, which may result in a negative impact on CTC's financial position, brand and/or ability to achieve its strategic objectives.

Risk management strategy:

The Company regularly monitors and analyzes economic, political, demographic, geographic, and competitive developments in Canada and economic, political, and competitive developments in countries from which it sources merchandise or technology solutions. Likely impacts of these developments are factored into the Company's strategic and operational plans and investment decisions, as Management considers appropriate, to mitigate risk and take advantage of opportunities that may arise.

Further information regarding the Company's exposure to this risk for each business segment is provided in sections 7.2.4, 7.3.2, and 7.4.3.

Strategy

CTC operates in a number of industries which are highly competitive and constantly evolving. The Company selects strategies intended to address these risks and positively differentiate its performance in the marketplace. Should the Company be unable to properly respond to fluctuations in the external business environment as a result of inaction, ineffective strategies or poor implementation of strategies, this could adversely impact CTC's financial position, brand, and/or ability to achieve its strategic objectives.

Risk management strategy:

The Company regularly assesses strategies to enable achievement of its financial aspirations. These strategies take the form of a number of strategic objectives. On at least a quarterly basis, the Company identifies and assesses the external and internal risks that may impede the achievement of its strategic objectives. The goal of this approach is to provide early warning and escalation within the Company of information about significant risks and to engage in appropriate Management activities to mitigate these risks. In addition to supporting strategy execution, the approach enables Management to assess the effectiveness of its strategies in light of external and internal conditions and propose changes to strategic objectives as it may consider appropriate.

The Company's annual operating plans include the key initiatives chosen to advance the successful longer-term execution of its strategic objectives. Further information regarding the key initiatives is included in sections 5.2 and 6.2.

Brand

The strength of CTC's brand significantly contributes to the success of the Company and is sustained through its culture and processes. Maintaining and enhancing brand equity enables the Company to innovate to better serve its customers, grow and achieve its financial goals and strategic aspirations. CTC's reputation, and consequently brand, may be negatively affected by various factors, some of which may be outside its control. Should these factors materialize, stakeholders' trust in the Company, the perception of what its brand stands for, its connection with customers, and subsequently its brand equity, may significantly diminish. As a result, CTC's financial position, brand and/or ability to achieve its strategic objectives may be negatively affected.

Risk management strategy:

The Company's strategies include plans and investments to enhance its significant brands. All employees are expected to manage risks that can impact those brands. Most risks that could impact the Company's brand are managed through its risk framework. In addition, its Executive Team is accountable to educate employees about the need to identify and escalate matters that could create brand risk. The Company's communications department monitors a variety of sources

to identify publicly reported issues that could create brand risk and supports the Executive Team in managing its response to those issues. The Company's Code of Business Conduct provides all employees, contractors, and directors with guidance on ethical values and expected behaviour that enable it to sustain its culture of integrity.

People

CTC is subject to the risk of not being able to attract and retain sufficient and appropriately-skilled people who have the expertise (focus, commitment, and capability) to support the achievement of CTC's strategic objectives. CTC's financial position, brand, and/or ability to achieve its strategic objectives may be negatively affected by its failure to manage its people risk.

Risk management strategy:

The Company manages its people risk through its organizational design, employee recruitment programs, succession planning, compensation structures, ongoing training, professional development programs, and performance management.

The Company's Code of Business Conduct sets out expected ethical behaviour of employees and Directors. The Business Conduct Compliance Office offers multiple channels for employees to report breaches, provides interpretations of and training on the Code and monitors investigations and outcomes of potential breaches of the Code.

Technology Innovation and Investment

CTC's business is affected by the introduction of new technologies, which may positively or adversely impact CTC's products, channels, and services. CTC's choices of investments in technology may support its ability to achieve its strategic objectives, or may negatively affect its financial position, brand, and/or ability to achieve its strategic objectives.

Risk management strategy:

The Company supports its key strategic objectives through its investments in people, process, and technology to meet operational and security requirements, and leverage technological advances in the marketplace.

The Company maintains policies, processes, and procedures to address capabilities, performance, security, and availability including resiliency and disaster recovery for systems, infrastructure, and data.

The Company regularly monitors and analyzes the Company's needs and its technology performance to determine the effectiveness of its investments and its investment priorities.

Key Business Relationships

CTC's business model relies on certain significant business relationships. Such relationships include, but are not limited to, relationships with its Dealers, agents, franchisees, and suppliers.

The scope, complexity, materiality, and/or criticality of these key business relationships can affect customer service, procurement, product and service delivery, and expense management. Failure to effectively manage these relationships may have a negative impact on CTC's financial position, brand and/or ability to achieve its strategic objectives.

Risk management strategy:

The Company regularly assesses the capabilities, strategic fit, and other realized benefits of key business relationships in the context of supporting its strategies.

Governance structures, including policies, processes, contracts, service agreements, and other management activities, are in place to maintain and strengthen the relationships that are critical to the success of the Company's performance and aligned with its overall strategic needs.

A key relationship for the Company is with its Dealers. Management of the Canadian Tire Dealer relationship is led by Officers of the Company with oversight by the CEO and Board of Directors.

Cyber

CTC relies on IT systems in all areas of operations. The Company's information systems are subject to an increasing number of sophisticated cyber threats. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. Should a cyber-attack be successful and a breach of sensitive information occur or its systems and services be disrupted, CTC's financial position, brand, and/or ability to achieve its strategic objectives may be negatively affected.

Risk management strategy:
The Company maintains policies, processes, and procedures to address capabilities, performance, security, and availability including resiliency and disaster recovery for systems, infrastructure, and data. Security protocols, along with corporate information security policies, address compliance with information security standards, including those relating to information belonging to the Company's customers and employees. The Company actively monitors, manages, and continues to enhance its ability to mitigate cyber risk through its enterprise-wide programs.

Information

In the normal course of business, the Company collects and stores sensitive data, including personal information of its customers and employees, information of its business partners and material internal information. The integrity, reliability and security of information are critical to its business operations and strategy.

The lack of integrity and reliability of information for decision-making, loss or inappropriate disclosure or misappropriation of sensitive information could negatively affect CTC's financial position, brand, and/or ability to achieve its strategic objectives.

Risk management strategy:
The Company has policies, processes, and controls designed to manage and safeguard the information of its customers, employees, and material internal information throughout its lifecycle. The Company continues to enhance its ability to mitigate information risk in conjunction with its cyber risk management activities.

Operations

CTC has complex and diverse operations across its business units and functional areas. Sources of Operations risk include, but are not limited to, merchandising, supply chain, store networks, property management and development, Financial Services, business disruptions, regulatory requirements, and reliance on technology.

Operations risk is the risk of potential for loss resulting from inadequate or failed internal processes or systems, human interactions, or external events. Should this risk materialize, CTC's financial position, brand, and/or ability to achieve its strategic objectives could be negatively affected.

Risk management strategy:
The Officer in charge of each banner and corporate function is accountable for providing assurances that policies, processes, and procedures are adequately designed and operating effectively to support the strategic and performance objectives, availability of business services, and regulatory compliance of the banner that they operate or support.

Financial

Macroeconomic conditions are highly cyclical, volatile and can have a material effect on the ability of the Company to achieve strategic goals and aspirations. CTC must manage risks associated with:

- tight capital markets and/or high cost of capital;
- significant volatility in exchange rates; and
- significant volatility or change in interest rates.

Failure to develop, implement, and execute effective strategies to manage these risks may result in insufficient capital to absorb unexpected losses and/or decreases in margin and/or changes in asset value, negatively affecting CTC's financial position, brand, and/or ability to achieve its strategic objectives.

Risk management strategy:
The Company has a Board-approved financial risk management policy in place that governs the management of capital, funding, and other financial risks. The Treasurer and Chief Financial Officer ("CFO") provide assurances with respect to policy compliance. Refer to section 8.3 for further details.

In particular, the Company's hedging activities, which are designed to mitigate the Company's exposure to foreign exchange rate volatility and sensitivity to adverse movements in interest rates and the equity markets, are governed by this policy. Hedge transactions are executed with highly rated financial institutions and are monitored against policy limits. Further details are set out in sections 8.5 and 12.3.

Financial Reporting

Public companies such as CTC are subject to risks relating to the restatement and reissue of financial statements, which may be due to:

- failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting;
- fraudulent activity and/or failure to maintain an effective system of internal controls; and/or
- inadequate explanation of a Company's operating performance, financial condition, and future prospects.

The realization of one or more of these risks may result in regulatory-related issues or may negatively impact CTC's financial position, brand and/or ability to achieve its strategic objectives.

Risk management strategy:

Internal controls, which include policies, processes and procedures, provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other disclosure documents. This includes monitoring and responding to changing regulations and standards governing accounting and financial presentation. Further details are set out in section 13.0.

Legal and Litigation

The Company is or may become subject to claims, disputes, and legal proceedings arising in the ordinary course of business. The outcome of litigation cannot be predicted or guaranteed. Unfavourable rulings may have a material adverse effect on CTC's financial position, brand, and/or ability to achieve its strategic objectives.

Risk management strategy:

A formal Legal Risk Management Governance Framework addresses requirements for compliance with applicable laws, regulations, and regulatory policies. The Legislative Compliance department provides compliance oversight and guidance to the organization. A team of legal professionals assists employees to mitigate and manage risks relating to claims or potential claims, disputes, and legal proceedings.

Credit

CTC's credit risk, which may result if a customer or counterparty fails to meet its contractual obligations, arises principally from operations of the Company's credit card portfolio, CTC's interaction with its Dealer network, and financial instruments. Failure to effectively manage this risk may negatively impact CTC's financial position, brand, and/or ability to achieve its strategic objectives.

Risk management strategy:

Various Board-approved policies and processes are employed to manage and mitigate the Company's credit risk exposure and are monitored for compliance with policy limits. Further details are set out in section 12.4.

Further information regarding the Company's exposure to consumer lending risk is provided in section 7.4.3.

12.3 Financial Risks

Financial Instrument Risk

The Company is exposed to a number of risks associated with financial instruments that have the potential to affect its operating and financial performance. The Company's primary financial instrument risk exposures relate to credit card loans receivable and allowances for credit losses thereon and the value of the Company's financial instruments (including derivatives and investments) employed to manage exposure to foreign currency risk, interest rate risk, and equity risk, all of which are subject to financial market volatility.

For further disclosure of the Company's financial instruments, their classification, their impact on financial statements, and determination of fair value refer to Note 32 of the consolidated financial statements contained in the Company's 2017 Report to Shareholders.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and reasonably stressed conditions. The Company has a policy in place to manage its exposure to liquidity risk.

For a comprehensive discussion of the Company's liquidity risk, see Note 5 in the notes to the annual consolidated financial statements.

Foreign Currency Risk

The Company sources its merchandise globally. Approximately 40%, 51%, and 7% of the value of the inventory purchased for the Canadian Tire, Mark's, and FGL banners, respectively, is sourced directly from vendors outside North America, primarily denominated in U.S. dollars. To mitigate the impact of fluctuating foreign exchange rates on the cost of these purchases, the Company has an established foreign exchange risk management program that governs the proportion of forecast U.S. dollar purchases that must and can be hedged through the purchase of foreign exchange contracts. The purpose of the program is to provide certainty with respect to a portion of the foreign exchange component of future merchandise purchases.

As the Company has hedged a significant portion of the cost of its near-term U.S.-dollar-denominated forecast purchases, a change in foreign currency rates will not impact that portion of the cost of those purchases. Even when a change in rates is sustained, the Company's program to hedge a proportion of forecast U.S. dollar purchases continues. As hedges are placed at current foreign exchange rates for future U.S. dollar purchases, the impact of a sustained change in rate will eventually be reflected in the cost of the Company's U.S. dollar purchases. The hedging program has historically allowed the Company to defer the impact of sudden exchange rate movements on margins and allow it time to develop strategies to mitigate the impact of a sustained change in foreign exchange rates. Some vendors have an underlying exposure to U.S. currency fluctuations which may affect the price they charge the Company for merchandise; the Company's hedging program does not mitigate that risk. While the Company may be able to pass on changes in foreign currency exchange rates through pricing, any decision to do so would be subject to market conditions.

Interest Rate Risk

The Company may use interest rate derivatives to manage interest rate risk. The Company has a policy in place whereby, on a consolidated basis, a minimum of 75 percent of its consolidated debt (short-term and long-term) should be at fixed versus floating interest rates.

12.4 Credit Risks

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk primarily arises from the Company's credit card customers, Dealer network, and financial instruments held with bank or non-bank counterparties.

Financial Instrument Counterparty Credit Risk

The Company has a Board-approved financial risk management policy in place to manage the various risks including counterparty credit risk relating to cash balances, investment activity. and the use of financial derivatives. The Company limits its exposure to counterparty credit risk by transacting only with highly-rated financial institutions and other counterparties and by managing within specific limits for credit exposure and term to maturity. The Company's financial instrument portfolio is spread across financial institutions, provincial and federal governments, and, to a lesser extent, corporate issuers that are dual rated and have a credit rating in the "A" category or better.

Consumer and Dealer Credit Risk

The Company's exposure to concentrations of counterparty credit risk is limited. Accounts receivable are primarily from Dealers and FGL franchisees across Canada who, individually, generally comprise less than one percent of the total balance outstanding. Through the granting of credit cards to its customers, the Company assumes certain risks with respect to the ability and willingness of its customers to repay debt. In addition, the Company may be required to provide credit enhancement for individual Dealer's borrowings in the form of standby letters of credit (the "LCs") or guarantees of third-party bank debt agreements, with respect to the financing programs available to the Dealers.

The Company's maximum exposure to credit risk, over and above amounts recognized in the Consolidated Balance Sheets of the 2017 Annual Report, include the following:

(C$ in millions)	**2017**	2016
Undrawn loan commitments	**$ 9,768.7**	$ 9,517.4
Guarantees	**431.4**	428.5
Total	**$ 10,200.1**	$ 9,945.9

Allowance for Credit Losses

A continuity of the Company's allowances for loans receivable[1] is as follows:

(C$ in millions)		2017		2016
Balance, beginning of year	$	106.9	$	111.5
Impairments for credit losses, net of recoveries		298.9		293.7
Recoveries		70.8		69.4
Write-offs		(365.6)		(367.7)
Balance, end of year	$	111.0	$	106.9

[1] Loans include credit card loans and line of credit loans. No allowances for credit losses have been made with respect to Franchise Trust and FGL loans receivable.

12.5 Legal Risks

The Company and certain of its subsidiaries are party to a number of legal proceedings. The Company believes that each such proceeding constitutes a routine legal matter incidental to the business conducted by the Company. The Company cannot determine the ultimate outcome of all the outstanding claims but believes that the ultimate disposition of the proceedings will not have a material adverse effect on its consolidated earnings, cash flow, or financial position.

13.0 Internal Controls and Procedures

13.1 Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to Senior Management, including the CEO and the CFO, so that they can make appropriate decisions regarding public disclosure.

The Company's system of disclosure controls and procedures include, but is not limited to, its Disclosure Policy, its Code of Business Conduct, the effective functioning of its Disclosure Committee, procedures in place to systematically identify matters warranting consideration of disclosure by the Disclosure Committee, verification processes for individual financial and non-financial metrics, and information contained in annual and interim filings, including the consolidated financial statements, MD&A, Annual Information Form, and other documents and external communications.

As required by CSA National Instrument 52-109 ("NI 52-109"), *Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation of the adequacy of the design (quarterly) and effective operation (annually) of the Company's disclosure controls and procedures was conducted under the supervision of Management, including the CEO and CFO, as at December 30, 2017. The evaluation included documentation review, enquiries and other procedures considered by Management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 30, 2017.

13.2 Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining appropriate internal control over financial reporting. The Company's internal control over financial reporting include, but are not limited to, detailed policies and procedures relating to financial accounting, reporting, and controls over systems that process and summarize transactions. The Company's procedures for financial reporting also include the active involvement of qualified financial professionals, Senior Management and its Audit Committee.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As also required by NI 52-109, Management, including the CEO and CFO, evaluated the adequacy of the design (quarterly) and the effective operation (annually) of the Company's internal control over financial reporting as defined in NI 52-109, as at December 30, 2017. In making this assessment, Management, including the CEO and CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls, and a conclusion about this evaluation. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the internal control over financial reporting were effective as at December 30,

2017 in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

13.3 Changes in Internal Control over Financial Reporting

During the quarter and year ended December 30, 2017, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

14.0 Social and Environmental Responsibility

14.1 Sustainability Governance

Canadian Tire Corporation's Senior Vice President, Risk & Regulatory Affairs, reporting to the Chief Corporate Officer, the Chief Executive Officer and the Board of Directors, has direct responsibility for monitoring climate change impacts. In addition, the Sustainability Steering Committee, comprising senior executives from all business groups across the enterprise, has responsibility for driving results from productivity initiatives that reduce the Company's environmental footprint. Together, these management functions ensure sustainability activities align with the Company's overall strategic growth objectives and assess and monitor climate-related risks, opportunities, and progress on sustainability initiatives.

14.2 2017 Sustainability Initiatives

The Company's sustainability initiatives aim to enhance its productivity and reduce its environmental footprint relative to its business growth and provide its customers with sustainable solutions for the "Jobs and Joys for Life in Canada". In 2017, new economic benefits were realized through a number of sustainability initiatives. Also in 2017, the Company started calculating economic benefits that have been realized since it started its sustainability program in 2011 ("2011 baseline").

The initiatives were targeted at increasing sales of products that reduce energy use or waste, reducing fuel used to transport products, and increasing energy efficiency in buildings, relative to prior years. These initiatives resulted in environmental benefits equivalent to eliminating the waste generation of over 31,000 Canadian homes and the energy required to power approximately 7,000 Canadian homes for a year.

The following table summarizes the net new economic benefits to the Company, its Dealers and franchisees and the net new environmental benefits realized in 2017 from the Company's sustainability initiatives. It also depicts the lifetime economic benefit of sustainability initiatives realized since 2011.

	2017 Economic Benefit[1]	Energy Use Avoidance[2]	Low-Carbon Energy Generation[3]	Greenhouse Gas Emissions Avoidance[2]	Waste Avoidance[2]	Water Diversion[4]		Lifetime Economic Benefit[5]
($C in millions, except where indicated)	($M)	(GJ)	(GJ)	(tonnes CO_2e)	(tonnes)	(tonnes)	(%)	($M)
Product and Packaging[6]	$ 63.88	687,586	—	48,186	18,679	—		$ 220.00
Product Transport[7]	$ 1.31	13,347	—	817	2	—		$ 12.24
Business and Retail Operations[8]	$ 16.14	31,022	36,670	1,973	2,340	22,146	78%	$ 50.40
Total	**$ 81.33**	**731,955**	**36,670**	**50,976**	**21,021**	**22,146**	**78%**	**$ 282.64**

[1] Economic benefit refers to cost avoidance (e.g. energy costs) and income earned (e.g. from the sale of recyclable materials) associated with sustainability initiatives.
[2] Avoidance refers to savings in comparison to the baseline scenario, where the baseline scenario is defined as "what would have most likely occurred in the absence of the sustainability initiative". Improvements are related to the specific initiatives reported and do not represent total improvements to the value-chain segment.
[3] Refers to energy generated from on-site solar installations. To be considered "low-carbon", the Greenhouse Gas (GHG) emissions associated with the energy generated must be lower than traditional means of power generation. This energy is fed into the Ontario electrical grid for general consumption in the province.
[4] Materials diverted from landfill through reuse, recycling, or composting.
[5] Economic benefit to the Company, its Dealers and franchisees realized since our baseline year of 2011 for the entire useful life of the initiative (e.g. in-store lighting upgrades completed in our baseline year of 2011 will continue to reap benefits every year for the expected lifetime of the asset). Each initiative has a unique useful life ranging from one to 25 years.
[6] Realized reductions in energy use resulting from the transportation of optimized product and packaging, realized reductions in customer energy use resulting from the sale of energy efficient products, and waste reductions stemming from reduced packaging, damages, and product waste at end-of-life.
[7] Realized reductions in energy use from increased fuel efficiency in transportation modes and vehicles (e.g. use of long-combination vehicles).
[8] Realized reductions in energy use in buildings and their operations through energy efficiency initiatives (e.g. new construction, retrofits), renewable energy generated from rooftop solar installations, and percentage of waste diverted from landfill as a result of waste management initiatives at stores and DCs.

14.3 Environmental Footprint

The following table presents the Company and its extended value-chain's 2016 environmental footprint and the percentage change relative to the 2011 baseline. The data collection and subsequent review for determining the Company's environmental footprint are rigorous processes that are completed after the close of the calendar-year. As such, the Company's most recent environmental footprint is for 2016. An independent third-party provided a limited assurance review on the footprint data.

CTC's absolute emissions decreased 1.5 percent in 2016 compared to 2015. The primary reason was a reduction in the Company's footprint in the area of raw material acquisition and product manufacturing from our retail banners. Product and packaging impacts are calculated using a model based in U.S. dollars. Fluctuations in foreign exchange that reduce the purchasing power of the Canadian dollar translate to a reduction in the product and packaging impact metrics. CTC's business and retail operations footprint also became less emission intensive due to a warmer winter in 2016 resulting in less fuel used to heat buildings. These improvements contributed further reductions against CTC's 2011 baseline, achieving a 15.4% reduction in absolute emissions to date. Notably, the Company has reduced its transportation footprint by 10.3% and its footprint from business and retail operations by 8.6% since 2011.

By segment of the value-chain and GHG Protocol category[1]		GHG emissions (tonnes carbon dioxide equivalents) 2016	2011[2]	Change[3] (B) / W
Product & Packaging[4]	Scope 3 Purchased goods and services (Canadian Tire, PartSource, Petroleum, Mark's, FGL)	3,339,270	3,987,217	(16.3%)
	Per $1,000 banner revenue	*0.29*	*0.39*	*(27%)*
Transport[5]	Scope 1 (Canadian Tire and PartSource)	16,256	12,836	
	Scope 3 Upstream Transportation and Distribution (Canadian Tire and PartSource)	239,086	276,790	
	Scope 3 Business Air Travel (all banners)	4,558	*n/a*	
	Sub-total	*259,900*	*289,626*	*(10.3%)*
	Per 1,000 tonne-kilometres	*0.02*	*0.02*	*(2.0%)*
Business & Retail Operations[6]	Scope 1 & 2 (Corporate stores, offices and DC's)	74,394	77,537	
	Scope 3 Upstream Leased Assets (Leased offices and Distribution centres)	13,439	15,253	
	Scope 3 Downstream Leased Assets (Investment Properties)	2,550	1,883	
	Scope 3 Franchises (Dealer and franchise stores and CT Petroleum agents)	134,448	145,531	
	Scope 3 Fuel and Energy Related Activities (Electricity Transmission and Distribution losses)	18,645	26,044	
	Sub-total	*243,476*	*266,248*	*(8.6%)*
	Per square metre	*0.35*	*0.42*	*(16.9%)*
Total	**Scope 1 & 2**	**90,650**	**90,373**	***0.3%***
	Scope 3	**3,751,996**	**4,452,718**	***(15.7)%***
	Total	***3,842,646***	***4,543,091***	***(15.4%)***
	Per $1,000 consolidated revenue	***303.02***	***437.38***	***(30.7%)***

[1] Produced in accordance with principles from the World Business Council on Sustainable Development and World Resource Institute Greenhouse Gas Protocol. The 2011 baseline was restated to reflect changes in methodology and updates of previous calculations, as necessary. Mark's and FGL Sports product transport, customer use, and product end-of-life emissions for all banners are not currently measured due to data unavailability.
Scope 1 emissions are direct emissions from the combustion of on-site and mobile fuels that occur at, or are associated with, facilities and operations under the Company's operational control.
Scope 2 emissions are indirect emissions that occur off-site from the production of energy, such as electricity, which is then purchased for use at facilities and operations under the Company's operational control.
Scope 3 emissions are other indirect emissions from sources upstream and downstream of the organization's activities.

[2] CTC tracks emission performance against a 2011 baseline as this is the first year for which complete footprint data is available.

[3] Percentage change relative to baseline 2011 environmental footprint. A negative change indicates a reduction in energy use and/or GHG emissions which is an improvement and indicated as Better (B), versus a positive change which indicates an increase in energy use and/or GHG emissions and is indicated as Worse (W).

[4] Values embedded in retail products received by DCs, depots, stores, agents, or customers' homes and calculated as per a cradle-to-gate analysis which includes raw material acquisition and processing, transport to manufacturing site, and manufacture of retail products or refining of fuels.

[5] Values of product transportation from freight-on-board location to stores or from refining sites to gas bars.

[6] Values from corporate and third-party operated sites including offices, DCs and corporate, Dealer, agent, and franchise retail stores. The 2015 Business and Retail Operations footprint was restated to reflect updated energy use figures for certain locations.

For details on Canadian Tire Corporation's sustainability strategy, environmental performance, and a 2016 Assurance Statement please refer to our Business Sustainability Performance Reports on the Sustainability site at: https://corp.canadiantire.ca/English/sustainability/performance-reports/default.aspx. For information on Canadian Tire Corporation's environmental and social initiatives and achievements please refer to our Sustainability Report at: sustainability.canadiantirecorporation.ca.

14.4 Responsible Sourcing Practices

As one of Canada's most trusted companies, Canadian Tire Corporation goes to great lengths to ensure that the practices of employees, Directors, independent contractors and suppliers are completed with honesty, integrity and respect. Details on the Company's Responsible Sourcing policies and activities are available on the Company's website at: http://corp.canadiantire.ca/EN/CorporateCitizenship/ResponsibleSourcing/Pages/default.aspx.

14.5 Corporate Philanthropy

CTC supports a variety of social causes but the largest single beneficiary is Jumpstart. 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 their website at: http://jumpstart.canadiantire.ca.

15.0 Related Parties

The Company's majority shareholder is Martha Billes, who beneficially owns, or controls or directs approximately 61.4 percent of the Common Shares of the Company through two privately held companies, Tire 'N' Me Pty. Ltd. and Albikin Management Inc.

Transactions with members of the Company's Board of Directors who were also Dealers represented less than one percent of the Company's total revenue and were in accordance with established Company policy applicable to all Dealers. Other transactions with related parties, as defined by IFRS, were not significant during the year.

16.0 Subsequent Event

On February 7, 2018, CT REIT issued $200 million aggregate principal amount of senior unsecured debentures. The debentures have a coupon rate of 3.865 percent, were priced at a yield to maturity of 3.866 percent, and have a maturity date of December 7, 2027.

17.0 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 expectations with respect to the competitive conditions in section 2.2;
- the expected timing of certain initiatives of the Company in section 3.0, 5.2, and 6.0;
- the Company's financial aspirations for fiscal years 2018 to 2020 in section 6.1;
- 2018 key initiatives in section 6.2;
- capital expenditures in subsection 8.4.1;
- contractual obligations, guarantees, and commitments in subsection 8.5.1;
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in section 9.1;
- tax matters in section 10.0; and
- the expected impact to the Company as a result of changes to accounting standards, including the change in depreciation method and IFRS 9, in subsections 11.1 and 11.2.

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 franchisees, as well as the Company's financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at its stores or acquire the Company's owned-brands or its financial products and services; (d) the Company's margins and sales and those of its competitors; (e) the changing consumer preferences and expectations related to eCommerce, online retailing and the introduction of new technologies; (f) the possible effects on our business from international conflicts, political conditions, and developments including changes relating to or affecting economic or trade matters; (g) risks and uncertainties relating to information management, technology, cyber threats, property management and development, environmental liabilities, supply chain management, product safety, changes in law, regulation, competition, seasonality, weather patterns, climate change, commodity prices and business disruption, the Company's relationships with suppliers, manufacturers, partners and other third parties, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by the Company and the cost of store network expansion and retrofits; (h) the Company's capital structure, funding strategy, cost management 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 7.2.4 (Retail segment business risks), 7.3.2 (CT REIT segment business risks), 7.4.3 (Financial Services segment business risks), 12.0 (Enterprise risk management), 6.1 (Three-Year (2018-2020) financial aspirations) and all subsections thereunder of this MD&A. Please also refer to section 2.11 (Risk Factors) of the Company's Annual Information Form for fiscal 2017, 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, trademarks and service marks of CTC and other organizations, all of which are the property of their respective owners. Solely for convenience, the trade names, trademarks and service marks referred to herein appear without the ® or ™ 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, Senior Vice President, Finance and Investor Relations at (416) 480-8725 or email investor.relations@cantire.com.

February 14, 2018

CANADIAN TIRE CORPORATION, LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 30, 2017 and December 31, 2016

Management's Responsibility for Financial Statements

The Management of Canadian Tire Corporation, Limited (the "Company") is responsible for the integrity and reliability of the accompanying consolidated financial statements. These consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards and include amounts based on judgments and estimates. All financial information in our Management's Discussion and Analysis is consistent with these consolidated financial statements.

Management is responsible for establishing and maintaining adequate systems of internal control over financial reporting. These systems are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Management has assessed the effectiveness of the Company's internal controls over financial reporting based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company's internal controls over financial reporting was effective as at the date of these consolidated statements.

The Board of Directors oversees Management's responsibilities for the consolidated financial statements primarily through the activities of its Audit Committee, which is comprised solely of directors who are neither officers nor employees of the Company. This Committee meets with Management and the Company's independent auditors, Deloitte LLP, to review the consolidated financial statements and recommend approval by the Board of Directors. The Audit Committee is responsible for making recommendations to the Board of Directors with respect to the appointment of and, subject to the approval of the shareholders authorizing the Board of Directors to do so, approving the remuneration and terms of engagement of the Company's auditors. The Audit Committee also meets with the auditors, without the presence of Management, to discuss the results of their audit.

The consolidated financial statements have been audited by Deloitte LLP, in accordance with Canadian generally accepted auditing standards. Their report is presented on the following page.

"Stephen G. Wetmore"

Stephen G. Wetmore
President and
Chief Executive Officer

"Dean McCann"

Dean McCann
Executive Vice-President
and Chief Financial Officer

February 14, 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canadian Tire Corporation, Limited

We have audited the accompanying consolidated financial statements of Canadian Tire Corporation, Limited, which comprise the consolidated balance sheets as at December 30, 2017 and December 31, 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for the years ended December 30, 2017 and December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canadian Tire Corporation, Limited as at December 30, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
Licensed Public Accountants

February 14, 2018
Toronto, Ontario

Consolidated Balance Sheets

As at (C$ in millions)	December 30, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents (Note 7)	**$ 437.0**	$ 829.7
Short-term investments	**132.5**	117.2
Trade and other receivables (Note 8)	**681.1**	690.8
Loans receivable (Note 9)	**5,613.2**	5,138.4
Merchandise inventories	**1,769.8**	1,710.7
Income taxes recoverable	**48.3**	42.5
Prepaid expenses and deposits	**113.1**	103.8
Assets classified as held for sale	**1.1**	4.6
Total current assets	**8,796.1**	8,637.7
Long-term receivables and other assets (Note 10)	**717.8**	763.7
Long-term investments	**165.0**	175.2
Goodwill and intangible assets (Note 11)	**1,292.9**	1,280.3
Investment property (Note 12)	**344.7**	266.4
Property and equipment (Note 13)	**4,193.3**	4,097.2
Deferred income taxes (Note 15)	**114.4**	82.3
Total assets	**$ 15,624.2**	$ 15,302.8
LIABILITIES		
Bank indebtedness (Note 7)	**$ —**	$ 5.9
Deposits (Note 16)	**973.9**	950.7
Trade and other payables (Note 17)	**2,100.3**	1,859.3
Provisions (Note 18)	**279.0**	250.8
Short-term borrowings (Note 20)	**144.6**	199.4
Loans payable (Note 21)	**667.1**	700.3
Income taxes payable	**72.1**	61.1
Current portion of long-term debt (Note 22)	**282.3**	653.4
Total current liabilities	**4,519.3**	4,680.9
Long-term provisions (Note 18)	**45.7**	45.9
Long-term debt (Note 22)	**3,122.1**	2,667.1
Long-term deposits (Note 16)	**1,412.9**	1,230.8
Deferred income taxes (Note 15)	**102.3**	104.2
Other long-term liabilities (Note 23)	**848.2**	836.6
Total liabilities	**10,050.5**	9,565.5
EQUITY		
Share capital (Note 25)	**615.7**	648.1
Contributed surplus	**2.9**	2.9
Accumulated other comprehensive (loss) income	**(37.5)**	36.7
Retained earnings	**4,169.3**	4,250.9
Equity attributable to shareholders of Canadian Tire Corporation	**4,750.4**	4,938.6
Non-controlling interests (Note 14)	**823.3**	798.7
Total equity	**5,573.7**	5,737.3
Total liabilities and equity	**$ 15,624.2**	$ 15,302.8

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

"Maureen J. Sabia"

Maureen J. Sabia
Director

"Diana L. Chant"

Diana L. Chant
Director

Consolidated Statements of Income

For the years ended (C$ in millions, except share and per share amounts)		**December 30, 2017**		December 31, 2016
Revenue (Note 27)	**$**	**13,434.9**	$	12,681.0
Cost of producing revenue (Note 28)		**8,796.5**		8,288.5
Gross margin		**4,638.4**		4,392.5
Other expense (income)		**0.2**		(4.3)
Selling, general and administrative expenses (Note 29)		**3,413.1**		3,291.9
Net finance costs (Note 30)		**112.6**		93.9
Income before income taxes		**1,112.5**		1,011.0
Income taxes (Note 15)		**293.7**		263.5
Net income	**$**	**818.8**	$	747.5
Net income attributable to:				
Shareholders of Canadian Tire Corporation	**$**	**735.0**	$	669.1
Non-controlling interests (Note 14)		**83.8**		78.4
	$	**818.8**	$	747.5
Basic earnings per share	**$**	**10.70**	$	9.25
Diluted earnings per share	**$**	**10.67**	$	9.22
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic		**68,678,840**		72,360,303
Diluted		**68,871,847**		72,555,732

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

Consolidated Statements of Comprehensive Income

For the years ended (C$ in millions)	December 30, 2017	December 31, 2016
Net income	**$ 818.8**	$ 747.5
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)	**(85.7)**	(40.5)
Reclassification of losses (gains) to non-financial assets	**19.1**	(67.9)
Reclassification of (gains) to income	**(5.7)**	(1.7)
Item that will not be reclassified subsequently to net income:		
Actuarial losses	**(6.2)**	(3.0)
Other comprehensive (loss)	**(78.5)**	(113.1)
Other comprehensive (loss) income attributable to:		
Shareholders of Canadian Tire Corporation	**$ (80.3)**	$ (114.3)
Non-controlling interests	**1.8**	1.2
	$ (78.5)	$ (113.1)
Comprehensive income	**$ 740.3**	$ 634.4
Comprehensive income attributable to:		
Shareholders of Canadian Tire Corporation	**$ 654.7**	$ 554.8
Non-controlling interests	**85.6**	79.6
	$ 740.3	$ 634.4

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

Consolidated Statements of Cash Flows

For the years ended (C$ in millions)	**December 30, 2017**	December 31, 2016
Cash (used for) generated from:		
Operating activities		
Net income	**$ 818.8**	$ 747.5
Adjustments for:		
Depreciation of property and equipment and investment property (Notes 28 and 29)	**335.0**	330.8
Income tax expense	**293.7**	263.5
Net finance costs (Note 30)	**112.6**	93.9
Amortization of intangible assets (Note 29)	**133.7**	126.1
Loss (gain) on disposal of property and equipment, investment property, assets held for sale and intangible assets	**0.4**	(14.9)
Interest paid	**(125.9)**	(114.0)
Interest received	**8.7**	6.5
Income taxes paid	**(294.3)**	(262.8)
Other	**13.5**	5.6
Total except as noted below	**1,296.2**	1,182.2
Change in operating working capital and other (Note 31)	**107.0**	110.3
Change in loans receivable (Note 9)	**(430.4)**	(306.1)
Cash generated from operating activities	**972.8**	986.4
Investing activities		
Additions to property and equipment and investment property	**(471.0)**	(617.3)
Additions to intangible assets	**(161.6)**	(163.5)
Total additions	**(632.6)**	(780.8)
Acquisition of short-term investments	**(421.9)**	(422.3)
Proceeds from the maturity and disposition of short-term investments	**452.6**	441.4
Acquisition of long-term investments	**(35.0)**	(61.4)
Proceeds on disposition of property and equipment, investment property and assets held for sale	**13.6**	32.8
Acquisition of subsidiaries (Note 36)	**(19.3)**	—
Other	**2.7**	7.5
Cash (used for) investing activities	**(639.9)**	(782.8)
Financing activities (Note 31)		
Dividends paid	**(169.7)**	(157.5)
Distributions paid to non-controlling interests	**(61.1)**	(76.4)
Total dividends and distributions paid	**(230.8)**	(233.9)
Net (repayment) issuance of short-term borrowings	**(54.8)**	110.7
Issuance of loans payable	**140.9**	288.3
Repayment of loans payable	**(173.9)**	(243.5)
Issuance of long-term debt (Note 22)	**741.0**	350.0
Repayment of long-term debt and finance lease liabilities (Note 22)	**(671.2)**	(24.5)
Payment of transaction costs related to long-term debt	**(4.2)**	(3.2)
Repurchase of share capital (Note 25)	**(659.3)**	(449.4)
Payments on settlement of derivatives	**(8.9)**	—
Change in deposits	**201.5**	(74.9)
Cash (used for) financing activities	**(719.7)**	(280.4)
Cash (used) generated in the period	**(386.8)**	(76.8)
Cash and cash equivalents, net of bank indebtedness, beginning of period	**823.8**	900.6
Cash and cash equivalents, net of bank indebtedness, end of period	**$ 437.0**	$ 823.8

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

Consolidated Statements of Changes in Equity

(C$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income (loss)	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	**—**	**—**	**—**	**735.0**	**735.0**	**83.8**	**818.8**
Other comprehensive (loss)	**—**	**—**	**(74.2)**	**(6.1)**	**(80.3)**	**1.8**	**(78.5)**
Total comprehensive (loss) income	**—**	**—**	**(74.2)**	**728.9**	**654.7**	**85.6**	**740.3**
Contributions and distributions to shareholders of Canadian Tire Corporation							
Issuance of Class A Non-Voting Shares (Note 25)	**9.4**	**—**	**—**	**—**	**9.4**	**—**	**9.4**
Repurchase of Class A Non-Voting Shares (Note 25)	**(659.3)**	**—**	**—**	**—**	**(659.3)**	**—**	**(659.3)**
Excess of purchase price over average cost (Note 25)	**617.5**	**—**	**—**	**(617.5)**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**(193.0)**	**(193.0)**	**—**	**(193.0)**
Contributions and distributions to non-controlling interests							
Issuance of trust units to non-controlling interests, net of transaction costs	**—**	**—**	**—**	**—**	**—**	**2.4**	**2.4**
Distributions and dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(63.4)**	**(63.4)**
Total contributions and distributions	**(32.4)**	**—**	**—**	**(810.5)**	**(842.9)**	**(61.0)**	**(903.9)**
Balance at December 30, 2017	**$ 615.7**	**$ 2.9**	**$ (37.5)**	**$ 4,169.3**	**$ 4,750.4**	**$ 823.3**	**$ 5,573.7**

(C$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income (loss)	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	—	—	—	669.1	669.1	78.4	747.5
Other comprehensive (loss)	—	—	(111.4)	(2.9)	(114.3)	1.2	(113.1)
Total comprehensive (loss) income	—	—	(111.4)	666.2	554.8	79.6	634.4
Contributions and distributions to shareholders of Canadian Tire Corporation							
Issuance of Class A Non-Voting Shares (Note 25)	9.3	—	—	—	9.3	—	9.3
Repurchase of Class A Non-Voting Shares (Note 25)	(449.4)	—	—	—	(449.4)	—	(449.4)
Excess of purchase price over average cost (Note 25)	417.0	—	—	(417.0)	—	—	—
Dividends	—	—	—	(170.3)	(170.3)	—	(170.3)
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	—	—	—	—	—	(78.4)	(78.4)
Total contributions and distributions	(23.1)	—	—	(587.3)	(610.4)	(76.4)	(686.8)
Balance at December 31, 2016	$ 648.1	$ 2.9	$ 36.7	$ 4,250.9	$ 4,938.6	$ 798.7	$ 5,737.3

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

1. The Company and its Operations

Canadian Tire Corporation, Limited is a Canadian public company primarily domiciled in Canada. Its registered office is located at 2180 Yonge Street, Toronto, Ontario, M4P 2V8, Canada. It is listed on the Toronto Stock Exchange (TSX – CTC, CTC.A). Canadian Tire Corporation, Limited and entities it controls are together referred to in these consolidated financial statements as the "Company" or "Canadian Tire Corporation". Refer to Note 14 for the Company's major subsidiaries.

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 6.

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

2. Basis of Preparation

Fiscal Year

The fiscal year of the Company consists of a 52 or 53-week period ending on the Saturday closest to December 31. The fiscal years for the consolidated financial statements and notes presented for 2017 and 2016 are the 52-week periods ended December 30, 2017 and December 31, 2016, respectively.

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 14, 2018.

Basis of Presentation

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

- financial instruments at fair value through profit or loss ("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 consolidated financial statements are presented in Canadian dollars ("C$"), the Company's functional currency.

Judgments and Estimates

The preparation of these consolidated financial statements in accordance with IFRS 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 reported amounts of revenue and expenses during the reporting periods.

Actual results may differ from estimates made in these consolidated 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 believed to be reasonable under the circumstances. Judgments and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Following are 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 consolidated financial statements.

Impairment of Assets

Judgment - The Company uses judgment in determining the grouping of assets to identify its Cash Generating Units ("CGUs") for purposes of testing for impairment of property and equipment and goodwill and intangible assets. The Company has determined that its Retail CGUs comprise individual stores or groups of stores within a geographic market. In testing for impairment, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination. In testing for impairment of intangibles with indefinite lives, these assets are allocated to the CGUs to which they relate. Furthermore, on a quarterly basis, judgment has been used in determining whether there has been an indication of impairment, which would require the completion of a quarterly impairment test, in addition to the annual requirement.

Estimation - The Company's estimate of a CGU's or group of CGUs' recoverable amount based on value in use ("VIU") involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results or budgets and a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal value is based on the Bank of Canada's target inflation rate or Management's estimate of the growth rate specific to the individual item being tested. The future cash flow estimates are then discounted to their present value using an appropriate pre-tax discount rate that incorporates a risk premium specific to each business. The Company's determination of a CGU's or group of CGUs' recoverable amount based on fair value less cost to sell uses factors such as market rental rates for comparable assets.

Fair Value Measurement of Redeemable Financial Instrument

Judgment - The Company uses judgment in determining the fair value measurement of the redeemable financial instrument issued in conjunction with the sale of a 20 percent equity interest in the Company's Financial Services business. In calculating the fair value, judgment is used when determining the discount and growth rates applied to the forecast earnings in the discounted cash flow valuation. Refer to Note 32 for further information regarding this financial instrument.

Estimation - The inputs to determine the fair value are taken from observable markets where possible, but where they are unavailable, assumptions are required in establishing fair value. The fair value of the redeemable financial instrument is determined based on the Company's best estimate of forecast normalized earnings attributable to the Financial Services business, adjusted for any undistributed earnings.

Merchandise Inventories

Estimation - Merchandise inventories are carried at the lower of cost and net realizable value. The estimation of net realizable value is based on the most reliable evidence available of the amount the merchandise inventories are expected to realize. Additionally, estimation is required for inventory provisions due to shrinkage.

Income and Other Taxes

Judgment - In calculating current and deferred income and other taxes, the Company uses judgment when interpreting the tax rules in jurisdictions where the Company operates. The Company also uses judgment in classifying transactions and assessing probable outcomes of claimed deductions, which considers expectations of future operating results, the timing and reversal of temporary differences, and possible audits of income tax and other tax filings by tax authorities.

Consolidation

Judgment - The Company uses judgment in determining the entities that it controls and accordingly consolidates. An entity is controlled when the Company has power over an entity, exposure or rights to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its return from the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, which are the activities that significantly affect the investee's returns. Since power comes from rights, power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company's interest, without giving it power over the entity.

Loans Receivable

Estimation - The Company's estimate of allowances on credit card loans receivable is based on a roll-rate methodology that employs analysis of historical data and experience of delinquency and default, to estimate the amount of loans that will eventually be written off as a result of events occurring before the reporting date, with certain adjustments for other relevant circumstances influencing the recoverability of these loans receivable. Default rates, loss rates, and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. Future customer behaviour may be affected by a number of factors, including changes in interest and unemployment rates and program design changes.

Post-Employment Benefits

Estimation - The accounting for the Company's post-employment benefit plan requires the use of assumptions. The accrued benefit liability is calculated using actuarial determined data and the Company's best estimates of future salary escalations, retirement ages of employees, employee turnover, mortality rates, market discount rates, and expected health and dental care costs.

Other

Other estimates include determining the useful lives and depreciation methods applied to property and equipment, investment property, and intangible assets for the purposes of depreciation and amortization; in accounting for and measuring items such as deferred revenue, customer loyalty and other provisions, and purchase price adjustments on business combinations; and in measuring certain fair values, including those related to the valuation of business combinations, share-based payments, and financial instruments.

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 and the additional disclosures are included in Note 31 in these consolidated financial statements.

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 consolidated 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 using the modified retrospective approach for the 2018 annual fiscal period, without restatement of prior period comparatives. The IFRS 9 adjustments will be recognized in the opening retained earnings of fiscal 2018. The most significant impact to the organization is due to the changes relating to impairment, which are outlined below, and, to a lesser extent, classification and measurement and hedging.

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, it is expected that the opening allowance on credit card loans receivable will increase by approximately $550 million to $650 million over its current reported balance. In addition, as compared to the current standard, the requirement to recognize lifetime expected credit losses earlier will result in an increase in the allowance rate (and therefore future annual net impairment charges) from the currently reported amount of 2.0 percent to a range of 11.5 percent to 13.5 percent. Future allowance rates will vary due to, among other items, changes in the quality of the credit card loan portfolio, changes in the overall Canadian economy, and the timing and amount of growth (or decline) in the credit card loan receivable balance.

The allowance for credit card loans receivable for accounts for which credit risk has not increased significantly since initial recognition, is measured using the lifetime losses that result from possible default events 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 which may result in it being more volatile under IFRS 9 than under the current model, as a result of the movement of accounts between 12-month and lifetime ECL and the incorporation of forward-looking information.

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 except for changing the presentation of certain items in the consolidated statements of comprehensive income and the consolidated statement of changes in equity.

Modification of financial liabilities - In October 2017, the IASB issued "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". The component of the amendments relevant to the Company relates to clarifying the accounting for the modification of financial liabilities and requires the Company to recognize any adjustments to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange, regardless of whether the changes are substantial and result in derecognition of the financial liability. The effective date for these amendments is January 1, 2019; however, the Company will adopt these amendments early for fiscal 2018. The impact of the change is not expected to be significant and will be recorded in opening retained earnings for 2018 and without prior period restatement.

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.

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 results. 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, which were 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. As a result, when the 2018 financial statements are prepared, revenue and SG&A in the 2017 annual comparatives are expected to decrease by approximately $140 million to $170 million.

Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which will replace 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 is expected to have a material impact on the Company's Consolidated Balance Sheets, with the addition of lease liabilities and right-of-use assets and on the Consolidated Statements of Income with a shift in the timing of expense recognition. IFRS 16 will change the presentation of cash flows relating to leases in the Company's Consolidated Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between the parties of a lease. IFRS 16 will be applied for the 2019 annual fiscal period. The Company is currently assessing the expected impact of this change on its portfolio of leases, including the impact on its existing accounting system and internal controls.

Share-Based Payment
In June 2016, the IASB issued amendments to IFRS 2 - *Share-based Payment,* clarifying how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature, and a modification to the terms and conditions that changes the classification of the transactions. The Company will adopt this amendment in the 2018 annual fiscal period. The impact of the change is not expected to be significant and will be recorded in opening retained earnings for 2018 and without prior period restatement.

Annual Improvements 2015-2017
In December 2017, the IASB issued amendments to four standards, including IFRS 3 - *Business Combinations,* IFRS 11 *Joint Arrangements,* IAS 12 - *Income Taxes* and IAS 23 - *Borrowing Costs.* These amendments will be effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the potential impacts of these amendments.

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. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently throughout the Company.

Basis of Consolidation
These consolidated financial statements include the accounts of Canadian Tire Corporation and entities it controls. An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its returns from the entity.

The results of certain subsidiaries that have different year ends have been included in these consolidated financial statements for the 52-week periods ended December 30, 2017 and December 31, 2016. The year end of CTFS Holdings Limited and its subsidiaries, Franchise Trust, and CT Real Estate Investment Trust ("CT REIT") is December 31.

Income or loss and each component of OCI are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance on consolidation.

Business Combinations
The Company applies the acquisition method in accounting for business combinations.

The Company measures goodwill as the difference between the fair value of the consideration transferred, including the recognized amount of any non-controlling interests in the acquiree, and the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquiree, the fair value of any contingent consideration, and equity interests issued by the Company.

Where a business combination is achieved in stages, previously held interests in the acquired entity are remeasured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in net income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in OCI are reclassified to net income.

The fair values of property and equipment recognized as a result of a business combination is based on either the cost approach or market approach, as applicable. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each act knowledgeably and willingly. For the cost approach, the current replacement cost or reproduction cost for each major asset is calculated.

The fair values of banners and trademarks acquired in a business combination are determined using an income approach. The "relief from royalty" method has been applied to forecast revenue using an appropriate royalty rate. This results in an estimate of the value of the intangible assets acquired by the Company.

The fair values of franchise agreements and other intangibles, such as customer relationships, are determined using an income approach or multi-period excess earnings approach. This method is based on the discounted cash flows expected to be derived from ownership of the assets. The present value of the cash flows represents the value of the intangible asset. The fair value of off-market leases acquired in a business combination is determined based on the present value of the difference between market rates and rates in the existing leases.

The fair values of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Transaction costs that the Company incurs in connection with a business combination are expensed immediately.

Joint Arrangement

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the parties that have joint control have rights to the assets and obligations for the liabilities related to the arrangement. The Company records its share of a joint operation's assets, liabilities, revenues, and expenses.

Foreign Currency Translation

Transactions in foreign currencies are translated into Canadian dollars at rates in effect at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the closing exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost are translated into Canadian dollars at the exchange rate at the date of the original transaction. Exchange gains or losses arising from translation are recorded in Other income or Cost of producing revenue as applicable in the Consolidated Statements of Income.

Financial Instruments

Recognition and Measurement

Financial assets and financial liabilities, including derivatives, are recognized in the Consolidated Balance Sheets when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are required to be measured at fair value on initial recognition. Subsequent measurement of these assets and liabilities is based on either fair value or amortized cost using the effective interest method, depending upon their classification.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

The Company classifies financial instruments, at the time of initial recognition, according to their characteristics and Management's choices and intentions related thereto for the purposes of ongoing measurement. Classification choices for financial assets include a) FVTPL, b) held to maturity, c) available-for-sale, and d) loans and receivables. Classification choices for financial liabilities include a) FVTPL and b) other liabilities.

The Company's financial assets and financial liabilities are generally classified and measured as follows:

Asset/Liability	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments[1]	Available-for-sale	Fair value
Trade and other receivables[2]	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Deposits (recorded in prepaid expenses and deposits)	Loans and receivables	Amortized cost
Long-term receivables and other assets[2]	Loans and receivables	Amortized cost
Long-term investments	Available-for-sale	Fair value
Bank indebtedness	Other liabilities	Amortized cost
Deposits	Other liabilities	Amortized cost
Trade and other payables[2]	Other liabilities	Amortized cost
Short-term borrowings	Other liabilities	Amortized cost
Loans payable	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Redeemable financial instrument (recorded in other long-term liabilities)	FVTPL	Fair value

[1] Certain short-term investments are classified as FVTPL and measured at fair value.
[2] Includes derivatives that are classified as FVTPL or are effective hedging instruments, and measured at fair value.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments are classified as FVTPL when the financial instrument is either held for trading or designated as such upon initial recognition. Financial instruments are classified as held for trading if acquired principally for the purpose of selling in the near future or if part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-making. Derivatives are classified as FVTPL unless they are designated as effective hedging instruments.

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise.

Available-for-Sale

Financial assets classified as available-for-sale are measured at fair value with changes in fair value recognized in OCI until realized through disposal or other than temporary impairment, at which point the change in fair value is recognized in net income. Dividend income from available-for-sale financial assets is recognized in net income when the Company's right to receive payments is established. Interest income on available-for-sale financial assets, calculated using the effective interest method, is recognized in net income.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

Other Liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method, with gains and losses recognized in net income in the period that the liability is derecognized.

Derecognition of Financial Instruments

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when its contractual obligations are discharged, cancelled, or expire.

Derivative Financial Instruments
The Company enters into various derivative financial instruments as part of the Company's strategy to manage its foreign currency and interest rate exposures. The Company also enters into equity derivative contracts to hedge certain future share-based payment expenses. The Company does not hold or issue derivative financial instruments for trading purposes.

All derivative financial instruments, including derivatives embedded in financial or non-financial contracts not closely related to the host contracts, are measured at fair value. The gain or loss that results from remeasurement at each reporting period is recognized in net income immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in net income depends on the nature of the hedge relationship.

Hedge Accounting
Where hedge accounting can be applied, certain criteria are documented at the inception of the hedge and updated at each reporting date.

Cash Flow Hedges
For cash flow hedges, the effective portion of the changes in the fair value of the hedging derivative, net of taxes, is recognized in OCI, while the ineffective and unhedged portions are recognized immediately in net income. Amounts recorded in Accumulated Other Comprehensive Income ("AOCI") are reclassified to net income in the periods when the hedged item affects net income. However, when a forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously recognized in AOCI are reclassified from AOCI and included in the initial measurement of the cost of the non-financial asset or liability.

When hedge accounting is discontinued, the amounts previously recognized in AOCI are reclassified to net income during the periods when the variability in the cash flows of the hedged item affects net income. Gains and losses on derivatives are reclassified immediately to net income when the hedged item is sold or terminated early. If hedge accounting is discontinued due to the hedged item no longer being expected to occur, the amount previously recognized in AOCI is reclassified immediately to net income.

The Company enters into foreign currency contracts to hedge the exposure against foreign currency risk on the future payment of foreign-currency-denominated inventory purchases and certain expenses. The changes in fair value of these contracts are included in OCI to the extent the hedges continue to be effective. Once the inventory is received, the Company reclassifies the related AOCI amount to merchandise inventories and subsequent changes in the fair value of the foreign currency contracts are recorded in net income as they occur. When the expenses are incurred, the Company reclassifies the related AOCI amount to the expense.

The Company enters into interest rate-swap contracts to hedge the exposure against interest rate risk on the future interest payments of debt issuances. The changes in fair value of these contracts are included in OCI to the extent that the hedges continue to be effective. When the interest expense is incurred, the Company reclassifies the related AOCI amount to finance costs.

Cash and Cash Equivalents
Cash and cash equivalents are defined as cash plus highly liquid and rated certificates of deposit or commercial paper with an original term to maturity of three months or less.

Short-Term Investments
Short-term investments are investments in highly liquid and rated certificates of deposit, commercial paper or other securities, primarily Canadian and United States ("U.S.") government securities, and notes of other creditworthy parties, with an original term to maturity of more than three months and remaining term to maturity of less than one year.

Trade and Other Receivables
The allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in Selling, general and administrative expenses in the Consolidated Statements of Income. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent

recoveries of amounts previously written off are recognized as a recovery in Selling, general and administrative expenses in the Consolidated Statements of Income.

Loans Receivable

Loans receivable consists of credit card and line of credit loans, as well as loans to Associate Dealers ("Dealers"), who are independent third-party operators of Canadian Tire Retail stores. Loans receivable are recognized when cash is advanced to the borrower. They are derecognized when the borrower repays its obligations, the loans are sold or written off, or substantially all of the risks and rewards of ownership are transferred.

Losses for impaired loans are recognized when there is objective evidence that impairment of the loans has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded in Cost of producing revenue in the Consolidated Statements of Income. The carrying amount of impaired loans in the Consolidated Balance Sheets is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognized.

All individually significant loans receivable are assessed for specific impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans receivable not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

The Company uses a roll-rate methodology to calculate allowances for credit card loans. This methodology 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 as a result of events occurring before the reporting date, with certain adjustments for other relevant circumstances influencing the recoverability of the loans receivable. Default rates, loss rates, and cash recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Merchandise Inventories

Merchandise inventories are carried at the lower of cost and net realizable value.

Cash consideration received from vendors is recognized as a reduction to the cost of related inventory, unless the cash consideration received is either a reimbursement of incremental costs incurred by the Company or a payment for assets or services delivered to the vendor.

The cost of merchandise inventories is determined based on weighted average cost and includes costs incurred in bringing the merchandise inventories to their present location and condition. All inventories are finished goods.

Net realizable value is the estimated selling price of inventory during the normal course of business less estimated selling expenses.

Long-Term Investments

Investments in highly liquid and rated certificates of deposit, commercial paper, or other securities with a remaining term to maturity of greater than one year are classified as long-term investments. The Company's exposure to credit, currency, and interest rate risks related to other investments is disclosed in Note 5.

Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable assets acquired and liabilities assumed in a business combination. Goodwill is measured at cost less any accumulated impairment and is not amortized.

Finite Life and Indefinite Life Intangible Assets

Intangible assets with finite useful lives are measured at cost and are amortized on a straight-line basis over their estimated useful lives, generally for a period of two to ten years. The estimated useful lives and amortization methods are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are measured at cost, less any accumulated impairment, and are not amortized.

Expenditures on research activities are expensed as incurred.

Investment Property

Investment property is property held to earn rental income or for appreciation of capital or both. The Company has determined that properties it provides to its Dealers, franchisees, and agents are not investment property as these relate to the Company's operating activities. This was determined based on certain criteria such as whether the Company provides significant ancillary services to the lessees of the property. The Company includes property that it leases to third parties (other than Dealers, franchisees, or agents) in investment property. Investment property is measured and depreciated in the same manner as property and equipment.

Property and Equipment

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment. Land is measured at cost less any accumulated impairment. Properties in the course of construction are measured at cost less any accumulated impairment. The cost of an item of property or equipment comprises costs that are directly attributed to its acquisition and initial estimates of the cost of dismantling and removing the item and restoring the site on which it is located.

Buildings, fixtures, and equipment (except for certain distribution centre assets) are depreciated using a declining balance method to their estimated residual value over their estimated useful lives. Certain distribution centre assets related to the Bolton Distribution Centre located in the town of Caledon, Ontario (Bolton DC) are depreciated using a straight-line basis over their estimated useful lives. The estimated useful lives, amortization method, and residual values are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis.

Leasehold improvements are amortized on a straight-line basis over the terms of the respective leases or useful life, if shorter.

Assets held under finance leases are depreciated on the same basis as owned assets. If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of lease term and its useful life.

Depreciation and amortization rates are as follows:

Asset Category	Depreciation rate/term
Buildings	4-20%
Fixtures and equipment	5-40%
Certain distribution centre assets	7-45 years
Leasehold improvements	Shorter of term of lease or useful life
Assets under finance lease	Shorter of term of lease or useful life

Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lessor

When the Company is the lessor in an operating lease, rental income and licence fees are recognized in net income on a straight-line basis over the term of the lease.

Lessee

When the Company is the lessee in an operating lease, rent payments are charged to net income on a straight-line basis over the term of the lease. Lease incentives are amortized on a straight-line basis over the terms of the respective leases.

Assets under finance leases are recognized as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the Consolidated Balance Sheets as a finance lease obligation. Lease payments are apportioned between finance costs and reduction of the lease obligations, so as to achieve a constant rate of interest on the remaining balance of the liability.

Sale and Leaseback

The accounting treatment of a sale and leaseback transaction is assessed based upon the substance of the transaction and whether the sale is made at the asset's fair value.

For sale and finance leasebacks, any gain or loss from the sale is deferred and amortized over the lease term. For sale and operating leasebacks, the assets are sold at fair value and, accordingly, the gain or loss from the sale is recognized immediately in net income.

Impairment of Assets

The carrying amounts of property and equipment, investment property, and intangible assets with finite useful lives are reviewed at the end of each reporting period to determine whether there are any indicators of impairment. Indicators of impairment may include a significant decline in asset market value, material adverse changes in the external operating environment which affect the manner in which the asset is used or is expected to be used, obsolescence, or physical damage of the asset. If any such indicators exist, then the recoverable amount of the asset is estimated. Goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized but are tested for impairment at least annually or whenever there is an indicator that the asset may be impaired.

Cash Generating Units

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. The CGUs correspond to the smallest identifiable group of assets whose continuing use generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill acquired in a business combination is allocated to each of the CGUs (or groups of CGUs) expected to benefit from the synergies of the combination. Intangible assets with indefinite useful lives are allocated to the CGU to which they relate.

Determining the Recoverable Amount

An impairment loss is recognized when the carrying amount of an asset, or of the CGU to which it belongs, exceeds the recoverable amount. The recoverable amount of an asset or CGU is defined as the higher of its fair value less costs to sell ("FVLCS") and its VIU.

In assessing VIU, the estimated future cash flows are discounted to their present value. Cash flows are discounted using a pre-tax discount rate that includes a risk premium specific to each line of business. The Company estimates cash flows before taxes based on the most recent actual results or budgets. Cash flows are then extrapolated over a period of up to five years, taking into account a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal values is based on the Bank of Canada's target inflation rate or a growth rate specific to the individual item being tested based on Management's estimate.

Recording Impairments and Reversals of Impairments

Impairments and reversals of impairments are recognized in Other income in the Consolidated Statements of Income. Any impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU. Impairments of goodwill cannot be reversed. Impairments of other assets recognized in prior periods are assessed at the end of each reporting period to determine if the indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the carrying amount. The increased carrying amount of an asset attributable to a reversal of impairment may not exceed the carrying amount that would have been determined had no impairment been recognized in prior periods.

Assets Classified as Held for Sale

Non-current assets and disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, and it should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets (and disposal groups) classified as held for sale are measured at the lower of the carrying amount or FVLCS and are not depreciated. The fair value measurement of assets held for sale is categorized within Level 2 of fair value hierarchy (refer to Note 32.4 for definition of levels).

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized. Qualifying assets are those that require a minimum of three months to prepare for their intended use. All other borrowing costs are recognized in Cost of producing revenue or in Net finance costs in the Consolidated Statements of Income in the period in which they are incurred.

Employee Benefits

Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Company recognizes a liability and an expense for short-term benefits such as bonuses, profit-sharing, and employee stock purchases if the Company has a present legal obligation or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reasonably.

Post-Employment benefits

The Company provides certain health care, dental care, life insurance, and other benefits, but not pensions, for certain retired employees pursuant to Company policy. The Company accrues the cost of these employee benefits over the periods in which the employees earn the benefits. The cost of employee benefits earned by employees is actuarially determined using the projected benefit method pro-rated on length of service and Management's best estimate of salary escalation, retirement ages of employees, employee turnover, life expectancy, and expected health and dental care costs. The costs are discounted at a rate that is based on market rates as at the measurement date. Actuarial gains and losses are immediately recorded in OCI.

The Company also provides post-employment benefits with respect to contributions to a Deferred Profit Sharing Plan ("DPSP").

Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes a provision for termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan, without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Share-Based Payments

Stock options with tandem stock appreciation rights ("stock options") are granted which enable the employee to exercise the stock option or receive a cash payment equal to the difference between the market price of the Company's Class A Non-Voting Shares as at the exercise date and the exercise price of the stock option. These stock options are considered to be compound instruments. The fair value of compound instruments is measured at each reporting date, taking into account the terms and conditions on which the rights to cash or equity instruments are granted. As the fair value of the settlement in cash is the same as the fair value of the settlement as a traditional stock option, the fair value of the stock option is the same as the fair value of the debt component. The corresponding expense and liability are recognized over the respective vesting period.

The fair value of the amount payable to employees with respect to share unit plans and trust unit plans, which are settled in cash, is recorded as the services are provided over the vesting period. The fair value of the liability is remeasured at each reporting date with the change in the liability being recognized in Selling, general and administrative expenses in the Consolidated Statements of Income.

Insurance Reserve

Included in trade and other payables is an insurance reserve that consists of an amount determined from loss reports and individual cases and an amount, based on past experience, for losses incurred but not reported. These estimates are continually reviewed and are subject to the impact of future changes in such factors as claim severity and frequency. While Management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided, and any adjustment will be reflected in net income during the periods in which they become known.

The Company uses actuarial valuations in determining its reserve for outstanding losses and loss-related expenses using an appropriate reserving methodology for each line of business. The Company does not discount its liabilities for unpaid claims.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainty of cash flows. Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Sales and Warranty Returns

The provision for sales and warranty returns relates to the Company's obligation for defective goods in current store inventories and defective goods sold to customers that have yet to be returned, after-sales service for replacement parts, and future corporate store sales returns. Accruals for sales and warranty returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period the corresponding revenue is recognized. These accruals are reviewed regularly and updated to reflect Management's best estimate; however, actual returns could vary from these estimates.

Site Restoration and Decommissioning

Legal or constructive obligations associated with the removal of underground fuel storage tanks and site remediation costs on the retirement of certain property and equipment and with the termination of certain lease agreements are recognized in the period in which they are incurred, when it is probable that an outflow of resources embodying economic benefits will be required and a reasonable estimate of the amount of the obligation can be made. The obligations are initially measured at the Company's best estimate, using an expected value approach, and are discounted to present value.

Onerous Contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract.

Customer Loyalty

An obligation arises from the "My Canadian Tire Money" customer loyalty program when the Company issues electronic Canadian Tire Money and when the Dealers pay the Company to acquire paper-based Canadian Tire Money, as the Dealers retain the right to return paper-based Canadian Tire Money to the Company for refund in cash. These obligations are measured at fair value by reference to the fair value of the awards for which they could be redeemed and based on the estimated probability of their redemption. The expense is recorded in Selling, general and administrative expenses in the Consolidated Statements of Income.

Debt

Debt is classified as current when the Company expects to settle the liability in its normal operating cycle, it holds the liability primarily for the purpose of trading, the liability is due to be settled within 12 months after the date of the Consolidated Balance Sheets, or it does not have an unconditional right to defer settlement of the liability for at least 12 months after the date of the Consolidated Balance Sheets.

Share Capital

Shares issued by the Company are recorded at the value of proceeds received. Repurchased shares are removed from equity. No gain or loss is recognized in net income on the purchase, sale, issue, or cancellation of the Company's shares.

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 the related contributed surplus, with any remainder allocated to retained earnings.

Dividends

Dividends declared and payable to the Company's shareholders are recognized as a liability in the Consolidated Balance Sheets in the period in which the dividends are approved by the Company's Board of Directors.

Distributions

Distributions to non-controlling interests are recognized as a liability in the Consolidated Balance Sheets in the period in which the distributions are declared.

Revenue

The Company recognizes revenue when the amount can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Company's activities.

Sale of Goods

Revenue from the sale of goods includes merchandise sold to Dealers and Mark's Work Wearhouse Ltd. ("Mark's") and FGL Sports Ltd. ("FGL") franchisees, the sale of gasoline through agents, and the sale of goods to the general public by Mark's, PartSource, and FGL corporately-owned stores. This revenue is recognized when the goods are delivered, less an estimate for sales and warranty returns. Revenue from the sale of goods is measured at the fair value of the consideration received less an appropriate deduction for actual and expected returns, discounts, rebates, and warranty and loyalty program costs, net of sales taxes.

If there is any uncertainty regarding the right of a customer to return goods, no revenue is recognized until the uncertainty is resolved. However, in the case of warranties, if warranty claims can be reasonably estimated, revenue is recorded for the net amount.

Customer Loyalty Programs

Loyalty award credits issued as part of a sales transaction relating to the Company's Gas Advantage, Cash Advantage, and Sport Chek MasterCard Rewards credit card programs result in revenue being deferred until the loyalty award is redeemed by the customer. The portion of the revenue that is deferred is the fair value of the award. The fair value of the award takes into account the amount for which the award credits could be sold separately, less the proportion of the award credits that are not expected to be redeemed by customers.

Interest Income on Loans Receivable

Interest income includes interest charged on loans receivable and fees that are an integral part of the effective interest rate on financial instruments. Interest income on financial assets that are classified as loans and receivables is determined using the effective interest method.

Services Rendered

Service revenue includes Roadside Assistance Club membership revenue; insurance premiums and reinsurance revenue; extended warranty contract fees; merchant, interchange, and processing fees; cash advance fees; foreign exchange fees; and service charges on the loans receivable of the Financial Services operating segment, as well as Mark's clothing alteration revenue. Service revenue is recognized according to the contractual provisions of the arrangement, which is generally when the service is provided or over the contractual period.

Merchant, interchange, and processing fees, cash advance fees, and foreign exchange fees on credit card transactions are recognized as revenue at the time transactions are completed. Revenue from separately priced extended warranty contracts is recorded on a straight-line basis over the term of the contracts.

Reinsurance premiums are recorded on an accrual basis and are included in net income on a pro rata basis over the life of the insurance contract, with the unearned portion deferred in the Consolidated Balance Sheets. Premiums that are subject to adjustment are estimated based on available information. Any variances from the estimates are recorded in the periods in which they become known.

Royalties and Licence Fees

Royalties and licence fees include licence fees from petroleum agents and Dealers, and royalties from Mark's and FGL franchisees. Royalties and licence fee revenues are recognized as they are earned in accordance with the substance of the relevant agreement and are measured on an accrual basis.

Rental Income

Rental income from operating leases where the Company is the lessor is recognized on a straight-line basis over the terms of the respective leases.

Vendor Rebates

The Company records cash consideration received from vendors as a reduction in the price of vendors' products and recognizes it as a reduction to the cost of related inventory or, if the related inventory has been sold, to the cost of producing revenue. Certain exceptions apply where the cash consideration received is either a reimbursement of incremental selling costs incurred by the Company or a payment for assets or services delivered to the vendor, in which case the cost is reflected as a reduction in selling, general and administrative expenses.

The Company recognizes rebates that are at the vendor's discretion when the vendor either pays the rebates or agrees to pay them and payment is considered probable and can be reasonably estimated.

Net Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets). Interest income is recognized as it accrues using the effective interest method.

Finance costs comprises interest expense on borrowings (including borrowings relating to the Dealer Loan Program), unwinding of the discount on provisions, and is net of borrowing costs that have been capitalized. Interest on deposits is recorded in Cost of producing revenue in the Consolidated Statements of Income.

Income Taxes

The income tax expense for the year comprises current and deferred income tax. Income tax expense is recognized in net income except to the extent that it relates to items recognized either in OCI or directly in equity. In this case, the income tax expense is recognized in OCI or in equity, respectively.

The income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Consolidated Balance Sheets in the countries where the Company operates and generates taxable income.

Deferred income tax is recognized using the liability method for unused tax losses, unused tax benefits, and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the date of the Consolidated Balance Sheets and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings per Share

Basic earnings per share ("Basic EPS") is calculated by dividing the net income attributable to the shareholders of the Company by the weighted average number of Common and Class A Non-Voting shares outstanding during the reporting period. Diluted earnings per share ("Diluted EPS") is calculated by adjusting the net income attributable to the shareholders of the Company and the weighted average number of shares outstanding for the effects of all potentially dilutive equity instruments, which comprise employee stock options. Net income attributable to the shareholders of the Company is the same for both the Basic EPS and Diluted EPS calculations.

Non-controlling Interests

When the proportion of the equity held by non-controlling interests changes, the Company adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary. The Company recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the shareholders of the Company.

4. 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. In the process of managing the Company's capital, Management includes the following items in its definition of capital, which includes Glacier Credit Card Trust ("GCCT") indebtedness but excludes Franchise Trust indebtedness:

(C$ in millions)		2017	% of total		2016	% of total
Capital Components						
Deposits	**$**	**973.9**	**8.6%**	$	950.7	8.5%
Short-term borrowings		**144.6**	**1.3%**		199.4	1.8%
Current portion of long-term debt		**282.3**	**2.5%**		653.4	5.9%
Long-term debt		**3,122.1**	**27.8%**		2,667.1	24.0%
Long-term deposits		**1,412.9**	**12.6%**		1,230.8	11.1%
Total debt	**$**	**5,935.8**	**52.8%**	$	5,701.4	51.3%
Redeemable financial instrument		**517.0**	**4.6%**		517.0	4.7%
Share capital		**615.7**	**5.5%**		648.1	5.8%
Contributed surplus		**2.9**	**—%**		2.9	—%
Retained earnings		**4,169.3**	**37.1%**		4,250.9	38.2%
Total Capital Under Management	**$**	**11,240.7**	**100.0%**	$	11,120.3	100.0%

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 the Company's liquidity.

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.

In order to maintain or adjust the capital structure, the Company has the flexibility to adjust the amount of dividends paid to shareholders, repurchase shares pursuant to a normal course issuer bid ("NCIB") program, repay debt, issue new debt and equity at Canadian Tire Corporation and CT REIT, issue new debt with different characteristics to replace existing debt, engage in additional sale and leaseback transactions of real estate properties, and increase or decrease the amount of sales of co-ownership interests in loans receivable to GCCT.

The Company has a policy in place to manage capital. As part of the overall management of capital, Management and the Audit Committee of the Board of Directors review the Company's compliance with, and performance against, the policy. In addition, periodic review of the policy is performed to ensure consistency with risk tolerances.

Financial covenants of the existing debt agreements are reviewed by Management on an ongoing basis to monitor compliance with the agreements. The key financial covenant for Canadian Tire Corporation is a requirement for the retail segment to maintain, at all times, a ratio of total indebtedness to total capitalization equal to or lower than a specified maximum ratio (as defined in the Company's bank credit agreements, but which excludes consideration of CTFS Holdings, CT REIT, Franchise Trust, and their respective subsidiaries).

The Company was in compliance with all key covenants as at December 30, 2017 and December 31, 2016. Under these covenants, the Company currently has sufficient liquidity to support business growth.

CT REIT is required to comply with financial covenants established under its Trust Indenture, bank credit agreement, and the Declaration of Trust and was in compliance with all key covenants as at December 31, 2017 and 2016.

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

CTB manages its capital under guidelines established by the Office of the Superintendent of Financial Institutions of Canada ("OSFI"). OSFI's regulatory capital guidelines are based on the international Basel Committee on Banking Supervision framework entitled Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems ("Basel III"), which came into effect in Canada on January 1, 2013, and measures capital in relation to credit, market, and operational risks. The Bank has various capital policies and procedures and controls, including an Internal Capital Adequacy Assessment Process ("ICAAP"), which it utilizes to achieve its goals and objectives.

The Bank's objectives include:

- providing sufficient capital to maintain the confidence of investors and depositors; and
- being an appropriately capitalized institution, as measured internally, defined by regulatory authorities and compared with the Bank's peers.

OSFI's regulatory capital guidelines under Basel III allow for two tiers of capital. As at December 31, 2017, the Bank's fiscal year end, Common Equity Tier 1 ("CET1") capital includes common shares, retained earnings, and AOCI, less regulatory adjustments including items risk-weighted at zero percent which are deducted from capital. The Bank currently does not hold any additional Tier 1 or Tier 2 capital instruments. Therefore, the Bank's CET1 is equal to its Tier 1 and total regulatory capital. Risk-weighted assets ("RWA") include a credit risk component for all on-balance-sheet assets weighted for the risk inherent in each type of asset, off-balance sheet financial instruments, an operational risk component based on a percentage of average risk-weighted revenues, and a market-risk component for assets held for trade. For the purposes of calculating RWA, securitization transactions are considered off-balance-sheet transactions and, therefore, securitization assets are not included in the RWA calculation. Assets are classified as held for trade when they are held with trading intent.

The Leverage Ratio prescribed by OSFI's Leverage Requirements Guideline provides an overall measure of the adequacy of an institution's capital and is defined as the all-in Tier 1 capital divided by the leverage ratio exposure. The leverage ratio exposure is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures, and off-balance sheet items.

As at December 31, 2017 and 2016, the Bank complied with all regulatory capital guidelines established by OSFI, its internal targets as determined by its ICAAP, and all financial covenants under its bank credit agreement and note purchase facilities.

5. Financial Risk Management

5.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including foreign currency and interest rate risk).

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policy, and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements and notes thereto.

5.2 Risk Management Framework

The Company's financial risk management policy serves to identify and analyze the risks faced by the Company, to set acceptable risk tolerance limits and controls, and to monitor risks and adherence to limits. The financial risk management strategies and systems are reviewed regularly to ensure they remain consistent with the objectives and risk tolerance acceptable to the Company and current market trends and conditions. The Company, through its training and management standards and procedures, aims to uphold a disciplined and constructive control environment in which all employees understand their roles and obligations.

5.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk primarily arises from the Company's credit card customers, Dealer network, and financial instruments held with bank or non-bank counterparties.

5.3.1 Financial Instrument Counterparty Credit Risk

The Company has a Board-approved financial risk management policy in place to manage the various risks including counterparty credit risk relating to cash balances, investment activity. and the use of financial derivatives. The Company limits its exposure to counterparty credit risk by transacting only with highly-rated financial institutions and other counterparties and by managing within specific limits for credit exposure and term to maturity. The Company's financial instrument portfolio is spread across financial institutions, provincial and federal governments, and, to a lesser extent, corporate issuers that are dual rated and have a credit rating in the "A" category or better.

5.3.2 Consumer and Dealer Credit Risk

Through the granting of credit cards to its customers, the Company assumes certain risks with respect to the ability and willingness of its customers to repay debt. In addition, the Company may be required to provide credit enhancement for individual Dealer's borrowings in the form of standby letters of credit (the "LCs") or guarantees of third-party bank debt agreements, with respect to the financing programs available to the Dealers (Note 34).

The Company's maximum exposure to credit risk, over and above amounts recognized in the Consolidated Balance Sheets, include the following:

(C$ in millions)	**2017**	2016
Undrawn loan commitments	**$ 9,768.7**	$ 9,517.4
Guarantees	**431.4**	428.5
Total	**$ 10,200.1**	$ 9,945.9

Refer to Note 9 for information on the credit quality and performance of loans receivables.

5.4 Liquidity Risk

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and reasonably stressed conditions. The Company's financial risk management policy serves to manage its exposure to liquidity risk. The Company uses a detailed consolidated cash flow forecast model to regularly monitor its near-term and longer-term cash flow requirements, which assists in optimizing its short-term cash and indebtedness position while evaluating longer-term funding strategies.

In addition, CTB has in place an Asset Liability Management policy. It is CTB's objective to ensure the availability of adequate funds by maintaining a strong liquidity management framework and to satisfy all applicable regulatory and statutory requirements.

As at December 30, 2017, the Company had $4.525 billion in committed bank lines of credit of which $1.975 billion is available to Canadian Tire Corporation under a syndicated credit facility expiring in July 2022, $300.0 million is available to CT REIT under a syndicated credit facility expiring in September 2022, and $2.25 billion is available to CTB and expires in October 2020 in the form of a $250.0 million credit facility and $2.0 billion note purchase facilities.

In addition to the committed bank lines of credit, the Company has access to additional funding sources including internal cash generation, access to public and private financial markets, and strategic real estate transactions. Assets of CTB are funded through the securitization of credit card receivables using GCCT, broker guaranteed investment certificate ("GICs") deposits, retail GIC deposits, and high-interest savings ("HIS") account deposits. CTB also holds high quality liquid assets, as required by regulators, which are available to address funding disruptions.

CT REIT filed a base-shelf prospectus on April 5, 2017, under which it may raise up to $2.0 billion of debt and equity capital for the subsequent 25-month period (and under which the Company can sell some of the equity units it owns of CT REIT). 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 for the subsequent 25-month period.

Due to the diversification of its funding sources, the Company is not overly exposed to any concentration risk regarding liquidity.

The following table summarizes the Company's contractual maturity for its financial liabilities, including both principal and interest payments:

(C$ in millions)	2018	2019	2020	2021	2022	Thereafter	Total
Non-derivative Financial Liabilities							
Deposits[1]	982.4	425.3	287.1	176.5	523.9	—	2,395.2
Trade and other payables	1,780.8	—	—	—	—	—	1,780.8
Short-term borrowings	90.7	—	—	—	53.9	—	144.6
Loans payable	667.1	—	—	—	—	—	667.1
Long-term debt	266.0	500.0	500.0	150.0	710.0	1,125.0	3,251.0
Finance lease obligations	17.4	15.5	14.5	14.4	14.5	47.1	123.4
Mortgages	0.4	43.6	—	—	—	—	44.0
Interest payments[2]	150.1	128.1	105.6	92.2	75.5	392.9	944.4
Total	$ 3,954.9	$ 1,112.5	$ 907.2	$ 433.1	$ 1,377.8	$ 1,565.0	$ 9,350.5

[1] Deposits exclude the GIC broker fee discount of $8.4 million.
[2] Includes interest payments on deposits, short-term borrowings, loans payable, long-term debt, and finance lease obligations.

It is not expected that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

5.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters while optimizing the return. The Company's financial risk management policy establishes guidelines on how the Company is to manage the market risk inherent to the business and provides mechanisms to ensure business transactions are executed in accordance with established limits, processes, and procedures.

All such transactions are carried out within the established guidelines and, generally, the Company seeks to apply hedge accounting in order to manage volatility in its net income.

5.5.1 Foreign Currency Risk

The Company sources its merchandise globally. Approximately 40%, 51%, and 7% of the value of the inventory purchased for the Canadian Tire, Mark's, and FGL banners, respectively, is sourced directly from vendors outside North America, primarily denominated in U.S. dollars. To mitigate the impact of fluctuating foreign exchange rates on the cost of these purchases, the Company has an established foreign exchange risk management program that governs the proportion of forecast U.S. dollar purchases that must and can be hedged through the purchase of foreign exchange contracts. The purpose of the program is to provide certainty with respect to a portion of the foreign exchange component of future merchandise purchases.

As the Company has hedged a significant portion of the cost of its near-term U.S.-dollar-denominated forecast purchases, a change in foreign currency rates will not impact that portion of the cost of those purchases. Even when a change in rates is sustained, the Company's program to hedge a proportion of forecast U.S. dollar purchases continues. As hedges are placed at current foreign exchange rates for future U.S. dollar purchases, the impact of a sustained change in rate will eventually be reflected in the cost of the Company's U.S. dollar purchases. The hedging program has historically allowed the Company to defer the impact of sudden exchange rate movements on margins and allow it time to develop strategies to mitigate the impact of a sustained change in foreign exchange rates. Some vendors have an underlying exposure to U.S. currency fluctuations which may affect the price they charge the Company for merchandise; the Company's hedging program does not mitigate that risk. While the Company may be able to pass on changes in foreign currency exchange rates through pricing, any decision to do so would be subject to market conditions.

5.5.2 Interest Rate Risk

The Company may use interest rate derivatives to manage interest rate risk. The Company has a policy in place whereby, on a consolidated basis, a minimum of 75 percent of its consolidated debt (short-term and long-term) should be at fixed versus floating interest rates.

A one percent change in interest rates would not materially affect the Company's net income or equity as the Company has minimal floating interest rate exposure given the indebtedness of the Company is predominantly at fixed rates.

The Company's exposure to interest rate changes is predominantly driven by the Financial Services business to the extent that the interest rates on future GIC deposits, HIS account deposits, tax free savings account ("TFSA") deposits, and securitization transactions are market-dependent. Partially offsetting this will be rates charged on credit cards and a significant portion of the funding liabilities for Financial Services are fixed rate, which reduces interest rate risk. In addition, Financial Services has entered into delayed start interest rate swaps to hedge a portion of its planned GCCT term debt issuances in 2017 to 2020.

6. 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 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:

	2017					2016				
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$12,143.2**	**$ 34.8**	**$ 1,131.9**	**$ 125.0**	**$ 13,434.9**	$11,447.6	$ 24.9	$ 1,091.9	$ 116.6	$ 12,681.0
Intercompany revenue	**5.9**	**408.5**	**24.7**	**(439.1)**	**—**	5.8	382.3	15.9	(404.0)	—
Total revenue	**12,149.1**	**443.3**	**1,156.6**	**(314.1)**	**13,434.9**	11,453.4	407.2	1,107.8	(287.4)	12,681.0
Cost of producing revenue	**8,392.1**	**—**	**460.9**	**(56.5)**	**8,796.5**	7,890.9	—	449.2	(51.6)	8,288.5
Gross margin	**3,757.0**	**443.3**	**695.7**	**(257.6)**	**4,638.4**	3,562.5	407.2	658.6	(235.8)	4,392.5
Other (income) expense	**(123.5)**	**—**	**(0.7)**	**124.4**	**0.2**	(120.5)	—	0.4	115.8	(4.3)
Selling, general and administrative expenses	**3,216.5**	**109.3**	**308.5**	**(221.2)**	**3,413.1**	3,099.1	106.7	293.7	(207.6)	3,291.9
Net finance (income) costs	**(26.7)**	**96.4**	**(0.6)**	**43.5**	**112.6**	(37.9)	85.9	(0.6)	46.5	93.9
Fair value (gain) loss on investment properties	**—**	**(79.7)**	**—**	**79.7**	**—**	—	(44.5)	—	44.5	—
Income before income taxes	**$ 690.7**	**$ 317.3**	**$ 388.5**	**$ (284.0)**	**$ 1,112.5**	$ 621.8	$ 259.1	$ 365.1	$ (235.0)	$ 1,011.0
Items included in the above:										
Depreciation and amortization	**$ 382.1**	**$ —**	**$ 10.3**	**$ 76.3**	**$ 468.7**	$ 374.9	$ —	$ 9.3	$ 72.7	$ 456.9
Interest income	**92.1**	**0.1**	**931.2**	**(72.6)**	**950.8**	91.4	0.2	871.7	(72.9)	890.4
Interest expense	**49.7**	**96.5**	**111.9**	**(79.9)**	**178.2**	39.3	86.1	103.9	(73.2)	156.1

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, and credit card processing fees.

Capital expenditures by reportable operating segment are as follows:

	2017				2016			
(C$ in millions)	**Retail**	**CT REIT[2]**	**Financial Services**	**Total**	Retail	CT REIT[2]	Financial Services	Total
Capital expenditures[1]	**$ 413.6**	**$ 215.4**	**$ 13.1**	**$ 642.1**	$ 568.7	$ 176.8	$ 9.4	$ 754.9

[1] Capital expenditures are presented on an accrual basis and include software additions, but exclude acquisitions relating to business combinations, intellectual properties and tenant allowances received.

[2] CT REIT capital expenditures include the construction of stores under Mark's and FGL banners of $1.8 million (2016 - $2.0 million).

Total assets by reportable operating segment are as follows:

(C$ in millions)	**2017**	2016
Retail	**$ 11,048.9**	$ 11,024.4
CT REIT	**5,455.4**	5,014.6
Financial Services	**6,172.5**	5,773.5
Eliminations and adjustments	**(7,052.6)**	(6,509.7)
Total assets[1]	**$ 15,624.2**	$ 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 reportable operating segment are as follows:

(C$ in millions)	2017	2016
Retail	$ **4,228.2**	$ 3,943.9
CT REIT	**2,594.0**	2,424.0
Financial Services	**5,027.2**	4,731.6
Eliminations and adjustments	**(1,798.9)**	(1,534.0)
Total liabilities[1]	$ **10,050.5**	$ 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.

7. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

(C$ in millions)	2017	2016
Cash	$ **104.4**	$ 81.0
Cash equivalents	**321.5**	738.2
Restricted cash[1]	**11.1**	10.5
Total cash and cash equivalents[2]	**437.0**	829.7
Bank indebtedness	**—**	(5.9)
Cash and cash equivalents, net of bank indebtedness	$ **437.0**	$ 823.8

[1] Relates to GCCT and is restricted for the purpose of paying out 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. Refer to Note 31.1.

8. Trade and Other Receivables

Trade and other receivables include the following:

(C$ in millions)	2017	2016
Trade and other receivables	$ **657.9**	$ 614.2
Derivatives (Note 32)	**23.2**	76.6
Total financial assets	$ **681.1**	$ 690.8

Trade receivables are primarily from Dealers and franchisees, a large and geographically-dispersed group whose receivables, individually, generally comprise less than one percent of the total balance outstanding.

Receivables from Dealers are in the normal course of business, and include cost-sharing and financing arrangements. The net average credit period on sale of goods is between 14 and 120 days.

9. Loans Receivable

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

	Total principal amount of receivables[1]	
(C$ in millions)	2017	2016
Credit card loans[2]	$ 5,567.5	$ 5,104.6
Dealer loans[3]	672.9	705.4
Total loans receivable	6,240.4	5,810.0
Less: long-term portion[4]	627.2	671.6
Current portion of loans receivable	$ 5,613.2	$ 5,138.4

1 Amounts shown are net of allowance for loan impairment.
2 Includes line of credit loans.
3 Dealer loans primarily relate to loans issued by Franchise Trust (refer to Note 21).
4 The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer loans of $624.5 million (2016 – $668.9 million).

For the year ended December 30, 2017, cash received from interest earned on credit cards and loans was $874.3 million (2016 – $820.2 million).

The carrying amount of loans includes loans to Dealers that are secured by the assets of the respective Dealer corporations. The Company's exposure to loans receivable credit risk resides at Franchise Trust and at the Bank. Credit risk at the Bank is influenced mainly by the individual characteristics of each credit card customer. The Bank uses sophisticated credit scoring models, monitoring technology, and collection modelling techniques to implement and manage strategies, policies, and limits that are designed to control risk. Loans receivable are generated by a large and geographically-dispersed group of customers. Current credit exposure is limited to the loss that would be incurred if all of the Bank's counterparties were to default at the same time.

A continuity schedule of the Company's allowances for loans receivable[1] is as follows:

(C$ in millions)	2017	2016
Balance, beginning of year	$ 106.9	$ 111.5
Impairments for credit losses, net of recoveries	298.9	293.7
Recoveries	70.8	69.4
Write-offs	(365.6)	(367.7)
Balance, end of year	$ 111.0	$ 106.9

1 Loans include credit card loans and line of credit loans. No allowances for credit losses have been made with respect to Franchise Trust and FGL loans receivable.

The Company's aging of the loans receivable that are past due, but not impaired, is as follows:

			2017			2016
(C$ in millions)	1-90 days	> 90 days	Total	1-90 days	> 90 days	Total
Loans receivable	$ 305.0	$ 63.6	$ 368.6	$ 308.6	$ 58.3	$ 366.9

Credit card loans are considered impaired and written off when a payment is 180 days in arrears. Line of credit loans are considered impaired when a payment is over 90 days in arrears and are written off when a payment is 180 days in arrears. No collateral is held against loans receivable, except for loans to Dealers, as discussed above.

Transfers of Financial Assets

Glacier Credit Card Trust

GCCT is a structured entity that was created to securitize credit card loans receivable. As at December 30, 2017, the Bank has transferred co-ownership interest in credit card loans receivable to GCCT but retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all of the risks and rewards on these assets, the Bank continues to recognize these assets within loans receivable and the transfers are accounted for as secured financing transactions. The associated liability as at December 30, 2017, secured by these assets, includes the commercial paper and term notes on the Consolidated Balance Sheets and is carried at amortized cost. The Bank is exposed to the majority of ownership risks and rewards of GCCT and, hence, it is consolidated. The carrying amount of the assets

approximates their fair value. The difference between the credit card loans receivable transferred and the associated liabilities is shown below:

		2017		2016
(C$ in millions)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Credit card loans receivable transferred[1]	**$ 1,915.1**	**$ 1,915.1**	$ 1,989.0	$ 1,989.0
Associated liabilities	**1,910.5**	**1,903.3**	1,985.0	2,017.0
Net position	**$ 4.6**	**$ 11.8**	$ 4.0	$ (28.0)

[1] The fair value measurement of credit card loans receivable is categorized within Level 2 of the fair value hierarchy. For a definitions of the levels refer to Note 32.4.

For legal purposes, the co-ownership interests in the Bank's receivables owned by GCCT have been sold at law to GCCT and are not available to the creditors of the Bank. Furthermore GCCT's liabilities are not legal liabilities of the Company.

The Bank has not identified any factors arising from current market circumstances that could lead to a need for the Bank to extend liquidity and/or credit support to GCCT over and above the existing arrangements or that could otherwise change the substance of the Bank's relationship with GCCT. There have been no relevant changes in the capital structure of GCCT since the Bank's assessment for consolidation.

Franchise Trust

The consolidated financial statements include a portion (silo) of Franchise Trust, a legal entity sponsored by a third-party bank that originates and services loans to Dealers for their purchases of inventory and fixed assets (the "Dealer loans"). The Company has arranged for several major Canadian banks to provide standby LCs to Franchise Trust as credit support for the Dealer loans. Franchise Trust has sold all of its rights in the LCs and outstanding Dealer loans to other independent trusts set up by major Canadian banks (the "Co-owner Trusts") that raise funds in the capital markets to finance their purchase of these undivided co-ownership interests. Due to the retention of substantially all of the risks and rewards relating to these Dealer loans, the transfers are accounted for as secured financing transactions. Accordingly, the Company continues to recognize the current portion of these assets in loans receivable and the long-term portion in long-term receivables and other assets, and records the associated liability secured by these assets as loans payable, being the loans that Franchise Trust has incurred to fund the Dealer loans. The Dealer loans and loans payable are initially recorded at fair value and subsequently carried at amortized cost.

		2017		2016
(C$ in millions)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Dealer loans[1]	**$ 667.1**	**$ 667.1**	$ 700.3	$ 700.3
Associated liabilities	**667.1**	**667.1**	700.3	700.3
Net position	**$ —**	**$ —**	$ —	$ —

[1] The fair value measurement of Dealer loans is categorized within Level 2 of the fair value hierarchy. For a definitions of the levels refer to Note 32.4.

The Dealer loans have been sold at law and are not available to the creditors of the Company. Loans payable are not legal liabilities of the Company.

In the event that a Dealer defaults on a loan, the Company has the right to purchase such loan from the Co-owner Trusts, at which time the Co-owner Trusts will assign such Dealer's debt instrument and related security documentation to the Company. The assignment of this documentation provides the Company with first-priority security rights over all of such Dealer's assets, subject to certain prior ranking statutory claims.

In most cases, the Company would expect to recover any payments made to purchase a defaulted loan, including any associated expenses. In the event the Company does not choose to purchase a defaulted Dealer loan, the Co-owner Trusts may draw against the LCs.

The Co-owner Trusts may also draw against the LCs to cover any shortfalls in certain related fees owing to them. In any case, where a draw is made against the LCs, the Company has agreed to reimburse the bank issuing the LCs for the amount so drawn. Refer to Note 34 for further information.

10. Long-Term Receivables and Other Assets

Long-term receivables and other assets include the following:

(C$ in millions)	2017	2016
Loans receivable (Note 9)	$ 627.2	$ 671.6
Derivatives (Note 32)	46.1	46.2
Mortgages receivable	14.8	17.1
Other receivables	4.9	3.6
Total long-term receivables	693.0	738.5
Other	24.8	25.2
	$ 717.8	$ 763.7

11. Goodwill and Intangible Assets

The following table presents the changes in cost and accumulated amortization and impairment of the Company's goodwill and intangible assets:

						2017
	Indefinite-life intangible assets and goodwill			Finite-life intangible assets		
(C$ in millions)	Goodwill	Banners and trademarks	Franchise agreements and other intangibles	Software	Other intangibles[1]	Total
Cost						
Balance, beginning of year	$ 446.6	$ 270.3	$ 156.0	$ 1,410.8	$ 23.1	$ 2,306.8
Additions[2]	—	18.3	2.0	127.4	—	147.7
Disposals/retirements	—	—	—	(3.6)	—	(3.6)
Reclassifications and transfers	—	—	—	2.3	—	2.3
Balance, end of year	$ 446.6	$ 288.6	$ 158.0	$ 1,536.9	$ 23.1	$ 2,453.2
Accumulated amortization and impairment						
Balance, beginning of year	$ (1.9)	$ (0.6)	$ —	$ (1,003.5)	$ (20.5)	$ (1,026.5)
Amortization for the year	—	—	—	(133.2)	(0.5)	(133.7)
Impairment	—	—	—	—	—	—
Disposals/retirements	—	—	—	2.8	—	2.8
Reclassifications and transfers	—	—	—	(2.3)	(0.6)	(2.9)
Balance, end of year	$ (1.9)	$ (0.6)	$ —	$ (1,136.2)	$ (21.6)	$ (1,160.3)
Net carrying amount, end of year	$ 444.7	$ 288.0	$ 158.0	$ 400.7	$ 1.5	$ 1,292.9

[1] Relates to FGL off-market leases.
[2] Additions primarily relate to internally developed intangible assets.

						2016
	Indefinite-life intangible assets and goodwill			Finite-life intangible assets		
(C$ in millions)	Goodwill	Banners and trademarks	Franchise agreements and other intangibles	Software	Other intangibles[1]	Total
Cost						
Balance, beginning of year	$ 438.9	$ 267.4	$ 158.9	$ 1,267.7	$ 23.1	$ 2,156.0
Additions[2]	7.7	—	—	153.8	—	161.5
Disposals/retirements	—	—	—	(10.7)	—	(10.7)
Reclassifications and transfers	—	2.9	(2.9)	—	—	—
Balance, end of year	$ 446.6	$ 270.3	$ 156.0	$ 1,410.8	$ 23.1	$ 2,306.8
Accumulated amortization and impairment						
Balance, beginning of year	$ (1.9)	$ —	$ —	$ (889.6)	$ (17.7)	$ (909.2)
Amortization for the year	—	—	—	(124.6)	(1.5)	(126.1)
Impairment	—	(0.6)	—	—	—	(0.6)
Disposals/retirements	—	—	—	10.7	—	10.7
Reclassifications and transfers	—	—	—	—	(1.3)	(1.3)
Balance, end of year	$ (1.9)	$ (0.6)	$ —	$ (1,003.5)	$ (20.5)	$ (1,026.5)
Net carrying amount, end of year	$ 444.7	$ 269.7	$ 156.0	$ 407.3	$ 2.6	$ 1,280.3

[1] Relates to FGL off-market leases.
[2] Additions primarily relate to internally developed intangible assets.

The following table presents the details of the Company's goodwill:

(C$ in millions)	**2017**	2016
FGL	**$ 364.6**	$ 364.6
Mark's	**56.7**	56.7
Canadian Tire	**23.4**	23.4
Total	**$ 444.7**	$ 444.7

The Company's banners and trademarks, which include FGL and Mark's store banners and trademarks and acquired private-label brands, represent legal trademarks of the Company with expiry dates ranging from 2018 to 2033 with further renewals at the Company's election and discretion dependent on use. As the Company currently has no approved plans to change its store banners and intends to continue to use and renew its trademarks and private-label brands at each expiry date for the foreseeable future, there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows. Therefore, these intangible assets are considered to have indefinite useful lives.

Franchise agreements have expiry dates with options to renew, or have indefinite lives. As the Company intends to renew these agreements at each renewal date for the foreseeable future, there is no foreseeable limit to the period over which the franchise agreements and franchise locations will generate net cash inflows. Therefore, these assets are considered to have indefinite useful lives.

Finite-life intangible assets are amortized over a term of two to ten years. Off-market leases are amortized over the term of the lease to which they relate.

The amount of borrowing costs capitalized in 2017 was $2.4 million (2016 - $5.4 million). The capitalization rate used to determine the amount of borrowing costs capitalized during the year was 6.1 percent (2016 - 6.1 percent).

Amortization expense of software and other finite-life intangible assets is included in Selling, general and administrative expenses in the Consolidated Statements of Income.

Impairment of Intangible Assets and Subsequent Reversal

The Company performed its annual impairment test on goodwill and indefinite-life intangible assets for all CGUs based on VIU using after-tax discount rates ranging from 8.0 to 9.6 percent and growth rates ranging from 1.0 to 5.3 percent per annum.

The amount of impairment of intangible assets in 2017 was $nil (2016 - $0.6 million). There was no reversal of impairments in 2017 or 2016.

For all goodwill and intangible assets, the estimated recoverable amount is based on VIU exceeding the carrying amount. There is no reasonably possible change in assumptions that would cause the carrying amount to exceed the estimated recoverable amount.

12. Investment Property

The following table presents changes in the cost and the accumulated depreciation and impairment on the Company's investment property:

(C$ in millions)		**2017**		2016
Cost				
Balance, beginning of year	**$**	**306.3**	$	172.4
Additions		**86.7**		135.1
Other [1]		**(1.4)**		(1.2)
Balance, end of year	**$**	**391.6**	$	306.3
Accumulated depreciation and impairment				
Balance, beginning of year	**$**	**(39.9)**	$	(34.6)
Depreciation for the year		**(7.8)**		(6.1)
Other [1]		**0.8**		0.8
Balance, end of year	**$**	**(46.9)**	$	(39.9)
Net carrying amount, end of year	**$**	**344.7**	$	266.4

[1] Other includes disposals, retirements, impairment, reversals of impairment, reclassifications and transfers.

The investment properties generated rental income of $38.4 million (2016 - $29.7 million).

Direct operating expenses (including repairs and maintenance) arising from investment property recognized in net income were $15.6 million (2016 - $13.0 million).

The estimated fair value of investment property was $488.6 million (2016 - $357.2 million). This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy (refer to Note 32.4 for definition of levels). The Company determines the fair value of investment property by applying a pre-tax capitalization rate to the annual rental income for the current leases. The capitalization rate ranged from 4.85 percent to 7.69 percent (2016 - 4.9 percent to 11.0 percent). The cash flows are for a term of five years, including a terminal value. The Company has real estate management expertise that is used to perform the valuation of investment property and has also completed independent appraisals on certain investment property owned by CT REIT.

Impairment of Investment Property and Subsequent Reversal

Any impairment or reversals of impairment are reported in Other income in the Consolidated Statements of Income.

13. Property and Equipment

The following table presents changes in the cost and the accumulated depreciation and impairment on the Company's property and equipment:

							2017
(C$ in millions)	Land	Buildings	Fixtures and equipment	Leasehold improvements	Assets under finance lease	Construction in progress	Total
Cost							
Balance, beginning of year	$ 911.2	$ 2,943.9	$ 1,382.0	$ 1,306.4	$ 223.0	$ 425.9	$ 7,192.4
Additions	44.5	346.5	222.6	67.0	15.7	(262.1)	434.2
Disposals/retirements	(0.8)	(1.2)	(14.0)	(3.1)	(3.0)	(10.0)	(32.1)
Reclassifications and transfers	0.2	—	15.9	0.6	(17.2)	7.6	7.1
Balance, end of year	$ 955.1	$ 3,289.2	$ 1,606.5	$ 1,370.9	$ 218.5	$ 161.4	$ 7,601.6
Accumulated depreciation and impairment							
Balance, beginning of year	$ (6.6)	$ (1,481.6)	$ (919.1)	$ (535.0)	$ (152.9)	$ —	$ (3,095.2)
Depreciation for the year	—	(104.1)	(119.5)	(91.2)	(12.4)	—	(327.2)
Impairment	(0.5)	(0.4)	(0.9)	(1.2)	—	—	(3.0)
Disposals/retirements	—	1.0	12.5	3.0	2.6	—	19.1
Reclassifications and transfers	0.1	(3.9)	(8.7)	(2.3)	12.8	—	(2.0)
Balance, end of year	$ (7.0)	$ (1,589.0)	$ (1,035.7)	$ (626.7)	$ (149.9)	$ —	$ (3,408.3)
Net carrying amount, end of year	$ 948.1	$ 1,700.2	$ 570.8	$ 744.2	$ 68.6	$ 161.4	$ 4,193.3

							2016
(C$ in millions)	Land	Buildings	Fixtures and equipment	Leasehold improvements	Assets under finance lease	Construction in progress	Total
Cost							
Balance, beginning of year	$ 874.4	$ 2,915.9	$ 1,216.6	$ 1,140.7	$ 262.8	$ 359.4	$ 6,769.8
Additions	41.8	44.2	156.4	152.7	0.5	72.7	468.3
Disposals/retirements	(2.5)	(5.3)	(19.0)	(8.2)	(4.0)	(6.2)	(45.2)
Reclassifications and transfers	(2.5)	(10.9)	28.0	21.2	(36.3)	—	(0.5)
Balance, end of year	$ 911.2	$ 2,943.9	$ 1,382.0	$ 1,306.4	$ 223.0	$ 425.9	$ 7,192.4
Accumulated depreciation and impairment							
Balance, beginning of year	$ (6.6)	$ (1,385.8)	$ (794.8)	$ (436.2)	$ (168.2)	$ —	$ (2,791.6)
Depreciation for the year	—	(108.5)	(116.9)	(84.0)	(15.5)	—	(324.9)
Impairment	—	—	(3.3)	(0.2)	—	—	(3.5)
Disposals/retirements	—	3.8	17.8	7.3	4.1	—	33.0
Reclassifications and transfers	—	8.9	(21.9)	(21.9)	26.7	—	(8.2)
Balance, end of year	$ (6.6)	$ (1,481.6)	$ (919.1)	$ (535.0)	$ (152.9)	$ —	$ (3,095.2)
Net carrying amount, end of year	$ 904.6	$ 1,462.3	$ 462.9	$ 771.4	$ 70.1	$ 425.9	$ 4,097.2

The Company capitalized borrowing costs of $12.8 million (2016 - $18.0 million) on indebtedness relating to property and equipment under construction. The rate used to determine the amount of borrowing costs capitalized during the year was 6.1 percent (2016 - 6.1 percent).

The carrying amount of assets under finance leases at December 30, 2017, comprises $28.9 million (2016 - $33.4 million) in buildings and $39.7 million (2016 - $36.7 million) in fixtures and equipment.

Impairment of Property and Equipment and Subsequent Reversal

The amount of impairment of property and equipment in 2017 was $3.0 million (2016 - $3.5 million), and relates to assets in the Retail segment. There was no reversal of impairment in 2017 or 2016. Any impairment or reversal of impairment is reported in Other income in the Consolidated Statements of Income.

14. Subsidiaries

14.1 Control of Subsidiaries and Composition of the Company

These consolidated financial statements include entities controlled by Canadian Tire Corporation. Control exists when Canadian Tire Corporation has the ability to direct the relevant activities and the returns of an entity. The financial statements of these entities are included in these consolidated financial statements from the date that control commences until the date that control ceases. Details of the Company's significant entities are as follows:

			Ownership Interest	
Name of subsidiary	Principal activity	Country of incorporation and operation	2017	2016
CTFS Holdings Limited[1]	Marketing of insurance products, processing credit card transactions at Canadian Tire stores, banking, and reinsurance	Canada	80.0%	80.0%
Canadian Tire Real Estate Limited	Real estate	Canada	100.0%	100.0%
CT Real Estate Investment Trust	Real estate	Canada	85.5%	85.1%
FGL Sports Ltd.	Retailer of sporting equipment, apparel and footwear	Canada	100.0%	100.0%
Franchise Trust[2]	Canadian Tire Dealer Loan Program	Canada	0.0%	0.0%
Glacier Credit Card Trust[3]	Financing program to purchase co-ownership interests in Canadian Tire Bank's credit card loans	Canada	0.0%	0.0%
Mark's Work Wearhouse Ltd.	Retailer of clothing and footwear	Canada	100.0%	100.0%

1 Legal entity CTFS Holdings Limited, incorporated in 2014, is the parent company of CTB and CTFS Bermuda Ltd. CTB's principal activity is banking, marketing of insurance products, and processing credit card transactions at Canadian Tire stores. CTFS Bermuda Ltd.'s principal activity is reinsurance.

2 Franchise Trust is a legal entity sponsored by a third-party bank that originates loans to Dealers under the Dealer Loan Program. The Company does not have any share ownership in Franchise Trust. However, the Company has determined that it has the ability to direct the relevant activities and returns on the silo of assets and liabilities of Franchise Trust that relate to the Canadian Tire Dealer Loan Program. As the Company has control over this silo of assets and liabilities, it is consolidated in these financial statements.

3 GCCT was formed to meet specific business needs of the Company, namely to buy co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases. The Company does not have any share ownership in GCCT. However, the Company has determined that it has the ability to direct the relevant activities and returns of GCCT. As the Company has control over GCCT, it is consolidated in these financial statements.

14.2 Details of Non-wholly Owned Subsidiaries that have Non-Controlling Interests

The portion of net assets and income attributable to third parties is reported as non-controlling interests and net income attributable to non-controlling interests in the Consolidated Balance Sheets and Consolidated Statements of Income, respectively. The non-controlling interests of CT REIT and CTFS Holdings Limited were initially measured at fair value on the date of acquisition.

The following table summarizes the information relating to non-controlling interests:

				2017
(C$ in millions)	CT REIT[1]	CTFS Holdings Limited[2]	Other[3]	Total
Non-controlling interests	14.5%	20.0%	50.0%	
Current assets	$ 15.9	$ 5,942.7	$ 15.4	$ 5,974.0
Non-current assets	5,439.5	232.2	31.5	5,703.2
Current liabilities	225.9	2,028.3	5.6	2,259.8
Non-current liabilities	2,368.0	2,998.9	21.5	5,388.4
Net assets	2,861.5	1,147.7	19.8	4,029.0
Revenue	$ 443.3	$ 1,239.4	$ 209.6	$ 1,892.3
Net income attributable to non-controlling interests	$ 23.1	$ 56.0	$ 4.7	$ 83.8
Equity attributable to non-controlling interests	293.0	523.1	7.2	823.3
Distributions to non-controlling interests	(21.5)	(38.7)	(3.2)	(63.4)

1 Net income attributable to non-controlling interests is based on net income of CT REIT adjusted to convert to the Company's cost method, including recording of depreciation.

2 Net income attributable to non-controlling interests is based on the net income of CTFS Holdings Limited adjusted for contractual requirements as stipulated in the Universal Shareholder agreement.

3 Net income attributable to non-controlling interests is based on net income of the subsidiary adjusted for contractual requirements as stipulated in the ownership agreement.

(C$ in millions)	CT REIT[1]	CTFS Holdings Limited[2]	Other[3]	Total
				2016
Non-controlling interests	14.9%	20.0%	50.0%	
Current assets	$ 11.1	$ 5,539.4	$ 13.6	$ 5,564.1
Non-current assets	5,003.5	234.1	33.0	5,270.6
Current liabilities	219.3	2,201.9	4.3	2,425.5
Non-current liabilities	2,204.8	2,527.2	23.4	4,755.4
Net assets	2,590.5	1,044.4	18.9	3,653.8
Revenue	$ 407.2	$ 1,180.7	$ 184.9	$ 1,772.8
Net income attributable to non-controlling interests	$ 21.4	$ 52.4	$ 4.6	$ 78.4
Equity attributable to non-controlling interests	288.6	504.1	6.0	798.7
Distributions to non-controlling interests	(20.9)	(53.8)	(3.7)	(78.4)

[1] Net income attributable to non-controlling interests is based on net income of CT REIT adjusted to convert to the Company's cost method, including recording of depreciation.
[2] Net income attributable to non-controlling interests is based on the net income of CTFS Holdings Limited adjusted for contractual requirements as stipulated in the Universal Shareholder agreement.
[3] Net income attributable to non-controlling interests is based on net income of the subsidiary adjusted for contractual requirements as stipulated in the ownership agreement.

15. Income Taxes

15.1 Deferred Income Tax Assets and Liabilities

The amount of deferred tax assets or liabilities recognized in the Consolidated Balance Sheets and the corresponding movement recognized in the Consolidated Statements of Income, Consolidated Statements of Changes in Equity, or resulting from a business combination is as follows:

(C$ in millions)	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Other adjustments	Balance, end of year
						2017
Provisions, deferred revenue and reserves	**$ 152.8**	**$ 17.6**	**$ —**	**$ —**	**$ 0.6**	**$ 171.0**
Property and equipment	**(37.9)**	**(14.5)**	**—**	**0.3**	**(0.8)**	**(52.9)**
Intangible assets	**(170.6)**	**1.7**	**—**	**—**	**(0.9)**	**(169.8)**
Employee benefits	**39.7**	**1.2**	**2.3**	**—**	**—**	**43.2**
Cash flow hedges	**(13.2)**	**—**	**26.4**	**—**	**—**	**13.2**
Other	**7.3**	**0.5**	**—**	**—**	**(0.4)**	**7.4**
Net deferred tax asset (liability)[1]	**$ (21.9)**	**$ 6.5**	**$ 28.7**	**$ 0.3**	**$ (1.5)**	**$ 12.1**

[1] Includes the net amount of deferred tax assets of $114.4 million and deferred tax liabilities of $102.3 million.

(C$ in millions)	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Other adjustments	Balance, end of year
						2016
Provisions, deferred revenue and reserves	$ 143.8	$ 8.8	$ —	$ —	$ 0.2	$ 152.8
Property and equipment	(43.8)	5.9	—	—	—	(37.9)
Intangible assets	(153.5)	(17.1)	—	—	—	(170.6)
Employee benefits	37.5	1.1	1.1	—	—	39.7
Cash flow hedges	(53.3)	—	40.1	—	—	(13.2)
Other	6.3	1.0	—	—	—	7.3
Net deferred tax asset (liability)[1]	$ (63.0)	$ (0.3)	$ 41.2	$ —	$ 0.2	$ (21.9)

[1] Includes the net amount of deferred tax assets of $82.3 million and deferred tax liabilities of $104.2 million.

No deferred tax is recognized on the amount of temporary differences arising from the difference between the carrying amount of the investment in subsidiaries, branches and associates, and interests in joint arrangements accounted for in the financial statements and the cost amount for tax purposes of the investment. The Company is able to control the timing of the reversal of these temporary differences and believes it is probable that they will not reverse in the foreseeable future. The amount of these taxable temporary differences was approximately $2.4 billion at December 30, 2017 (2016 - $2.3 billion).

15.2 Income Tax Expense

The following are the major components of income tax expense:

(C$ in millions)		2017		2016
Current tax expense				
Current period	**$**	**291.9**	$	261.9
Adjustments with respect to prior years		**8.3**		1.3
	$	**300.2**	$	263.2
Deferred tax expense (benefit)				
Deferred income tax expense relating to the origination and reversal of temporary differences	**$**	**4.4**	$	2.9
Deferred income tax (benefit) adjustments with respect to prior years		**(11.9)**		(2.6)
Deferred income tax expense resulting from change in tax rate		**1.0**		—
		(6.5)		0.3
Total income tax expense	**$**	**293.7**	$	263.5

Income tax benefit recognized in Other Comprehensive Income was as follows:

(C$ in millions)		2017		2016
(Losses) on derivatives designated as cash flow hedges and available-for-sale financial assets	**$**	**(31.2)**	$	(14.7)
Reclassification of losses (gains) to non-financial assets on derivatives designated as cash flow hedges		**6.9**		(24.8)
Reclassification of (gains) to income on derivatives designated as cash flow hedges and available-for-sale financial assets		**(2.1)**		(0.6)
Actuarial losses		**(2.3)**		(1.1)
Total income tax (benefit)	**$**	**(28.7)**	$	(41.2)

Reconciliation of Income Tax Expense

Income taxes in the Consolidated Statements of Income vary from amounts that would be computed by applying the statutory income tax rate for the following reasons:

(C$ in millions)		2017		2016
Income before income taxes	**$**	**1,112.5**	$	1,011.0
Income taxes based on the applicable statutory tax rate of 26.66% (2016 - 26.67%)	**$**	**296.5**	$	269.6
Adjustment to income taxes resulting from:				
Non-deductibility of stock option expense		**5.7**		5.0
Non-taxable portion of capital gains		**(0.1)**		(2.0)
Income attributable to non-controlling interest in flow-through entities		**(7.4)**		(7.0)
Other		**(1.0)**		(2.1)
Income tax expense	**$**	**293.7**	$	263.5

The applicable statutory tax rate is the aggregate of the Canadian federal income tax rate of 15.0 percent (2016 - 15.0 percent) and the Canadian provincial income tax rate of 11.66 percent (2016 - 11.67 percent).

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.

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.

16. Deposits

Deposits consist of broker deposits and retail deposits.

Cash from broker deposits is raised through sales of GICs through brokers rather than directly to the retail customer. Broker deposits are offered for varying terms ranging from 30 days to five years and issued broker GICs are non-redeemable prior to maturity (except in certain rare circumstances). Total short-term and long-term broker deposits outstanding at December 30, 2017, were $1,746.5 million (2016 - $1,515.7 million).

Retail deposits consist of HIS deposits, retail GICs, and TFSA deposits. Total retail deposits outstanding at December 30, 2017, were $640.3 million (2016 - $665.8 million).

For repayment requirements of deposits refer to Note 5.4. The following are the effective rates of interest:

	2017	2016
GIC deposits	**2.67%**	2.78%
HIS account deposits	**1.40%**	1.39%

17. Trade and Other Payables

Trade and other payables include the following:

(C$ in millions)	**2017**	2016
Trade payables and accrued liabilities	**$ 1,780.8**	$ 1,598.3
Derivatives (Note 32)	**74.9**	13.4
Total financial liabilities	**1,855.7**	1,611.7
Deferred revenue	**65.6**	69.9
Insurance reserve	**15.2**	18.4
Other	**163.8**	159.3
	$ 2,100.3	$ 1,859.3

Deferred revenue consists mainly of unearned insurance premiums, unearned roadside assistance revenue, and unearned revenue relating to gift cards.

Other consists primarily of the short-term portion of share based payment transactions and sales taxes payable.

The credit range period on trade payables is one to 270 days (2016 - three to 270 days).

18. Provisions

The following table presents the changes to the Company's provisions:

					2017
(C$ in millions)	Sales and warranty returns	Site restoration and decommissioning	Customer loyalty	Other	Total
Balance, beginning of year	$ 143.5	$ 39.3	$ 98.9	$ 15.0	$ 296.7
Charges, net of reversals	332.9	1.5	199.0	8.6	542.0
Utilizations	(329.6)	(2.6)	(177.8)	(6.8)	(516.8)
Discount adjustments	0.8	2.0	—	—	2.8
Balance, end of year	$ 147.6	$ 40.2	$ 120.1	$ 16.8	$ 324.7
Current provisions	141.0	5.4	120.1	12.5	279.0
Long-term provisions	6.6	34.8	—	4.3	45.7

19. Contingencies

Legal and Regulatory Matters

The Company is party to a number of legal and regulatory proceedings. The Company believes that each such proceeding constitutes a routine matter incidental to the business conducted by the Company. The Company cannot determine with certainty the ultimate outcome of all the outstanding claims but believes that the ultimate disposition of the proceedings will not have a material adverse effect on its consolidated earnings, cash flow, or financial position.

20. Short-Term Borrowings

Short-term borrowings include commercial paper notes issued by GCCT and bank line of credit borrowings. Short-term borrowings may bear interest payable at maturity or be sold at a discount and mature at face value.

The commercial paper notes are short-term notes issued with varying original maturities of one year or less at interest rates fixed at the time of each renewal, and are recorded at amortized cost. As at December 30, 2017, $90.7 million (2016 - $89.6 million) of commercial paper notes were issued.

As at December 30, 2017, $53.9 million (2016 - $109.8 million) of bank line of credit borrowings had been drawn on CT REIT's Bank Credit Facility.

21. Loans Payable

Franchise Trust, a special purpose entity, is a legal entity sponsored by a third-party bank that originates loans to Dealers. Loans payable are the loans that Franchise Trust incurs to fund loans to Dealers. These loans are not direct legal liabilities of the Company but have been consolidated in the accounts of the Company as the Company effectively controls the silo of Franchise Trust containing the Dealer Loan Program.

Loans payable, which are initially recognized at fair value and are subsequently measured at amortized cost, are due within one year.

22 Long-Term Debt

Long-term debt includes the following:

	2017		2016	
(C$ in millions)	**Face value**	**Carrying amount**	Face value	Carrying amount
Senior notes (GCCT)				
Series 2012-1, 2.807%, May 20, 2017	**$ —**	**$ —**	$ 200.0	$ 199.9
Series 2012-2, 2.394%, October 20, 2017	**—**	**—**	400.0	399.6
Series 2013-1, 2.755%, November 20, 2018	**250.0**	**249.7**	250.0	249.4
Series 2014-1, 2.568%, September 20, 2019	**472.5**	**471.5**	472.5	471.2
Series 2015-1, 2.237%, September 20, 2020	**465.0**	**463.8**	465.0	463.3
Series 2017-1, 2.048%, September 20, 2022	**523.6**	**521.2**	—	—
Subordinated notes (GCCT)				
Series 2012-1, 3.827%, May 20, 2017	**—**	**—**	11.6	11.6
Series 2012-2, 3.174%, October 20, 2017	**—**	**—**	23.3	23.3
Series 2013-1, 3.275%, November 20, 2018	**14.6**	**14.6**	14.6	14.6
Series 2014-1, 3.068%, September 20, 2019	**27.5**	**27.5**	27.5	27.5
Series 2015-1, 3.237%, September 20, 2020	**35.0**	**35.0**	35.0	35.0
Series 2017-1, 3.298%, September 20, 2022	**36.4**	**36.4**	—	—
Medium-term notes and debentures (CT REIT)				
2.159% due June 1, 2021	**150.0**	**149.3**	150.0	149.1
2.852% due June 9, 2022	**150.0**	**149.3**	150.0	149.1
3.527% due June 9, 2025	**200.0**	**198.7**	200.0	198.6
3.289% due June 1, 2026	**200.0**	**198.7**	200.0	198.6
3.469% due June 16, 2027	**175.0**	**173.5**	—	—
Medium-term notes and debentures (CTC)				
6.375% due April 13, 2028	**150.0**	**148.7**	150.0	148.6
6.445% due February 24, 2034	**200.0**	**198.2**	200.0	198.1
5.61% due September 4, 2035	**200.0**	**199.5**	200.0	199.4
Finance lease obligations	**123.4**	**123.4**	125.8	125.8
Mortgages	**44.0**	**44.0**	55.9	56.0
Promissory note	**1.4**	**1.4**	1.8	1.8
Total debt	**$ 3,418.4**	**$ 3,404.4**	$ 3,333.0	$ 3,320.5
Current	**282.3**	**282.3**	653.4	653.4
Non-current	**3,136.1**	**3,122.1**	2,679.6	2,667.1

The carrying amount of long-term debt is net of debt issuance costs of $14.0 million (2016 - $12.6 million).

Senior and Subordinated Notes

Asset-backed senior and subordinated notes issued by GCCT are recorded at amortized cost using the effective interest method.

Subject to the payment of certain priority amounts, the senior notes have recourse on a priority basis to the related series ownership interest. The subordinated notes have recourse to the related series ownership interests on a subordinated basis to the senior notes in terms of the priority of payment of principal and, in some circumstances, interest. The asset-backed notes, together with certain other permitted obligations of GCCT, are secured by the assets of GCCT. The entitlement of note holders and other parties to such assets is governed by the priority and payment provisions set forth in the GCCT's Trust Indenture dated as of November 29, 1995, as amended, and related series supplements under which these series of notes were issued.

Repayment of the principal of the series 2013-1, 2014-1, 2015-1, and 2017-1 notes is scheduled for the expected repayment dates indicated in the preceding table. Subsequent to the expected repayment date, collections distributed to GCCT with respect to the related ownership interest will be applied to pay any remaining amount owing.

Principal repayments may commence earlier than these scheduled commencement dates if certain events occur including:

- the Bank failing to make required payments to GCCT or failing to meet covenant or other contractual terms;
- the performance of the receivables failing to achieve set criteria; and
- insufficient receivables in the pool.

None of these events occurred in the year ended December 30, 2017.

Medium-Term Notes and Debentures

Medium-term notes and debentures are unsecured and are redeemable by the Company, in whole or in part, at any time, at the greater of par or a formula price based upon interest rates at the time of redemption.

Finance Lease Obligations

Finance leases relate to DCs, fixtures, and equipment. The Company generally has the option to renew such leases or purchase the leased assets at the conclusion of the lease term. During 2017, interest rates on finance leases ranged from 1.1 percent to 8.01 percent. Remaining terms at December 30, 2017, were five to 108 months.

Finance lease obligations are payable as follows:

			2017			2016
(C$ in millions)	**Future minimum lease payments**	**Interest**	**Present value of future minimum lease payments**	Future minimum lease payments	Interest	Present value of future minimum lease payments
Due in less than one year	**$ 24.4**	**$ 7.0**	**$ 17.4**	$ 24.2	$ 7.5	$ 16.7
Due between one year and two years	**21.7**	**6.2**	**15.5**	21.0	6.5	14.5
Due between two years and three years	**20.0**	**5.5**	**14.5**	18.5	5.8	12.7
Due between three years and four years	**19.0**	**4.6**	**14.4**	16.6	5.1	11.5
Due between four years and five years	**18.2**	**3.7**	**14.5**	15.7	4.3	11.4
Due in more than five years	**53.8**	**6.7**	**47.1**	69.2	10.2	59.0
	$ 157.1	**$ 33.7**	**$ 123.4**	$ 165.2	$ 39.4	$ 125.8

Mortgages

Mortgages bear interest rates ranging from 2.97 percent to 3.60 percent and have maturity dates ranging from January 1, 2019 to December 8, 2019.

Promissory Notes

Promissory notes were issued as part of franchise acquisitions in 2015. These notes are non-interest bearing.

Debt Covenants

The Company has provided covenants to certain of its lenders. The Company was in compliance with all of its covenants as at December 30, 2017. Refer to Note 4 for details on the Company's debt covenants.

23. Other Long-Term Liabilities

Other long-term liabilities include the following:

(C$ in millions)	**2017**	2016
Redeemable financial instrument[1]	**$ 517.0**	$ 517.0
Employee benefits (Note 24)	**162.4**	149.3
Deferred gains	**12.5**	15.2
Derivatives (Note 32)	**3.6**	8.3
Deferred revenue	**2.7**	6.1
Other	**150.0**	140.7
	$ 848.2	$ 836.6

[1] A financial liability; refer to Note 32 for further information on the redeemable financial instrument.

Deferred gains relate to the sale and leaseback of certain distribution centres. The deferred gains are amortized over the terms of the leases.

Other includes the long-term portion of share-based payment transactions, deferred lease inducements, and straight-line rent liabilities.

24. Employment Benefits

Profit-Sharing Program

The Company has a profit-sharing program for certain employees. The amount awarded to employees is contingent on the Company's profitability but shall be equal to at least one percent of the Company's previous year's net profits after income tax. A portion of the award ("Base Award") is contributed to a DPSP for the benefit of the employees. The maximum amount of the Company's Base Award contribution to the DPSP per employee per year is subject to limits set by the Income Tax Act. Each participating employee is required to invest and maintain 10 percent of the Base Award in a Company share fund of the DPSP. The share fund holds both Common Shares and Class A Non-Voting Shares. The Company's contributions to the DPSP, with respect to each employee, vest 20 percent after one year of continuous service and 100 percent after two years of continuous service.

In 2017, the Company contributed $23.5 million (2016 - $22.4 million) under the terms of the DPSP.

Defined Benefit Plan

The Company provides certain health care, dental care, life insurance, and other benefits for certain retired employees pursuant to Company policy. The Company does not have a pension plan. Information about the Company's defined benefit plan is as follows:

(C$ in millions)	**2017**	2016
Change in the present value of defined benefit obligation		
Defined benefit obligation, beginning of year	**$ 149.3**	$ 141.2
Current service cost	**1.9**	1.7
Interest cost	**5.7**	5.7
Actuarial loss arising from changes in financial assumptions	**9.9**	4.8
Actuarial gain arising from changes in experience assumptions	**(1.1)**	(1.0)
Benefits paid	**(3.3)**	(3.1)
Defined benefit obligation, end of year[1]	**$ 162.4**	$ 149.3

[1] The accrued benefit obligation is not funded because funding is provided when benefits are paid. Accordingly, there are no plan assets.

Significant actuarial assumptions used:

	2017	2016
Defined benefit obligation, end of year:		
Discount rate	**3.50%**	3.90%
Net benefit plan expense for the year:		
Discount rate	**3.90%**	4.10%

For measurement purposes, a 4.67 percent weighted average health care cost trend rate is assumed for 2017 (2016 - 4.80 percent). The rate is assumed to decrease gradually to 2.96 percent for 2032 and remain at that level thereafter.

The most recent actuarial valuation of the obligation was performed as of January 2, 2016.

The cumulative amount of actuarial losses before tax recognized in equity at December 30, 2017, was $56.6 million (2016 - $47.8 million).

Sensitivity Analysis:

The Company's defined benefit plan is exposed to actuarial risks such as the health care cost trend rate, the discount rate, and the life expectancy assumptions. The following tables provide the sensitivity of the defined benefit obligation to these

assumptions. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged.

(C$ in millions)		**2017**
Sensitivity analysis	**Accrued benefit obligation**	
	Increase	***Decrease***
A fifty basis point change in assumed discount rates	**$ (12.7)**	**$ 14.4**
A one-percentage-point change in assumed health care cost trend rates	**16.3**	**(13.6)**
A one-year change in assumed life expectancy	**4.0**	**(4.0)**

The weighted-average duration of the defined benefit plan obligation at December 30, 2017 is 16.6 years (2016 - 16.4 years).

25. Share Capital

Share capital consists of the following:

(C$ in millions)	**2017**	2016
Authorized		
3,423,366 Common Shares		
100,000,000 Class A Non-Voting Shares		
Issued		
3,423,366 Common Shares (2016 - 3,423,366)	**$ 0.2**	$ 0.2
63,066,561 Class A Non-Voting Shares (2016 - 67,323,781)	**615.5**	647.9
	$ 615.7	$ 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 NCIB program.

The following transactions occurred with respect to Class A Non-Voting Shares during 2017 and 2016:

		2017		2016
(C$ in millions)	**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	**60,785**	**9.4**	68,069	9.3
Repurchased[1]	**(4,318,005)**	**(659.3)**	(3,382,275)	(449.4)
Excess of purchase price over average cost	**—**	**617.5**	—	417.0
Shares outstanding at end of the period	**63,066,561**	**$ 615.5**	67,323,781	$ 647.9

[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.

Conditions of Class A Non-Voting Shares and Common Shares

The holders of Class A Non-Voting Shares are entitled to receive a fixed cumulative preferential dividend at the rate of $0.01 per share per annum. After payment of fixed cumulative preferential dividends at the rate of $0.01 per share per annum on each of the Class A Non-Voting Shares with respect to the current year and each preceding year, and payment of a non-cumulative dividend on each of the Common Shares with respect to the current year at the same rate, the holders of the Class A Non-Voting Shares and the Common Shares are entitled to further dividends declared and paid in equal amounts per share without preference or distinction or priority of one share over another.

In the event of the liquidation, dissolution, or winding up of the Company, all of the property of the Company available for distribution to the holders of the Class A Non-Voting Shares and the Common Shares shall be paid or distributed equally,

share for share, to the holders of the Class A Non-Voting Shares, and to the holders of the Common Shares without preference or distinction or priority of one share over another.

The holders of Class A Non-Voting Shares are entitled to receive notice of and to attend all meetings of the shareholders; however, except as provided by the *Business Corporations Act* (Ontario) and as hereinafter noted, they are not entitled to vote at those meetings. Holders of Class A Non-Voting Shares, voting separately as a class, are entitled to elect the greater of (i) three Directors or (ii) one-fifth of the total number of the Company's Directors.

The holders of Common Shares are entitled to receive notice of, to attend, and to have one vote for each Common Share held at all meetings of holders of Common Shares, subject only to the restriction on the right to elect those directors who are elected by the holders of Class A Non-Voting Shares as set out above.

Common Shares can be converted, at any time and at the option of each holder of Common Shares, into Class A Non-Voting Shares on a share-for-share basis. The authorized number of shares of either class cannot be increased without the approval of the holders of at least two-thirds of the shares of each class represented and voted at a meeting of the shareholders called for the purpose of considering such an increase. Neither the Class A Non-Voting Shares nor the Common Shares can be changed in any manner whatsoever, whether by way of subdivision, consolidation, reclassification, exchange, or otherwise, unless at the same time the other class of shares is also changed in the same manner and in the same proportion.

Should an offer to purchase Common Shares be made to all, or substantially all of the holders of Common Shares, or be required by applicable securities legislation or by the Toronto Stock Exchange to be made to all holders of Common Shares in Ontario and should a majority of the Common Shares then issued and outstanding be tendered and taken up pursuant to such offer, the Class A Non-Voting Shares shall thereupon and thereafter be entitled to one vote per share at all meetings of the shareholders and thereafter the Class A Non-Voting Shares shall be designated as Class A Shares. The foregoing voting entitlement applicable to Class A Non-Voting Shares would not apply in the case where an offer is made to purchase both Class A Non-Voting Shares and Common Shares at the same price per share and on the same terms and conditions.

The foregoing is a summary of certain conditions attached to the Class A Non-Voting Shares of the Company and reference should be made to the Company's articles of amendment dated December 15, 1983 for a full statement of such conditions, which are available on SEDAR at www.sedar.com.

As of December 30, 2017, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $59.6 million (2016 - $45.9 million) at a rate of $0.900 per share (2016 - $0.650 per share).

On February 14, 2018 the Company's Board of Directors declared a dividend of $0.900 per share payable on June 1, 2018 to shareholders of record as of April 30, 2018.

Dividends per share declared were $2.8500 in 2017 (2016 - $2.3750).

Dilutive effect of employee stock options is 193,007 (2016 - 195,429).

26. Share-Based Payments

The Company's share-based payment plans are described below.

Stock Options

The Company has granted stock options to certain employees that enable such employees to exercise their stock options and subscribe for Class A Non-Voting Shares or surrender their options and receive a cash payment. Such cash payment is calculated as the difference between the fair market value of Class A Non-Voting Shares as at the surrender date and the exercise price of the option. Stock options granted prior to 2012 vested on the third anniversary of their grant. Stock options that were granted in 2012 and later vest over a three-year period. All outstanding stock options have a term of seven years. At December 30, 2017, the aggregate number of Class A Non-Voting Shares that were authorized for issuance under the stock option plan was 3.4 million.

Stock option transactions during 2017 and 2016 were as follows:

	2017		2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of year	**961,349**	**$ 116.41**	1,010,243	$ 97.75
Granted	**300,217**	**156.20**	404,439	129.92
Exercised and surrendered[1]	**(193,493)**	**100.46**	(337,338)	75.12
Forfeited	**(42,234)**	**138.85**	(115,995)	121.13
Outstanding at end of year	**1,025,839**	**$ 130.14**	961,349	$ 116.41
Stock options exercisable at end of year	**483,704**		395,042	

1 The weighted average market price of the Company's shares when the options were exercised in 2017 was $155.67 (2016 - $131.27).

The following table summarizes information about stock options outstanding and exercisable at December 30, 2017:

	Options outstanding			Options exercisable	
Range of exercise prices	**Number of outstanding options**	**Weighted average remaining contractual life**[1]	**Weighted average exercise price**	**Number of exercisable options**	**Weighted average exercise price**
$ 156.29	**285,682**	**6.16**	**$ 156.29**	**1,741**	**$ 156.29**
129.14 to 129.92	**568,581**	**4.73**	**129.57**	**310,387**	**129.47**
99.72	**112,595**	**3.19**	**99.72**	**112,595**	**99.72**
62.30 to 69.01	**58,981**	**1.87**	**67.48**	**58,981**	**67.48**
$ 62.30 to 156.29	**1,025,839**	**4.79**	**$ 130.14**	**483,704**	**$ 115.08**

1 Weighted average remaining contractual life is expressed in years.

Performance Share Units and Performance Units

The Company grants Performance Share Units ("PSUs") to certain of its employees that generally vest after three years. Each PSU entitles the participant to receive a cash payment equal to the fair market value of the Company's Class A Non-Voting Shares on the date set out in the Performance Share Unit Plan, multiplied by a factor determined by specific performance-based criteria and, in the case of PSUs granted in 2016 and onwards, a relative total shareholder return modifier.

CT REIT grants Performance Units ("PUs") to certain of its employees that generally vest after three years. Each PU entitles the participant to receive a cash payment equal to the fair market value of Units of CT REIT on the date set out in the Performance Unit Plan, multiplied by a factor determined by specific performance-based criteria.

Deferred Share Units and Deferred Units

The Company offers Deferred Share Unit ("DSU") Plans to certain of its Executives and to members of its Board of Directors. Under the Executives' DSU Plan, eligible Executives may elect to receive all or a portion of their annual bonus in DSUs. The Executives' DSU Plan also provides for the granting of discretionary DSUs. Under the Directors' DSU Plan, eligible Directors may defer all or a portion of their annual director fees into DSUs. DSUs received under both the Executives' and Directors' DSU Plans are settled in cash following termination of service with the Company and/or the Board based on the fair market value of the Company's Class A Non-Voting Shares on the settlement date.

CT REIT also offers a Deferred Unit Plan for members of its Board of Trustees. Under this plan, eligible trustees may elect to receive all or a portion of their annual trustee fees in Deferred Units ("DUs"). DUs are settled through the issuance of an equivalent number of Units of CT REIT or, at the election of the trustee, cash, following termination of service with the Board.

Restricted Unit Plan

CT REIT offers a Restricted Unit Plan for its Executives. Restricted Units ("RUs") may be issued as discretionary grants or, Executives may elect to receive all or a portion of their annual bonus in RUs. At the end of the vesting period, which is generally three years from the date of grant (in the case of discretionary grants) and five years from the annual bonus payment date (in the case of deferred bonus), an Executive receives an equivalent number of Units issued by CT REIT or, at the Executive's election, the cash equivalent thereof.

The fair value of stock options and PSUs at the end of the year was determined using the Black-Scholes option pricing model with the following inputs:

	2017		2016	
	Stock options	**PSUs**	Stock options	PSUs
Share price at end of year (C$)	**$ 163.90**	**$ 163.90**	$ 139.27	$ 139.27
Weighted average exercise price[1] (C$)	**$ 129.42**	**N/A**	$ 116.23	N/A
Expected remaining life (years)	**3.8**	**1.2**	4.1	1.1
Expected dividends	**2.4%**	**3.2%**	1.8%	2.6%
Expected volatility[2]	**20.6%**	**15.7%**	20.4%	19.2%
Risk-free interest rate	**2.2%**	**1.9%**	1.4%	1.0%

[1] Reflects expected forfeitures.
[2] Reflects historical volatility over a period of time similar to the remaining life of the stock options, which may not necessarily be the actual outcome.

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The Company enters into equity derivative transactions to hedge share-based payments and does not apply hedge accounting. The expense recognized for share-based compensation is summarized as follows:

(C$ in millions)	2017	2016
Expense arising from share-based payment transactions	**$ 75.4**	$ 64.6
Effect of hedging arrangements	**(32.0)**	(32.0)
Total expense included in net income	**$ 43.4**	$ 32.6

The total carrying amount of liabilities for share-based payment transactions at December 30, 2017, was $129.3 million (2016 - $101.1 million).

The intrinsic value of the liability for vested benefits at December 30, 2017, was $47.4 million (2016 - $30.7 million).

27. Revenue

Revenue consists of the following:

(C$ in millions)	2017	2016
Sale of goods	**$ 11,684.4**	$ 11,002.7
Interest income on loans receivable	**940.8**	881.0
Royalties and licence fees	**414.9**	400.0
Services rendered	**317.7**	329.9
Rental income	**77.1**	67.4
	$ 13,434.9	$ 12,681.0

Major Customers

The Company does not rely on any one customer.

28. Cost of Producing Revenue

Cost of producing revenue consists of the following:

(C$ in millions)	2017	2016
Inventory cost of sales[1]	$ 8,398.9	$ 7,898.4
Net impairment loss on loans receivable	292.9	287.0
Finance costs on deposits	55.6	52.8
Other	49.1	50.3
	$ 8,796.5	$ 8,288.5

1 Inventory cost of sales includes depreciation for the year ended December 30, 2017 of $6.8 million (2016 - $8.0 million).

Inventory writedowns, as a result of net realizable value being lower than cost, recognized in the year ended December 30, 2017 were $59.0 million (2016 - $61.5 million).

Inventory writedowns recognized in prior periods and reversed in the year ended December 30, 2017 were $9.6 million (2016 - $5.5 million). The reversal of writedowns was the result of actual losses being lower than previously estimated.

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

29. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following:

(C$ in millions)	2017	2016
Personnel expenses	$ 1,191.7	$ 1,160.1
Occupancy	697.2	658.7
Marketing and advertising	432.8	388.1
Depreciation of property and equipment and investment property[1]	328.2	322.8
Information systems	167.9	143.3
Amortization of intangible assets	133.7	126.1
Other	461.6	492.8
	$ 3,413.1	$ 3,291.9

1 Refer to Note 28 for depreciation included in cost of producing revenue.

30. Net Finance Costs

Net finance costs consists of the following:

(C$ in millions)		2017		2016
Finance (income)[1]	**$**	**(10.0)**	$	(9.4)
Finance costs				
Subordinated and senior notes	**$**	**49.4**	$	48.3
Medium-term notes		**58.9**		51.3
Loans payable		**13.6**		12.0
Finance leases		**7.5**		8.3
Other		**8.4**		7.2
		137.8		127.1
Less: Capitalized borrowing costs		**15.2**		23.8
Total finance costs	**$**	**122.6**	$	103.3
Net finance costs	**$**	**112.6**	$	93.9

[1] Primarily includes short and long-term investments and tax installments.

31. Notes to the Consolidated Statements of Cash Flows

Change in operating working capital and other comprise the following:

(C$ in millions)		2017		2016
Change in operating working capital				
Trade and other receivables	**$**	**(50.8)**	$	66.2
Merchandise inventories		**(29.2)**		74.0
Income taxes		**(1.0)**		(1.6)
Prepaid expenses and deposits		**(8.0)**		(7.6)
Trade and other payables		**154.1**		(82.2)
Total		**65.1**		48.8
Change in other				
Provisions		**31.6**		36.2
Long-term provisions		**(1.3)**		2.4
Other long term liabilities		**11.6**		22.9
Total		**41.9**		61.5
Change in operating working capital and other	**$**	**107.0**	$	110.3

Changes in liabilities arising from financing activities comprise the following:

	2017	
(C$ in millions)	Deposits	Long-term debt
Balance, beginning of year	**$ 2,181.5**	**$ 3,320.5**
Cash changes:		
Change in deposits	**201.5**	**—**
Long-term debt issuance	**—**	**735.0**
Mortgage issuance	**—**	**6.0**
Long-term debt repayment	**—**	**(635.4)**
Finance lease obligation repayment	**—**	**(18.0)**
Mortgage repayment	**—**	**(17.8)**
Payment of transaction costs related to long-term debt	**—**	**(4.2)**
Total changes from financing cash flows	**$ 201.5**	**$ 65.6**
Non-cash changes:		
Finance lease addition	**—**	**15.7**
Amortization of debt issuance costs	**—**	**2.6**
Amortization of broker commission	**3.8**	**—**
Balance, end of year	**$ 2,386.8**	**$ 3,404.4**

31.1 Cash and Marketable Investments Held in Reserve

Cash and marketable investments includes reserves held by the Financial Services segment in support of its liquidity and regulatory requirements. As at December 30, 2017, reserves held by Financial Services totalled $368.6 million (2016 - $422.1 million) and includes restricted cash disclosed in Note 7 as well as short-term investments.

31.2 Supplementary Information

During the year ended December 30, 2017, the Company acquired property and equipment and investment property at an aggregate cost of $514.8 million (2016 - $601.1 million). During the year ended December 30, 2017, intangible assets were internally developed or acquired at an aggregate cost of $144.1 million (2016 - $153.8 million).

The amount relating to property and equipment and investment property acquired that is included in trade and other payables at December 30, 2017, is $76.4 million (2016 - $63.5 million). The amount relating to intangible assets that is included in trade and other payables at December 30, 2017, is $10.9 million (2016 - $28.4 million).

During the year ended December 30, 2017, the Company also included in the property and equipment, investment property, and intangible assets acquired non-cash items relating to finance leases, and capitalized interest in the amount of $30.9 million (2016 - $24.3 million).

32. Financial Instruments

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

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

Redeemable Financial Instrument

On October 1, 2014, The Bank of Nova Scotia ("Scotiabank") acquired a 20.0 percent interest in the Financial Services business from the Company for proceeds of $476.8 million, net of $23.2 million in transaction costs. In conjunction with the transaction, Scotiabank was provided an option to sell and require the Company to purchase all of the interest owned by Scotiabank at any time during the six-month period following the tenth anniversary of the transaction. This obligation gives rise to a liability for the Company (the "redeemable financial instrument") and is recorded on the Company's Consolidated Balance Sheets in Other long-term liabilities. The purchase price will be based on the fair value of the Financial Services business and Scotiabank's proportionate interest in the Financial Services business, at that time.

The redeemable financial instrument was initially recorded at $500.0 million and is subsequently measured at fair value with changes in fair value recorded in net income for the period in which they arise. The subsequent fair value measurements of the redeemable financial instrument are calculated based on a discounted cash flow analysis using normalized earnings attributable to the Financial Services business, adjusted for any undistributed earnings and Scotiabank's proportionate interest in the business. The Company estimates future normalized earnings based on the most recent actual results. The earnings are then forecast over a period of five years, taking into account a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal value is based on an industry-based estimate of the Financial Services business. The discount rate reflects the cost of equity of the Financial Services business and is based on expected market rates adjusted to reflect the risk profile of the Business. The fair value measurement is performed quarterly using internal estimates and judgment supplemented by periodic input from a third party. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy (refer to Note 32.4).

32.2 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 (refer to Note 32.4). The fair values of the Company's debt and deposits compared to the carrying amounts are as follows:

As at	**December 30, 2017**		December 31, 2016	
(C$ in millions)	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Liabilities carried at amortized cost				
Debt	**$ 3,404.4**	**$ 3,534.8**	$ 3,320.5	$ 3,476.9
Deposits	**$ 2,386.8**	**$ 2,404.4**	$ 2,181.5	$ 2,197.9

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

32.3 Items of Income, Expense, Gains or Losses

The following table presents certain amounts of income, expense, gains, or losses, arising from financial instruments that were recognized in net income or equity:

(C$ in millions)	**2017**	2016
Net gain on:		
Financial instruments designated and/or classified as FVTPL[1]	**$ 29.4**	$ 29.1
Interest income (expense):		
Total interest income calculated using effective interest method for financial instruments that are not at FVTPL	**947.0**	888.6
Total interest expense calculated using effective interest method for financial instruments that are not at FVTPL	**(183.8)**	(169.5)
Fee expense arising from financial instruments that are not at FVTPL:		
Other fee expense	**(14.7)**	(13.9)

[1] Excludes gains (losses) on cash flow hedges, which are effective hedging relationships and gains (losses) on available-for-sale investments that are both reflected in the Consolidated Statements of Comprehensive Income.

32.4 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 levels of which are:

Level 1 - Inputs are unadjusted quoted prices of identical instruments in active markets;
Level 2 - Inputs are other than quoted prices included in Level 1 but are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs are not based on observable market data.

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

(C$ in millions)			**2017**		2016
Balance sheet line	**Category**	**Level**		Level	
Short-term investments	FVTPL	**2**	**$ 45.6**	2	$ 38.6
Short-term investments	Available-for-sale	**2**	**86.9**	2	78.6
Long-term investments	Available-for-sale	**2**	**165.0**	2	175.2
Trade and other receivables	FVTPL[1]	**2**	**19.4**	2	26.7
Trade and other receivables	Effective hedging instruments	**2**	**3.8**	2	49.9
Long-term receivables and other assets	FVTPL[1]	**2**	**27.5**	2	26.0
Long-term receivables and other assets	Effective hedging instruments	**2**	**18.6**	2	20.2
Trade and other payables	FVTPL[1]	**2**	**14.2**	2	1.1
Trade and other payables	Effective hedging instruments	**2**	**60.7**	2	12.3
Redeemable financial instrument	FVTPL	**3**	**517.0**	3	517.0
Other long-term liabilities	Effective hedging instruments	**2**	**3.6**	2	8.3

[1] Includes derivatives that are classified as held for trading.

There were no transfers in either direction between categories in 2017 or 2016.

Changes in Fair Value Measurement for Instruments Categorized in Level 3

Level 3 financial instruments include a redeemable financial instrument.

As of December 30, 2017, the fair value of the redeemable financial instrument was estimated to be $517.0 million (2016 - $517.0 million). The determination of the fair value of the redeemable financial instrument requires significant judgment on the part of Management. Refer to Note 2 of these consolidated financial statements for further information.

33. Operating Leases

The Company as Lessee

The Company leases a number of retail stores, distribution centres, petroleum sites, facilities, and office equipment, under operating leases with termination dates extending to March 25, 2060. Generally, the leases have renewal options, primarily at the Company's option.

The annual lease payments for property and equipment under operating leases are as follows:

(C$ in millions)		2017		2016
Less than one year	**$**	**338.9**	$	354.1
Between one and five years		**1,044.2**		1,097.7
More than five years		**769.0**		830.2
	$	**2,152.1**	$	2,282.0

The amounts recognized as an expense are as follows:

(C$ in millions)		2017		2016
Minimum lease payments[1]	**$**	**380.6**	$	369.6
Sublease payments received		**(38.7)**		(38.5)
	$	**341.9**	$	331.1

[1] Minimum lease payments includes contingent rent.

Due to the redevelopment or replacement of existing properties, certain leased properties are no longer needed for business operations. Where possible, the Company subleases these properties to third parties, receiving sublease payments to reduce costs. In addition, the Company has certain premises where it is on the head lease and subleases the property to franchisees. The total future minimum sublease payments expected under these non-cancellable subleases were $118.2 million as at December 30, 2017 (2016 - $82.6 million).

The Company as Lessor

The Company leases out a number of its investment properties (refer to Note 12), and has certain sublease arrangements, under operating leases, with lease terms between one to 36 years with the majority having an option to renew after the expiry date.

The lessee does not have an option to purchase the property at the expiry of the lease period.

The future annual lease payments receivable from lessees under non-cancellable leases are as follows:

(C$ in millions)		2017		2016
Less than one year	**$**	**47.1**	$	35.9
Between one and five years		**128.4**		90.0
More than five years		**81.1**		66.5
	$	**256.6**	$	192.4

34. Guarantees and Commitments

Guarantees

In the normal course of business, the Company enters into numerous agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract (including an indemnity) that contingently requires the Company to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable that is related to an asset, a liability or an equity security of the counterparty; (ii) failure of another party to perform under an obligating agreement; or (iii) failure of a third party to pay its indebtedness when due.

The Company has provided the following significant guarantees and other commitments to third parties:

Standby Letters of Credit

Franchise Trust, a legal entity sponsored by a third-party bank, originates loans to Dealers for their purchase of inventory and fixed assets. While Franchise Trust is consolidated as part of these financial statements, the Company has arranged for several major Canadian banks to provide standby LCs to Franchise Trust to support the credit quality of the Dealer loan portfolio. The banks may also draw against the LCs to cover any shortfalls in certain related fees owing to it. In any case where a draw is made against the LCs, the Company has agreed to reimburse the banks issuing the standby LCs for the amount so drawn. The Company has not recorded any liability for these amounts due to the credit quality of the Dealer loans and to the nature of the underlying collateral represented by the inventory and fixed assets of the borrowing Dealers. In the unlikely event that all the LCs have been fully drawn simultaneously, the maximum payment by the Company under this reimbursement obligation would have been $117.0 million at December 30, 2017 (2016 - $141.2 million).

The Company has obtained documentary and standby letters of credit aggregating $41.2 million (2016 - $40.4 million) relating to the importation of merchandise inventories and to facilitate various real estate activities.

Business and Property Dispositions

In connection with agreements for the sale of all or part of a business or property and in addition to indemnifications relating to failure to perform covenants and breach of representations and warranties, the Company has agreed to indemnify the purchasers against claims from its past conduct, including environmental remediation. Typically, the term and amount of such indemnification will be determined by the parties in the agreements. The nature of these indemnification agreements prevents the Company from estimating the maximum potential liability it would be required to pay to counterparties. Historically, the Company has not made any significant indemnification payments under such agreements, and no amount has been accrued in the consolidated financial statements with respect to these indemnification agreements.

Lease Agreements Guarantees

The Company has guaranteed leases on certain franchise stores in the event the franchisees are unable to meet their remaining lease commitments. These lease agreements have expiration dates through November 2023. The maximum amount that the Company may be required to pay under these agreements was $3.9 million (2016 - $4.6 million). In addition, the Company could be required to make payments for percentage rents, realty taxes, and common area costs. No amount has been accrued in the consolidated financial statements with respect to these lease agreements.

Third-Party Financial Guarantees

The Company has guaranteed the debts of certain Dealers. These third-party financial guarantees require the Company to make payments if the Dealer fails to make scheduled debt payments. The majority of these third-party financial guarantees have expiration dates extending up to and including June 2018. Under these financial guarantees, $17.2 million (2016 - $23.4 million) was issued at December 30, 2017. No amount has been accrued in the consolidated financial statements with respect to these debt agreements.

The Company has entered into agreements to buy back franchise-owned merchandise inventory should the banks foreclose on any of the franchisees. The terms of the guarantees range from less than a year to the lifetime of the particular underlying franchise agreement. The Company's maximum exposure as at December 30, 2017, was $68.9 million (2016 - $70.4 million).

Indemnification of Lenders and Agents Under Credit Facilities

In the ordinary course of business, the Company has agreed to indemnify its lenders under various credit facilities against costs or losses resulting from changes in laws and regulations that would increase the lenders' costs and from any legal action brought against the lenders related to the use of the loan proceeds. These indemnifications generally extend for the term of the credit facilities and do not provide any limit on the maximum potential liability. Historically, the Company has not made any significant indemnification payments under such agreements, and no amount has been accrued in the consolidated financial statements with respect to these indemnification agreements.

Other Indemnification Agreements

In the ordinary course of business, the Company provides other additional indemnification agreements to counterparties in transactions such as leasing transactions, service arrangements, investment banking agreements, securitization agreements, indemnification of trustees under indentures for outstanding public debt, director and officer indemnification agreements, escrow agreements, price escalation clauses, sales of assets (other than dispositions of businesses discussed

above), and the arrangements with Franchise Trust discussed above. These additional indemnification agreements require the Company to compensate the counterparties for certain amounts and costs incurred, including costs resulting from changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by a counterparty as a consequence of the transaction.

The terms of these additional indemnification agreements vary based on the contract and do not provide any limit on the maximum potential liability. Historically, the Company has not made any significant payments under such additional indemnifications, and no amount has been accrued in the consolidated financial statements with respect to these additional indemnification commitments.

The Company's exposure to credit risks related to the above-noted guarantees are disclosed in Note 5.

Capital Commitments
As at December 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 $120.3 million (2016 - $54.8 million).

35. Related Parties

The Company's majority shareholder is Martha Billes, who beneficially owns, or controls or directs approximately 61.4 percent of the Common Shares of the Company through two privately held companies, Tire 'N' Me Pty. Ltd. and Albikin Management Inc.

Transactions with members of the Company's Board of Directors who were also Dealers represented less than one percent of the Company's total revenue and were in accordance with established Company policy applicable to all Dealers. Other transactions with related parties, as defined by IFRS, were not significant during the year.

The following outlines the compensation of the Company's Board of Directors and key Management personnel (the Company's Chief Executive Officer, Chief Financial Officer, and certain other Senior Officers):

(C$ in millions)		**2017**		2016
Salaries and short-term employee benefits	**$**	**12.2**	$	11.0
Share-based payments and other		**24.2**		17.9
	$	**36.4**	$	28.9

36. 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 consolidated financial statements since the date of acquisition.

37. Comparative Figures

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

38. Subsequent Event

On February 7, 2018, CT REIT issued $200 million aggregate principal amount of senior unsecured debentures. The debentures have a coupon rate of 3.865 percent, were priced at a yield to maturity of 3.866 percent, and have a maturity date of December 7, 2027.