Management's Discussion and Analysis

Canadian Tire Corporation, Limited

First Quarter 2018

1.0 Preface

1.1 Definitions

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

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

In this document:

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

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

“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, 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 13.0 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 May 9, 2018.

1.4 Quarterly and Annual Comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q1 2018 (13 weeks ended March 31, 2018) are compared against results for Q1 2017 (13 weeks ended April 1, 2017).

1.5 Accounting Framework

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

1.6 Accounting Estimates and Assumptions

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

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

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

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 condensed interim consolidated financial statements. Management believes that retail sales and related year-over-year comparisons provide meaningful information to investors and are expected and valued by them to help assess the size and financial health of the Company's retail network of stores. These measures also serve as indicators of the strength of the Company's brand, which ultimately impacts its consolidated financial performance. Refer to section 8.3.1 for additional information on retail sales.

Revenue, as reported in the Company's condensed interim consolidated financial statements, comprises primarily the sale of goods to Dealers and to franchisees of Mark's and FGL, 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 8.3.1 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 8.3.1 for a description of ROR.

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 3.1 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 8.3.2 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 8.3.2 for further information and for a reconciliation of these measures to the nearest GAAP measure.

1.8 Rounding and Percentages

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

2.0 Company and Industry Overview

For an overview of the business, a full description of the Company’s Retail, CT REIT, and Financial Services operating segments, and a discussion of the competitive landscape affecting the Company, refer to section 2.0 of the Company’s MD&A for the year ended December 30, 2017 (“2017 MD&A”), available on the Company’s website (www.corp.canadiantire.ca/en/investors), and SEDAR (www.sedar.com).

3.0 2018 Financial Aspirations and Key Initiatives

Canadian Tire Corporation and its retail banners: Canadian Tire, PartSource, PHL, Gas+, Sport Chek, Sports Experts, National Sports, Mark’s and L’Equipeur, are among Canada’s most recognized and trusted brands. CTC offers approximately 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 is 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 Triangle Rewards, an enhanced Enterprise-wide loyalty and credit card program is one example of how CTC will engage existing customers, acquire new ones, and promote cross-shopping across its banners. The loyalty program strengthens the Company’s marketplace approach and ultimately, every customer relationship.

3.1 Three-Year (2018 to 2020) Financial Aspirations

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

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

The financial aspirations and a discussion of the underlying material assumptions and risks that might impact the achievement of the aspirations are outlined in the following table. In addition, achievement of the aspirations may be impacted by the risks identified in section 12.0 of the Company's 2017 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 gross average accounts receivable ("GAAR") growth and positive contribution to earnings by the Financial Services segment
- No major changes to the Company's financial leverage and capital allocation approach

Material risks:
- Risks associated with the Consolidated 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

3.2 2018 Key Initiatives

The following represents forward-looking information and readers 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 3.1), 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 customers' 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
• Roll out productivity initiatives designed to increase the sales and profitability of the retail store network and digital properties across all banners • Utilize a One Company approach to identify and execute opportunities to improve efficiency in its 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 its long term strategy • Continue to enhance the Triangle Learning Academy to support the development of 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 business models, processes and technology platforms to support financial aspirations

On April 9, 2018, the Company announced the planned launch of its Triangle Rewards program – an evolution of its iconic My Canadian Tire Money loyalty program, and associated credit card offerings. The program was made available to customers in Spring 2018.

4.0 Financial Performance

4.1 Consolidated Financial Performance

Non-Operational Items

The results of operations in the current and previous year's quarter ended March 31, 2018 and April 1, 2017 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.

4.1.1 Consolidated Financial Results

(C$ in millions, except where noted)		**Q1 2018**		Q1 2017[1]	Change
Retail sales[2]	**$**	**2,741.6**	$	2,577.2	6.4 %
Revenue	**$**	**2,814.9**	$	2,721.4	3.4 %
Gross margin dollars	**$**	**971.8**	$	940.8	3.3 %
Gross margin as a % of revenue		**34.5%**		34.6%	(5) bps
Other (income)	**$**	**(17.3)**	$	—	NM[3]
Selling, general and administrative expenses		**826.6**		767.0	7.8 %
Net finance costs		**30.7**		24.8	23.7 %
Income before income taxes	**$**	**131.8**	$	149.0	(11.5)%
Income taxes		**32.7**		41.1	(20.5)%
Effective tax rate		**24.8%**		27.6%	
Net income	**$**	**99.1**	$	107.9	(8.1)%
Net income attributable to:					
Shareholders of Canadian Tire Corporation	**$**	**78.0**	$	87.5	(10.9)%
Non-controlling interests		**21.1**		20.4	3.7 %
	$	**99.1**	$	107.9	(8.1)%
Basic EPS	**$**	**1.18**	$	1.24	(5.2)%
Diluted EPS	**$**	**1.18**	$	1.24	(5.3)%
Weighted average number of Common and Class A Non-Voting Shares outstanding:					
Basic		**66,122,350**		70,293,479	NM[3]
Diluted		**66,346,529**		70,474,660	NM[3]

[1] Revenue, gross margin and selling, general and administrative expenses were restated as a result of IFRS 15 adjustments. Refer to Note 2 of the condensed interim consolidated financial statements for additional information.

[2] Key operating performance measure. Refer to section 8.3.1 in this MD&A for additional information.

[3] 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 Company's 2017 Consolidated Financial Statements.

(C$ in millions)		**Q1 2018**		Q1 2017
Financial Services Non-controlling interest percentage 20.0% (2017 - 20.0%)	**$**	**13.9**	$	14.1
CT REIT Non-controlling interest percentage 14.5% (2017 - 14.8%)		**6.4**		5.8
Retail segment subsidiary Non-controlling interest percentage 50.0% (2017 - 50.0%)		**0.8**		0.5
Net income attributable to non-controlling interests	**$**	**21.1**	$	20.4

Consolidated First-Quarter 2018 versus First-Quarter 2017

Earnings Summary
Given that retail earnings in Q1 are relatively small, the consolidated results were impacted by flat earnings in the Financial Services segment and elevated expenses in the retail banners reflecting investments in strategic initiatives. Diluted EPS was $1.18 in the quarter, a decrease of $0.06 per share, or 5.3 percent, which includes a one-time charge for accelerated depreciation of $16.9 million or $0.19 per share. The increase in consolidated revenue and a $15.6 million gain on the sale of surplus property was offset by a 5 basis points ("bps") decrease in the consolidated gross margin rate, increased selling, general and administrative expenses, and higher net finance costs. EPS was favourably impacted by share repurchases pursuant to the Company's share-buyback program and a lower effective tax rate.

Retail Sales
Consolidated retail sales increased $164.4 million, or 6.4 percent, which includes an 11.9 percent increase in Petroleum retail sales primarily due to higher per litre gas prices. Excluding Petroleum, consolidated retail sales increased 5.1 percent, reflecting increased sales across all the Retail banners. Refer to section 4.2 for further information regarding the Retail segment sales in the quarter.

Revenue
Consolidated revenue increased $93.5 million, or 3.4 percent, which includes a $51.1 million increase in Petroleum revenue primarily due to higher per litre gas prices. Excluding Petroleum, consolidated revenue increased 1.8 percent, primarily due to increased revenue in the Financial Services segment resulting from continued receivables growth, and higher revenue at FGL and Mark's banners. Refer to sections 4.2 and 4.4 for further information regarding revenue in the Retail and Financial Services segments.

Gross Margin
Consolidated gross margin dollars increased $31.0 million, or 3.3 percent, driven by improved margin rate at Canadian Tire, increased revenue at FGL, Mark's and the Financial Services segment, as well as margin contribution from Petroleum. The consolidated gross margin rate decreased 5 bps compared to last year due to a decline in gross margin rate at Financial Services and an improvement in the rate at Retail. Excluding Petroleum, the consolidated gross margin rate increased 36 bps, reflecting improved gross margin in Retail, led by Canadian Tire, partially offset by a decline in gross margin rate in the Financial Services segment. Refer to sections 4.2 and 4.4 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 $59.6 million, or 7.8 percent. The increase was primarily in support of planned investments and initiatives such as growing the Company's owned brands and digital retail capabilities, higher variable compensation expense, marketing costs for the 2018 Winter Olympics and Paralympics, increased costs relating to the Bolton Distribution Centre in Caledon, Ontario ("Bolton DC"), and increased depreciation expenses, resulting from a one-time accelerated depreciation charge of $16.9 million. Excluding the one-time charge for accelerated depreciation, depreciation expense as a percentage of revenue decreased 45 bps compared to Q1 2017 which is within the previously disclosed range of 40 to 50 bps.

Other Income
Other income of $17.3 million primarily relates to a $15.6 million gain on the sale of surplus property.

Net Finance Costs
Consolidated net finance costs increased $5.9 million, or 23.7 percent, primarily due to higher interest expense on CT REIT related long-term debt and a lower amount of capitalized interest expense relating to the Bolton DC.

Income Taxes
The effective tax rate decreased to 24.8 percent from 27.6 percent in the prior year, primarily due to tax benefits relating to the real estate property disposition in the quarter and lower non-deductible stock option expense. Refer to Tax Matters in section 7.0 of this MD&A for further details.

4.1.2 Consolidated Key Operating Performance Measures

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

(C$ in millions)	**Q1 2018**	Q1 2017[1]	Change
Net income attributable to Shareholders of Canadian Tire Corporation	**$ 78.0**	$ 87.5	(10.9)%
Adjusted EBITDA[2]	**$ 281.2**	$ 284.4	(1.1)%
Selling, general and administrative expenses (excluding depreciation and amortization) as a % of revenue[3]	**25.2%**	24.2%	103 bps
Adjusted EBITDA[2] as a % of revenue	**10.0%**	10.5%	(46) bps

[1] Selling, general and administrative expenses and adjusted EBITDA as a % of revenue were restated as a result of IFRS 15 adjustments. Refer to Note 2 of the condensed interim consolidated financial statements for additional information.
[2] Adjusted EBITDA is a non-GAAP measure; refer to section 8.3.2 in this MD&A for a reconciliation of Adjusted EBITDA to net income attributable to shareholders of Canadian Tire Corporation and additional information.
[3] Selling, general and administrative expenses exclude depreciation and amortization of $117.0 million in Q1 2018 (2017 - $108.9 million).

In the first quarter, selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue was unfavourable by 103 bps compared to the prior year. Excluding Petroleum, selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue increased 167 bps over the prior year. The elevated ratio reflects flat revenue and planned investment in expenses to execute initiatives relating to brand and product development and digital retailing capabilities, marketing and advertising costs in support of the Winter Olympics and Paralympics, and higher variable compensation.

In the quarter, adjusted EBITDA decreased 1.1 percent while adjusted EBITDA as a percentage of revenue decreased 46 bps. Excluding Petroleum, adjusted EBITDA as a percentage of revenue decreased 36 bps. In addition to the effect of flat revenue and the expense drivers noted, results in the quarter reflected the first-time adoption of IFRS 9, which resulted in an increase in the incremental allowance for credit card loans (refer to section 4.4 for further information regarding the Financial Services segment results), as well as a $15.6 million gain on the sale of surplus property.

4.1.3 Seasonal Trend Analysis

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

(C$ in millions, except per share amounts)	**Q1 2018**	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Revenue[1]	**$ 2,814.9**	$ 3,915.6	$ 3,265.6	$ 3,374.1	$ 2,721.4	$ 3,641.0	$ 3,128.4	$ 3,352.2
Net income	**99.1**	295.4	198.5	217.0	107.9	265.1	197.8	199.0
Basic EPS	**1.18**	4.12	2.59	2.82	1.24	3.47	2.45	2.47
Diluted EPS	**1.18**	4.10	2.59	2.81	1.24	3.46	2.44	2.46

[1] Revenue figures for all quarters in 2017 were restated as a result of IFRS 15 adjustments. Refer to Note 2 of the condensed interim consolidated financial statements for additional information.

4.2 Retail Segment Performance

4.2.1 Retail Segment Financial Results

(C$ in millions)	Q1 2018	Q1 2017[1]	Change
Retail sales[2]	**$ 2,741.6**	$ 2,577.2	6.4 %
Revenue	**$ 2,506.9**	$ 2,439.2	2.8 %
Gross margin dollars	**$ 781.3**	$ 754.3	3.6 %
Gross margin as a % of revenue	**31.2%**	30.9%	24 bps
Other (income)	**$ (49.9)**	$ (30.9)	61.5 %
Selling, general and administrative expenses	**814.6**	748.4	8.8 %
Net finance (income)	**(6.4)**	(7.6)	(16.0)%
Income before income taxes	**$ 23.0**	$ 44.4	(48.1)%

[1] Revenue, gross margin and selling, general and administrative expenses were restated as a result of IFRS 15 adjustments. Refer to Note 2 of the condensed interim consolidated financial statements for additional information.
[2] Retail sales is a key operating performance measure. Refer to section 8.3.1 in this MD&A for additional information.

4.2.2 Retail Segment Key Operating Performance Measures

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

(Year-over-year percentage change, C$ in millions, except as noted)		Q1 2018		Q1 2017[1]	Change
Retail Segment - Total					
Retail sales growth		**6.4%**		3.8 %	
Consolidated same-store sales growth[2]		**5.2%**		0.3 %	
Revenue[3]	**$**	**2,506.9**	$	2,439.2	2.8 %
Retail ROIC[4]		**8.9%**		8.6 %	
Income before income taxes	**$**	**23.0**	$	44.4	(48.1)%
EBITDA[5]	**$**	**117.3**	$	126.5	(7.2)%
Retail Segment - By Banner					
Canadian Tire					
Retail sales growth[6]		**6.0%**		2.1 %	
Same-store sales growth[2, 6]		**5.8%**		0.6 %	
Sales per square foot[7] (whole $)	**$**	**417**	$	398	4.9 %
Revenue[3, 8]	**$**	**1,388.9**	$	1,389.5	— %
FGL					
Retail sales growth[9]		**2.5%**		(1.7)%	
Same-store sales growth[2, 9]		**3.9%**		(3.0)%	
Sales per square foot[10] (whole $)	**$**	**300**	$	298	0.7 %
Revenue[3]	**$**	**421.2**	$	408.9	3.0 %
Mark's					
Retail sales growth[11]		**3.6%**		5.7 %	
Same-store sales growth[2, 11]		**3.4%**		5.4 %	
Sales per square foot[12] (whole $)	**$**	**351**	$	339	3.5 %
Revenue[3, 13]	**$**	**233.8**	$	228.3	2.4 %
Petroleum					
Gasoline volume growth in litres		**0.4%**		0.1 %	
Same-store gasoline volume growth in litres[2]		**0.3%**		0.5 %	
Retail sales growth		**11.9%**		15.8 %	
Revenue[3]	**$**	**459.7**	$	408.6	12.5 %
Gross margin dollars	**$**	**43.9**	$	37.8	16.1 %

1 Certain Q1 2017 figures were restated as a result of PHL stores moving from the FGL banner to the Canadian Tire banner as well as IFRS 15 adjustments. Refer to Note 2 of the condensed interim consolidated financial statements for additional information on IFRS 15 adjustments.
2 Refer to section 8.3.1 in this MD&A for additional information on same-store sales growth.
3 Revenue reported for Canadian Tire, FGL, Mark's, and Petroleum includes intersegment revenue. Therefore, in aggregate revenue for Canadian Tire, FGL, Mark's, and Petroleum will not equal total revenue for the Retail segment.
4 Retail ROIC is calculated on a rolling 12-month basis. Refer to section 8.3.1 in this MD&A for additional information.
5 EBITDA is a non-GAAP measure. Refer to section 8.3.2 in this MD&A for a reconciliation of EBITDA to income before income taxes and additional information.
6 Retail sales growth includes sales from Canadian Tire stores, PartSource stores, PHL stores, and the labour portion of Canadian Tire's auto service sales.
7 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.
8 Revenue includes revenue from Canadian Tire, PartSource, PHL and Franchise Trust.
9 Retail sales growth includes sales from both corporate and franchise stores.
10 Sales per square foot figures are calculated on a rolling 12-month basis, include both corporate and franchise stores and warehouse and administrative space.
11 Retail sales growth includes retail sales from Mark's corporate and franchise stores but excludes ancillary revenue relating to alteration and embroidery services.
12 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.
13 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.

4.2.3 Retail Banner Network at a Glance

Number of stores and retail square footage	March 31, 2018	April 1, 2017	December 30, 2017
Consolidated store count			
Canadian Tire stores			
Canadian Tire Retail	**501**	501	501
Other[1]	**106**	106	106
Total Canadian Tire stores	**607**	607	607
FGL stores			
Sport Chek	**194**	197	194
Sports Experts	**101**	69	102
Atmosphere	**67**	68	68
Other	**47**	84	47
Total FGL stores	**409**	418	411
Mark's stores[2]			
Mark's	**337**	330	335
L'Équipeur	**46**	45	45
Mark's Work Wearhouse	**2**	7	6
Total Mark's stores	**385**	382	386
Canadian Tire gas bar locations	**298**	296	298
Total stores[3]	**1,699**	1,703	1,702
Consolidated retail square footage[4] (in millions)			
Canadian Tire	**22.3**	21.7	22.3
FGL	**7.4**	7.4	7.4
Mark's	**3.6**	3.6	3.6
Total retail square footage[4]	**33.3**	32.7	33.3

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

Retail Segment First-Quarter 2018 versus First-Quarter 2017

Earnings Summary

Income before income taxes decreased $21.4 million, or 48.1 percent. Retail sales and same-store sales growth was strong across all banners, while revenue growth at Canadian Tire was flat, driven by exceptionally strong shipments to Dealers in Q4 2017 and the delayed start to spring. Solid revenue growth and gross margin expansion, along with a gain on sale of surplus property were offset by elevated selling, general and administrative expenses, including increased costs relating to operating the Bolton DC. This resulted in Retail ROIC of 8.9 percent versus 9.2 percent at Q4 2017.

Retail Sales

Retail sales growth was strong across all banners, resulting in consolidated sales growth of 6.4 percent and same-store growth of 5.2 percent. The sales performance reflected strong sales in winter seasonal categories, with lower growth experienced in spring seasonal due to a slow start to spring. Non-seasonal categories and the continued success of promotional campaigns also contributed to growth.

Canadian Tire retail sales increased 6.0 percent (same-store sales increased 5.8 percent). Favourable winter weather in January and February drove strong growth in automotive products with strong sales of batteries and accessories. In addition, non-seasonal sales increased in the quarter, driven by kitchen appliances, household cleaning and cookware categories. Owned-brands, in particular MOTOMASTER, Paderno, and Yardworks, continued to contribute to sales growth in the quarter. Strong promotional programs also contributed to growth, which helped offset the shift in timing of the LED light bulb rebate program.

FGL retail sales increased 2.5 percent (same-store sales increased 3.9 percent) due to solid growth in winter softgoods categories including outerwear, accessories and footwear, as well as winter hardgoods including skis and snowboards. Non-seasonal footwear and clothing categories also experienced sales growth in the quarter driven by the continued success of the Lifestyle campaign. Partially offsetting this performance, was softness in spring-related categories such as golf and athletic footwear, as well as the electronics category due to a planned de-emphasis in this category. eCommerce continued to experience significant growth.

Retail sales at Mark's increased 3.6 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 11.9 percent primarily due to an increase in year-over-year per litre gas prices and non-gas sales.

Revenue

Revenue increased $67.7 million, or 2.8 percent, compared to the prior year, excluding the impact of Petroleum which increased 12.5 percent, Retail segment revenue increased 0.8 percent. Strong sales and revenue growth at FGL and Mark's was partially offset by lower product shipments to Canadian Tire Dealers due to strong demand in the prior quarter. In addition, the retail segment was up against exceptionally strong revenue performance in the prior year as Q1 2017 revenue increased by 8.5 percent over 2016.

Gross Margin

Gross margin dollars increased $27.0 million, or 3.6 percent, reflecting higher revenue and increased gross margin rate. The gross margin rate increased 24 bps; excluding Petroleum, the gross margin rate increased 74 bps. The increase in gross margin was due to favourable product mix at Canadian Tire and Mark's, and lower product costs, which were partially offset by margin compression at FGL due to additional promotions versus prior year.

Other Income

Other income increased 61.5 percent, primarily due to a $15.6 million gain on the sale of surplus property.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $66.2 million, or 8.8 percent, primarily due to:

- higher personnel costs driven by team builds to support the execution of planned investments in the Company's key initiatives, the growth of the Consumer Brands division and digital retail capabilities, and higher variable compensation expense;
- higher marketing and advertising expenses relating to the 2018 Winter Olympics and Paralympics;
- increased depreciation expense as a result of a one-time accelerated depreciation charge, resulting from the change in methodology from declining balance to straight-line; and
- increased costs relating to operating the Bolton DC, which commenced operations in July 2017.

Net Finance Income

Net finance income decreased $1.2 million primarily due to lower capitalized interest expense relating to Bolton DC.

4.2.4 Retail Segment Business Risks

The Retail segment is exposed to a number of risks in the normal course of business that have the potential to affect its operating performance. These include, but are not limited to, supply chain disruption, seasonality, environmental, commodity price, market obsolescence, and global sourcing risks. Refer to section 7.2.4 of the Company's 2017 MD&A for a discussion of these business-specific risks. Also refer to section 12.2 contained in the Company's 2017 MD&A for a discussion of other industry-wide and Company-wide risks affecting the business.

4.3 CT REIT Segment Performance

4.3.1 CT REIT Segment Financial Results

(C$ in millions)	Q1 2018	Q1 2017	Change
Property revenue	**$ 116.6**	$ 111.1	4.9 %
Property expense	**28.4**	26.2	8.5 %
General and administrative expense	**3.2**	3.7	(14.4)%
Net finance costs	**25.8**	23.8	8.3 %
Fair value (gain) adjustment	**(13.3)**	(17.9)	(25.8)%
Income before income taxes	**$ 72.5**	$ 75.3	(3.7)%

CT REIT Segment Key Operating Performance Measures

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

(C$ in millions)	Q1 2018	Q1 2017	Change
Net operating income[1]	**$ 84.4**	$ 79.2	6.6%
Funds from operations[1]	**59.3**	58.1	2.2%
Adjusted funds from operations[1]	**$ 49.9**	$ 47.2	5.7%

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

CT REIT Segment First-Quarter 2018 versus First-Quarter 2017

Earnings Summary

Income before income taxes decreased by $2.8 million, or 3.7 percent, primarily due to a decrease in the fair market value gain and an increase in interest expense which offset an increase in earnings attributable to the income generated from properties acquired and intensification activities completed during 2018 and 2017.

Property Revenue

Property revenue consists of base rent as well as operating cost and property tax recoveries. Property revenue increased $5.5 million, or 4.9 percent, primarily due to higher base rent relating to properties acquired and intensification activities completed during 2018 and 2017.

Of the $116.6 million in property revenue received, $105.5 million was from CTC. The property revenue received from CTC was 2.6 percent higher than the prior year of $102.8 million.

Property Expense

Property expense for the quarter was $28.4 million, an increase of $2.2 million or 8.5 percent over the prior year, primarily due to property acquisitions in 2018 and 2017. 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, public entity and ongoing operational costs, and outsourcing 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 decreased by 14.4 percent compared to the prior year due to the fair value adjustment on unit based awards partially offset by increased head count and the variable component of compensation awards.

Net Finance Costs

Net finance costs consist primarily of distributions on the Class C LP units held by CTC, and interest on debentures. Net finance costs increased $2.0 million, primarily due to higher interest expense from the issuance of Series E debentures in

June 2017 and Series F debentures in February 2018. The increase was partially offset by the redemption of Series 10-15 Class C LP Units in May 2017 and increased interest capitalization on development projects in 2018.

Net Operating Income

NOI was $84.4 million, an increase of $5.2 million, or 6.6 percent, primarily due to property acquisitions and properties under development completed in 2018 and 2017. NOI is a non-GAAP measure. Refer to section 8.3.2 for additional information.

Funds from Operations and Adjusted Funds from Operations

FFO and AFFO for the quarter were $59.3 million and $49.9 million, respectively. FFO and AFFO were higher compared to the prior year by $1.2 million and $2.7 million, respectively, primarily due to property acquisitions and properties under development completed in 2018 and 2017, partially offset by higher interest expense. FFO and AFFO are non-GAAP measures. Refer to section 8.3.2 for additional information.

4.3.2 CT REIT Segment Business Risks

CT REIT is exposed to a number of risks in the normal course of business that have the potential to affect its operating performance. These include, but are not limited to, financial risks, real property ownership and tenant risks, and tax-related risks. Refer to section 7.3.2 of the Company's 2017 MD&A for a discussion of these business-specific risks and to section 12.2 of the Company's 2017 MD&A for a discussion of industry-wide and Company-wide risks affecting the business. Also refer to section 4 in CT REIT's Annual Information Form and section 11 – Enterprise Risk Management in CT REIT's MD&A for the year ended December 31, 2017, which are not incorporated herein by reference, for further discussion of risks that affect CT REIT's operations.

4.4 Financial Services Segment Performance

4.4.1 Financial Services Segment Financial Results

(C$ in millions)		Q1 2018		Q1 2017	Change
Revenue	**$**	**305.1**	$	281.0	8.6 %
Gross margin dollars		**174.2**		172.2	1.2 %
Gross margin (% of revenue)		**57.1%**		61.3%	(418) bps
Other (income)		**(0.1)**		(0.1)	37.4 %
Selling, general and administrative expenses		**77.4**		74.8	3.6 %
Net finance (income)		**(0.2)**		(0.1)	89.7 %
Income before income taxes	**$**	**97.1**	$	97.6	(0.6)%

4.4.2 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 8.3.1 in this MD&A for definitions and further information on performance measures.

(C$ in millions) except where noted		Q1 2018		Q1 2017	Change
Credit card sales growth[1]		**8.8%**		8.8%	
Gross average accounts receivable (GAAR)	**$**	**5,583.1**	$	5,105.2	9.4%
Revenue[2] (as a % of GAAR)		**21.93%**		22.23%	(30 bps)
Average number of accounts with a balance[3] (thousands)		**1,945**		1,837	5.9%
Average account balance[3] (whole $)	**$**	**2,868**	$	2,778	3.3%
Net credit card write-off rate[2, 3]		**5.55%**		5.77%	
Past due credit card receivables[3, 4] (PD2+)		**2.72%**		2.71%	
Allowance rate[5]		**12.82%**		2.06%	
Operating expenses[2] (as a % of GAAR)		**5.78%**		6.01%	
Return on receivables[2]		**7.20%**		7.41%	

[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 First-Quarter 2018 versus First-Quarter 2017

Earnings Summary

Income before income taxes of $97.1 million decreased $0.5 million, or 0.6 percent, primarily due to increased write-offs and incremental allowance and an increase in selling, general and administrative expenses, which offset strong revenue growth of 8.6 percent due to higher credit charges and interchange.

GAAR increased 9.4 percent driven by a 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 $24.1 million, or 8.6 percent, due to higher credit charges resulting from increased GAAR and higher interchange revenue due to strong credit card sales. This was partially offset by a decrease in interest revenue resulting from the adoption of IFRS 9, as interest revenue on credit impaired accounts (stage 3) is calculated net of an allowance for expected credit losses. Refer to Note 2 in the condensed interim consolidated financial statements for additional information regarding the adoption of IFRS 9.

Gross Margin

Gross margin dollars increased 1.2 percent, as strong revenue performance was largely offset by higher gross write-offs and an increase in the incremental credit card allowance due to increased gross receivables (requiring additional allowance) and the recent adoption of IFRS 9, which requires the earlier recognition of expected losses. In addition, the prior year benefited from a reduction in the incremental allowance due to favourable aging compared to Q1 2016. The allowance rate has increased from approximately 2 percent to 12.82 percent, which is within the previously disclosed range of 11.5 to 13.5 percent.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $2.6 million, or 3.6 percent, primarily due to higher marketing costs to drive account acquisition and increased costs for credit card operations.

4.4.3 Financial Services Segment Business Risks

The Financial Services segment is exposed to a number of risks in the normal course of business that have the potential to affect its operating performance. These include, but are not limited to, consumer credit risk, securitization funding risk, interest rate, and regulatory risk. Refer to sections 7.4.3 of the Company's 2017 MD&A for a discussion of these business-specific risks. Also refer to section 12.2 in the Company's 2017 MD&A for a discussion of additional industry-wide and Company-wide risks.

5.0 Balance Sheet Analysis, Liquidity, and Capital Resources

5.1 Selected Balance Sheet Highlights

Selected line items from the Company's assets, liabilities, and shareholders' equity as at March 31, 2018, April 1, 2017 and December 30, 2017 are noted below:

(C$ in millions)	March 31, 2018	April 1, 2017[1]	December 30, 2017[1]
Assets			
Cash and cash equivalents	**$ 283.3**	$ 415.7	$ 437.0
Loans receivable	**4,937.1**	4,985.6	5,613.2
Merchandise inventories	**2,059.9**	2,048.1	1,769.8
Income taxes recoverable	**118.1**	55.1	48.3
Long-term receivables and other assets	**717.1**	766.6	717.8
Investment property	**390.5**	265.5	344.7
Property and equipment	**4,141.6**	4,073.1	4,193.3
Deferred income taxes	**210.8**	96.7	117.2
Total assets	**15,444.5**	15,338.4	15,627.0
Liabilities			
Bank indebtedness	**$ 19.5**	$ —	$ —
Deposits	**1,026.3**	970.4	973.9
Trade and other payables	**2,157.3**	2,018.2	2,230.8
Short-term borrowings	**373.1**	204.6	144.6
Loans payable	**662.6**	714.5	667.1
Current portion of long-term debt	**287.2**	669.6	282.3
Long-term debt	**3,315.1**	2,652.5	3,122.1
Long-term deposits	**1,376.0**	1,344.1	1,412.9
Total liabilities	**10,335.2**	9,723.3	10,060.9

[1] Certain prior period figures have been restated due to the adoption of new accounting standards (refer to Note 2 of the condensed interim consolidated financial statements).

The year-over-year increase in total assets of $106.1 million was primarily due to:

- an increase in investment property of $125.0 million primarily attributable to CT REIT's acquisitions of third-party occupied properties;
- an increase in deferred income taxes of $114.1 million mainly driven by the adoption of IFRS 9;
- an increase in property and equipment of $68.5 million resulting from capital expenditures including investment in the retail network and CTC anchored properties acquired by CT REIT from third parties, partially offset by a one-time charge of $16.9 million due to accelerated depreciation in connection with the Company's change in depreciation methodology; and
- an increase in income tax recoverable of $63.0 million mainly driven by increased credit card allowance associated with adoption of IFRS 9 and higher tax installments paid in Q1 2018;

partially offset by:

- a decrease in cash and cash equivalents, of $132.4 million, or $151.9 million net of bank indebtedness (refer to Summary cash flows in section 5.2 of this MD&A);
- a decrease in long-term receivables and other assets of $49.5 million mainly attributable to a decrease in loans receivable issued under the Franchise Trust Dealer Loan Program, partially offset by an increase in interest rate hedge derivatives; and
- a decrease in loans receivable of $48.5 million, primarily due to an increase in the credit card allowance reflecting the adoption of IFRS 9, partially offset by the increase in gross receivables driven by higher active accounts and higher balance per account.

The year-over-year increase in total liabilities of $611.9 million was primarily due to:

- a net increase in debt (current portion and long-term) of $280.2 million primarily attributable to the issuance of $560 million of Series 2017-1 term notes at Financial Services in June 2017, the issuance of $175 million senior debentures at CT REIT in June 2017 and the issuance of $200 million senior debentures by CT REIT in February 2018, offset by the maturity of $634.9 million senior and subordinated notes in May and October 2017 and repayment of mortgages in CT REIT;
- an increase in short-term borrowings of $168.5 million primarily driven by commercial paper issued by Glacier Credit Card Trust ("Glacier" or "GCCT"), and repayments in the Company's line of credit facility;

- an increase in trade and other payables of $139.1 million mainly driven by an increase in the provision for customer loyalty points and the timing of payments due to the timing of the Easter holiday; and
- a net increase in deposits (current portion and long term) of $87.8 million due to an increase in GIC deposits, partially offset by a lower volume of high-interest savings accounts in the Financial Services segment;

partially offset by:
- a decrease in loans payable by $51.9 million driven by loans under the Franchise Trust Dealer Loan Program.

Total assets decreased $182.5 million compared to December 30, 2017 primarily due to:
- a decrease in loans receivable attributable to an increase in the credit card allowance on adoption of IFRS 9, compounded by seasonal changes in the receivable balance; and
- a decrease of cash and cash equivalents, net of bank indebtedness (for details refer to the Summary of cash flows in section 5.2 of this MD&A);

partially offset by:
- an increase in merchandise inventory due to seasonality;
- an increase in trade and other receivable due to the timing of the Easter holiday, increase in shipments to franchises, and favourable valuation of foreign exchange portfolio;
- an increase in deferred income taxes driven by the adoption of IFRS 9; and
- an increase in tax recoverable driven by increased credit card allowances associated with adoption of IFRS 9 along with higher tax installments in Q1 2018.

Total liabilities increased $274.3 million compared to December 30, 2017 primarily due to:
- an increase in short-term borrowings due to the commercial paper issued by Glacier; and
- an increase in long-term debt as a result of the issuance of $200 million senior debentures by CT REIT in February 2018;

partially offset by:
- a decrease in trade and other payables mainly resulting from the timing of Easter holiday and decreases attributable to redemption of gift cards; and
- a decrease in Income taxes payable attributable to payment of tax liabilities during the quarter.

For the complete balance sheet, refer to the Condensed Interim Consolidated Balance Sheets included in the condensed interim consolidated financial statements for the first quarter of 2018.

5.2 Summary Cash Flows

The Company's cash and cash equivalents position, net of bank indebtedness, was $263.8 million at March 31, 2018.

The Company's Condensed Interim Consolidated Statements of Cash Flows for the quarters ended March 31, 2018 and April 1, 2017 are noted in the following table:

(C$ in millions)	Q1 2018	Q1 2017	Change
Cash (used for) operating activities before the undernoted item	$ (364.5)	$ (369.7)	$ 5.2
Change in loans receivable	108.8	140.1	(31.3)
Cash (used for) operating activities	(255.7)	(229.6)	(26.1)
Cash (used for) generated from investing activities before the undernoted items	(0.4)	1.3	(1.7)
Change in short-term and long-term investments	(15.2)	(23.5)	8.3
Additions to property and equipment, investment property and intangibles	(163.6)	(114.1)	(49.5)
Proceeds on disposition of property and equipment and investment property	15.7	0.3	15.4
Cash (used for) investing activities	(163.5)	(136.0)	(27.5)
Cash (used for) financing activities before the undernoted items	(75.5)	(48.7)	(26.8)
Change in long-term debt and short-term borrowings	420.8	6.2	414.6
Repurchase of share capital	(113.9)	(132.2)	18.3
Change in deposits	14.6	132.2	(117.6)
Cash generated from (used for) financing activities	246.0	(42.5)	288.5
Cash (used) in the period	$ (173.2)	$ (408.1)	$ 234.9

Consolidated First-Quarter 2018 versus First-Quarter 2017

The Company's cash used in the quarter was $173.2 million compared to $408.1 million in the first quarter of the prior year. The $234.9 million variance was primarily due to:

- a $414.6 million increase in cash generation from long-term debt and short-term borrowings due to the issuance of $200 million of senior unsecured debentures in February 2018 in CT REIT and an increase of short-term borrowings in 2018 driven by commercial paper issued by Glacier;
- a $18.3 million decrease in payments in connection with the Company's share repurchase plan;
- a $15.4 million increase in proceeds on disposition of property and equipment and investment property, primarily due to the sale of surplus property; and
- the change in short-term and long-term investments decreased by $8.3 million, driven by lower acquisitions of short-term investments offset by the acquisition of long-term investments;

partially offset by:

- a lower change in deposits in 2018 compared to prior year;
- a $49.5 million increase in property and equipment, investment property and intangibles additions primarily attributable to CT REIT's purchase of property from third parties and acquisition of Sherwood trademarks; and
- a decrease in cash generated from loans receivable, attributable to lower net repayments of credit card loans compared to prior year, impacted by the timing of Easter holiday.

5.3 Capital Management

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

5.3.1 Capital Management Objectives

The Company's objectives when managing capital are:

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

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

5.3.2 Capital Under Management

The definition of capital varies from company to company, from industry to industry, and for different purposes. The Company's definition of capital is the same as that detailed in Note 4 of the Company's 2017 Consolidated Financial Statements, which includes Glacier indebtedness but excludes Franchise Trust indebtedness.

The Company monitors its capital structure by measuring debt-to-earnings ratios and manages its debt service and other fixed obligations by tracking its interest and other coverage ratios, and forecasting corporate liquidity. As part of this process, Management calculates and monitors its consolidated adjusted net debt metric. A reconciliation of the Company's adjusted net debt as at March 31, 2018 to reported GAAP measures is provided in section 8.3.2 of this MD&A.

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

The Company was in compliance with all financial covenants under its existing debt agreements as at March 31, 2018 and April 1, 2017. Under these covenants, the Company has sufficient flexibility to support business growth. CT REIT was in compliance with all financial covenants established under its Trust Indenture, bank credit agreement, and the Declaration of Trust as at March 31, 2018 and 2017. In addition, the Company was in compliance with all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions of Canada and its Internal Capital Adequacy Assessment Process associated with the operations of CTB, a federally chartered bank, and complied with all financial covenants under its bank line of credit and note purchase facilities.

5.4 Investing

5.4.1 Capital Expenditures

The Company's capital expenditures for the periods ended March 31, 2018 and April 1, 2017 were as follows:

(C$ in millions)		**Q1 2018**		Q1 2017
Real estate	**$**	**15.4**	$	28.6
Information technology		**18.8**		30.8
Other operating		**11.2**		8.7
Operating capital expenditures		**45.4**		68.1
CT REIT acquisitions and developments excluding vend-ins from CTC[1]		**67.8**		3.4
Distribution capacity		**0.4**		12.1
Total capital expenditures[2]	**$**	**113.6**	$	83.6

[1] CT REIT capital expenditures include the construction of stores under Mark's and FGL banners of $0.5 million (2017 - $0.1 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 2018 increased by $30 million, primarily due to higher spending on CT REIT acquisitions. Excluding CT REIT, capital expenditures decreased $34.4 million due to lower spending on real estate and IT, due to fewer projects and upgrades versus the prior year, and reduced distribution capacity spend, as the Bolton DC became fully operational in July 2017.

Capital Commitments

The Company had commitments of approximately $107.2 million as at March 31, 2018 (2017 – $63.3 million) for the acquisition of tangible and intangible assets.

Capital expenditure update

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

Operating Capital Expenditures

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 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.

5.5 Liquidity and Financing

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

Commercial Paper

In March 2018, GCCT increased the amount of commercial paper outstanding by $200 million. As at March 31, 2018, $290.1 million of commercial paper notes had been issued.

Committed Bank Lines of Credit

As at March 31, 2018, the Company had $50 million in borrowings outstanding under its bank line of credit. Glacier had less than $0.1 million and CT REIT had $33 million of borrowings under its bank lines of credit and $2.3 million of letters of credit outstanding under the Bank Credit Facility.

Debentures

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 and mature December 7, 2027.

Additional details on the Company's sources of funding, credit ratings, and a description of credit market conditions are provided in section 8.5 of the Company's 2017 MD&A.

5.5.1 Contractual Obligations, Guarantees, and Commitments

The Company funds capital expenditures, working capital needs, dividend payments, and other financing needs, such as debt repayments and Class A Non-Voting Share purchases under a normal course issuer bid ("NCIB") program, from a combination of sources. In addition, the Company has a number of obligations relating to finance leases, operating leases, and purchase obligations. For a description of contractual obligations as at December 30, 2017, refer to section 8.5.1.1 of the Company's 2017 MD&A. There were no significant changes to the outstanding contractual obligations identified at year end, other than those discussed in this document. The Company believes it has sufficient liquidity available to meet its contractual obligations as at March 31, 2018.

In the normal course of business, the Company enters into numerous agreements that may contain features that meet the definition of a guarantee and provides additional indemnification commitments to counterparties in various transactions that require the Company to compensate the counterparties for certain amounts and costs incurred. For a discussion of the Company's significant guarantees and commitments, refer to Note 34 of the Company's 2017 Consolidated Financial Statements. The Company's maximum exposure to credit risk with respect to such guarantees and commitments is provided in Note 5 to the Company's 2017 Consolidated Financial Statements. There were no significant changes in guarantees and commitments identified at year end, other than those discussed in this document.

6.0 Equity

6.1 Shares Outstanding

(C$ in millions)		March 31, 2018		April 1, 2017		December 30, 2017
Authorized						
3,423,366 Common Shares						
100,000,000 Class A Non-Voting Shares						
Issued						
3,423,366 Common Shares (April 1, 2017 – 3,423,366; December 30, 2017 – 3,423,366)	**$**	**0.2**	$	0.2	$	0.2
62,380,561 Class A Non-Voting Shares (April 1, 2017 – 66,391,682; December 30, 2017 – 63,066,561)		**611.7**		641.1		615.5
	$	**611.9**	$	641.3	$	615.7

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 9, 2017, the Company announced its intention to repurchase $550 million of its Class A Non-Voting Shares by the end of 2018, in excess of the amount of shares required to be purchased for anti-dilutive purposes. On February 20, 2018, the TSX accepted the Company's notice of intention to make an NCIB to purchase up to 5.9 million Class A Non-Voting Shares during the period from March 2, 2018 through March 1, 2019, representing approximately 9.9 percent of the Class A Non-Voting Shares issued and outstanding as at February 14, 2018. Any purchases will be made by means of open market transactions through the facilities of the TSX and/or alternative Canadian trading systems, if eligible, at the market price of the Class A Non-Voting Shares at the time of purchase or as otherwise permitted under the rules of the TSX and applicable securities laws. Class A Non-Voting Shares purchased by the Company pursuant to the NCIB are restored to the status of authorized but unissued shares. Security holders may obtain a copy of the notice, without charge, by contacting the Corporate Secretary of the Company.

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	**$**	**550.0**
Shares repurchased in 2017 under the November 9, 2017 announcement		**100.0**
Shares repurchased from December 31, 2017 through March 31, 2018	**$**	**116.0**
Shares remaining to be repurchased in 2018 under the November 9, 2017 announcement	**$**	**334.0**

6.2 Dividends

The Company has a consistent record of increasing its annual dividend and on November 9, 2017 announced an increase to 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.

On May 9, 2018, the Company declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of $0.90 per share, payable on September 1, 2018 to shareholders of record as of July 31, 2018. The dividend is considered an "eligible dividend" for tax purposes.

6.3 Equity Derivative Contracts

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

During the quarter, equity forwards that hedged 300,000 stock option and performance share units settled and resulted in a payment to the Company of approximately $18.1 million. Also during the quarter, the Company entered into 450,000 floating-rate equity forwards at a weighted average purchase price of $171.58 to offset its exposure to stock options and performance share units.

7.0 Tax Matters

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

There have been no material changes in the status of ongoing audits by tax authorities as disclosed in section 10.0 in the Company's 2017 MD&A.

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 weeks ended March 31, 2018 were $32.7 million (2017 – $41.1 million). The effective tax rate for the 13 weeks ended March 31, 2018 decreased to 24.8 percent (2017 – 27.6 percent) primarily due to lower non-deductible stock option expense and higher tax benefits relating to capital property dispositions in the period.

8.0 Accounting Policies, Estimates, and Non-GAAP Measures

8.1 Critical Accounting Estimates

The Company estimates certain amounts reflected in its condensed interim consolidated financial statements using detailed financial models based on historical experience, current trends, and other assumptions, 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 Company's 2017 Consolidated Financial Statements do not require Management to make assumptions about matters that are highly uncertain and, accordingly, none of those estimates are considered a "critical accounting estimate" as defined in Form 51-102F1 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". Accounting standards relating to the allowance for loan impairments have changed effective for the Company's 2018 fiscal year, see section 8.2 for additional information. The Company's estimate of allowances on credit card loans receivable is based on an expected credit loss approach that employs an analysis of historical data and experience of delinquency and default, to estimate the amount of loans that may default as a result of past or future events, with certain adjustments for other relevant circumstances influencing the recoverability of these loans receivable. Impairment of loans is assessed based on whether there has been a significant increase in credit risk since origination and incorporation of forward-looking information in the measurement of expected credit losses. Default rates, loss rates, and the expected timing of future recoveries are periodically benchmarked against actual outcomes to ensure that they remain appropriate.

8.1.1 Change in Accounting Estimates

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

Effective in the first quarter 2018, the Company changed its depreciation method to straight-line for all of its depreciable assets that were previously depreciated using the declining balance method. The Company believes that the straight-line method of depreciation better reflects the pattern of consumption of the economic benefits of the assets. In accordance with IFRS, this is considered a change in accounting estimate and has been accounted for prospectively. This change resulted in a one-time charge (due to accelerated depreciation) in Q1 2018 of $16.9 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.

8.2 Changes in Accounting Policies

Standards, Amendments, and Interpretations Issued and Adopted

During the quarter, the Company adopted IFRS 9 – *Financial Instruments* ("IFRS 9") and the related consequential amendments to IFRS 7 Financial Instruments: Disclosures. The Company also early adopted Amendments to IFRS 9. As permitted by the transitional provision of IFRS 9, the Company elected not to restate comparative figures. In addition, the Company has adopted IFRS 15 – *Revenue from Contracts with Customers* as well as Amendments to IFRS 2 – *Share-based Payment*. Refer to Note 2 of the condensed interim consolidated financial statements for further details of these changes.

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 29, 2018 and, accordingly, have not been applied in preparing the interim financial statements.

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

Leases

In January 2016, the International Accounting Standards Board ("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 upgrading its accounting system and implementing processes and internal controls to enable the application of IFRS 16 for 2019.

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.

Post-Employment Benefits

In February 2018, the IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). When a change to a plan (an amendment, curtailment or settlement) takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendments will be effective to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. The Company is currently assessing the potential impact of these amendments.

8.3 Key Operating Performance Measures and Non-GAAP Financial Measures

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

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.

8.3.1 Key Operating Performance Measures

Retail Sales

Retail sales refers to the POS value of all goods and services sold to retail customers at stores operated by Dealers, Mark's and 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 condensed interim consolidated financial statements. Retail sales has been included as one of the Company's financial aspirations. Sales descriptions for the retail banners can be found in the footnotes to the table contained within section 4.2.2 of this MD&A.

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

Revenue, as reported in the Company's condensed interim consolidated financial statements, comprises primarily the sale of goods to Dealers and to franchisees of Mark's and FGL, 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 4.2.2 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 4.2.2 of this MD&A.

Retail Return on Invested Capital

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

8.3.2 Non-GAAP Financial Measures

Adjusted EBITDA

The following table reconciles consolidated income before income taxes, net finance costs, depreciation and amortization, and any change in fair value of redeemable financial instrument, or Adjusted EBITDA, to net income attributable to shareholders of Canadian Tire Corporation which is a GAAP measure reported in the condensed interim consolidated financial statements for the periods ended March 31, 2018 and April 1, 2017. 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)		**Q1 2018**		Q1 2017
Adjusted EBITDA	**$**	**281.2**	$	284.4
Change in fair value of redeemable financial instrument		**—**		—
EBITDA	**$**	**281.2**	$	284.4
Less:				
Depreciation and amortization[1]		**118.7**		110.6
Net finance costs		**30.7**		24.8
Income before income taxes	**$**	**131.8**	$	149.0
Income taxes		**32.7**		41.1
Effective tax rate		**24.8%**		27.6%
Net income	**$**	**99.1**	$	107.9
Net income attributable to non-controlling interests		**21.1**		20.4
Net income attributable to shareholders of Canadian Tire Corporation	**$**	**78.0**	$	87.5

[1] Includes $1.7 million reported in cost of producing revenue in the quarter (2017 - $1.7 million).

Retail Segment EBITDA

The following table reconciles Retail segment income before income taxes, net finance costs, and depreciation and amortization, or EBITDA, to income before income taxes which is a supplementary GAAP measure reported in the notes to the condensed interim consolidated financial statements for the periods ended March 31, 2018 and April 1, 2017.

(C$ in millions)		**Q1 2018**		Q1 2017
EBITDA	**$**	**117.3**	$	126.5
Less:				
Depreciation and amortization[1]		**100.7**		89.7
Net finance (income)		**(6.4)**		(7.6)
Income before income taxes	**$**	**23.0**	$	44.4

[1] Includes $1.7 million reported in cost of producing revenue in the quarter (2017 - $1.7 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 March 31, 2018 (C$ in millions)	**Consolidated**	**Retail**	**CT REIT**	**Financial Services**
Consolidated net debt				
Bank indebtedness	**$ 19.5**	**$ 19.5**	**$ —**	**$ —**
Short-term deposits	**1,026.3**	**—**	**—**	**1,026.3**
Long-term deposits	**1,376.0**	**—**	**—**	**1,376.0**
Short-term borrowings	**373.1**	**49.9**	**33.0**	**290.2**
Current portion of long-term debt	**287.2**	**15.4**	**6.8**	**265.0**
Long-term debt	**3,315.1**	**653.1**	**1,104.8**	**1,557.2**
Debt	**6,397.2**	**737.9**	**1,144.6**	**4,514.7**
Liquid assets[1]	**(594.9)**	**(104.7)**	**(12.3)**	**(477.9)**
Net debt (cash)	**5,802.3**	**633.2**	**1,132.3**	**4,036.8**
Inter-company debt	**—**	**(1,590.6)**	**1,451.6**	**139.0**
Adjusted net debt (cash)	**$ 5,802.3**	**$ (957.4)**	**$ 2,583.9**	**$ 4,175.8**

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

As at April 1, 2017 (C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ —	$ —	$ —	$ —
Short-term deposits	970.4	—	—	970.4
Long-term deposits	1,344.1	—	—	1,344.1
Short-term borrowings	204.6	—	114.8	89.8
Current portion of long-term debt	669.6	16.5	17.8	635.3
Long-term debt	2,652.5	651.9	739.5	1,261.1
Debt	5,841.2	668.4	872.1	4,300.7
Liquid assets[1]	(731.8)	(297.0)	(11.5)	(423.3)
Net debt (cash)	5,109.4	371.4	860.6	3,877.4
Inter-company debt	—	(1,579.7)	1,522.0	57.7
Adjusted net debt (cash)	$ 5,109.4	$ (1,208.3)	$ 2,382.6	$ 3,935.1

[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)		**Q1 2018**		Q1 2017
Property revenue	**$**	**116.6**	$	111.1
Less:				
Property expense		**28.4**		26.2
Straight-line rent adjustment		**3.8**		5.7
Net operating income	**$**	**84.4**	$	79.2

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. FFO and AFFO should not be considered as alternatives to net income or cash flow provided by operating activities determined in accordance with IFRS.

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

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

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

(C$ in millions)		**Q1 2018**		Q1 2017
Income before income taxes	**$**	**72.5**	$	75.3
Fair value (gain) adjustment		**(13.3)**		(17.9)
Deferred taxes		**0.6**		0.6
Fair value of equity awards		**(0.5)**		0.1
Funds from operations		**59.3**		58.1
Properties straight-line rent adjustment		**(3.8)**		(5.7)
Capital expenditure reserve		**(5.6)**		(5.2)
Adjusted funds from operations	**$**	**49.9**	$	47.2

9.0 Enterprise Risk Management

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

The ERM Program is described in detail in sections 12.0 of the Company's 2017 MD&A.

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

10.0 Internal Controls and Procedures

Details relating to disclosure controls and procedures, and internal control over financial reporting, are disclosed in section 13.0 of the Company's 2017 MD&A.

Changes in internal control over financial reporting
During the quarter ended March 31, 2018, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

11.0 Social and Environmental Responsibility

11.1 Overview

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

11.2 Social Responsibility: Corporate Philanthropy

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

11.3 Social Responsibility: Community Building

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

11.4 Social Responsibility: Responsible Sourcing Practices

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

11.5 Environmental Responsibility

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

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

Benefits from the Company's sustainability initiatives and its annual environmental footprint reporting are included in section 14.0 of the Company's 2017 MD&A. For further details refer to the Company's Business Sustainability Performance Reports on the Sustainability site at: https://corp.canadiantire.ca/English/sustainability/performance-reports/default.aspx.

12.0 Subsequent Event

Subsequent to the quarter, the Company announced that it has agreed to purchase the company that owns and operates the Helly Hansen brands and related businesses for $985 million, and is assuming approximately $50 million of operating debt, net of cash. The acquisition is expected to close in Q3 2018 and is subject to usual closing conditions. Helly Hansen is a global leader in sportswear and workwear based in Oslo, Norway. This acquisition strengthens our assortment across the retail banners. The transaction is expected to be immediately accretive to annual earnings, before the realization of synergies.

13.0 Forward-Looking Statements and Other Investor Communication

Caution Regarding Forward-looking Statements

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

- the Company's financial aspirations for fiscal years 2018 to 2020 in section 3.1;
- 2018 key initiatives in section 3.2;
- capital expenditures in subsection 5.4.1;
- contractual obligations, guarantees, and commitments in subsection 5.5.1;
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in section 6.1;
- tax matters in section 7.0;
- change in accounting estimates in subsection 8.1.1; and
- changes in accounting policies in section 8.2.

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 4.2.4 (Retail segment business risks), 4.3.2 (CT REIT segment business risks), 4.4.3 (Financial Services segment business risks), 9.0 (Enterprise risk management), 3.1 (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 https://investors.canadiantire.ca.

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

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

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: https://investors.canadiantire.ca, includes the following documents and information of interest to investors:

- the annual MD&A and annual consolidated financial statements and notes;
- 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 annual MD&A and annual consolidated financial statements and notes, 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.

May 9, 2018

CANADIAN TIRE CORPORATION, LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Q1 2018

Condensed Interim Consolidated Balance Sheets (Unaudited)

As at (C$ in millions)	March 31, 2018	April 1, 2017[1]	December 30, 2017[1]
ASSETS			
Cash and cash equivalents (Note 16)	**$ 283.3**	$ 415.7	$ 437.0
Short-term investments	**136.4**	140.6	132.5
Trade and other receivables	**872.5**	890.0	681.1
Loans receivable (Note 6)	**4,937.1**	4,985.6	5,613.2
Merchandise inventories	**2,059.9**	2,048.1	1,769.8
Income taxes recoverable	**118.1**	55.1	48.3
Prepaid expenses and deposits	**119.2**	142.8	113.1
Assets classified as held for sale	**1.1**	8.6	1.1
Total current assets	**8,527.6**	8,686.5	8,796.1
Long-term receivables and other assets	**717.1**	766.6	717.8
Long-term investments	**175.2**	175.5	165.0
Goodwill and intangible assets	**1,281.7**	1,274.5	1,292.9
Investment property	**390.5**	265.5	344.7
Property and equipment (Note 7)	**4,141.6**	4,073.1	4,193.3
Deferred income taxes	**210.8**	96.7	117.2
Total assets	**$ 15,444.5**	$ 15,338.4	$ 15,627.0
LIABILITIES			
Bank indebtedness	**$ 19.5**	$ —	$ —
Deposits	**1,026.3**	970.4	973.9
Trade and other payables	**2,157.3**	2,018.2	2,230.8
Provisions	**144.4**	149.2	158.9
Short-term borrowings	**373.1**	204.6	144.6
Loans payable	**662.6**	714.5	667.1
Income taxes payable	**10.4**	36.4	72.1
Current portion of long-term debt	**287.2**	669.6	282.3
Total current liabilities	**4,680.8**	4,762.9	4,529.7
Long-term provisions	**43.1**	45.8	45.7
Long-term debt (Note 8)	**3,315.1**	2,652.5	3,122.1
Long-term deposits	**1,376.0**	1,344.1	1,412.9
Deferred income taxes	**95.8**	92.7	102.3
Other long-term liabilities	**824.4**	825.3	848.2
Total liabilities	**10,335.2**	9,723.3	10,060.9
EQUITY			
Share capital (Note 9)	**611.9**	641.3	615.7
Contributed surplus	**2.9**	2.9	2.9
Accumulated other comprehensive income (loss)	**20.0**	17.1	(37.5)
Retained earnings	**3,717.5**	4,154.9	4,161.7
Equity attributable to shareholders of Canadian Tire Corporation	**4,352.3**	4,816.2	4,742.8
Non-controlling interests	**757.0**	798.9	823.3
Total equity	**5,109.3**	5,615.1	5,566.1
Total liabilities and equity	**$ 15,444.5**	$ 15,338.4	$ 15,627.0

[1] Certain prior period figures have been restated due to the adoption of new accounting standards (refer to Note 2).

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

Condensed Interim Consolidated Statements of Income (Unaudited)

For the	13 weeks ended	
(C$ in millions, except share and per share amounts)	**March 31, 2018**	April 1, 2017[1]
Revenue (Note 11)	**$ 2,814.9**	$ 2,721.4
Cost of producing revenue (Note 12)	**1,843.1**	1,780.6
Gross margin	**971.8**	940.8
Other (income)	**(17.3)**	—
Selling, general and administrative expenses (Note 13)	**826.6**	767.0
Net finance costs (Note 14)	**30.7**	24.8
Income before income taxes	**131.8**	149.0
Income taxes	**32.7**	41.1
Net income	**$ 99.1**	$ 107.9
Net income attributable to:		
Shareholders of Canadian Tire Corporation	**$ 78.0**	$ 87.5
Non-controlling interests	**21.1**	20.4
	$ 99.1	$ 107.9
Basic earnings per share	**$ 1.18**	$ 1.24
Diluted earnings per share	**$ 1.18**	$ 1.24
Weighted average number of Common and Class A Non-Voting Shares outstanding:		
Basic	**66,122,350**	70,293,479
Diluted	**66,346,529**	70,474,660

[1] Certain prior period figures have been restated due to the adoption of new accounting standards (refer to Note 2).

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

Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited)

For the	13 weeks ended	
(C$ in millions)	**March 31, 2018**	April 1, 2017
Net income	**$ 99.1**	$ 107.9
Other comprehensive income (loss), net of taxes		
Items that may be reclassified subsequently to net income:		
(Losses) on cash flow hedges and available-for-sale financial assets	**—**	(16.8)
Net fair value gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment	**3.9**	—
Deferred cost of hedging not subject to basis adjustment - Changes in fair value of the time value of an option in relation to time-period related hedged items	**(1.0)**	—
Reclassification of (gains) to non-financial assets	**—**	(3.2)
Reclassification of losses (gains) to income	**0.6**	(0.1)
Items that will not be reclassified subsequently to net income:		
Net fair value gains on hedging instruments entered into for cash flow hedges subject to basis adjustment	**41.3**	—
Other comprehensive income (loss)	**$ 44.8**	$ (20.1)
Other comprehensive income (loss) attributable to:		
Shareholders of Canadian Tire Corporation	**$ 44.2**	$ (19.6)
Non-controlling interests	**0.6**	(0.5)
	$ 44.8	$ (20.1)
Comprehensive income	**$ 143.9**	$ 87.8
Comprehensive income attributable to:		
Shareholders of Canadian Tire Corporation	**$ 122.2**	$ 67.9
Non-controlling interests	**21.7**	19.9
	$ 143.9	$ 87.8

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

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

For the (C$ in millions)	13 weeks ended March 31, 2018	 April 1, 2017
Cash (used for) generated from:		
Operating activities		
Net income	**$ 99.1**	$ 107.9
Adjustments for:		
Depreciation of property and equipment and investment property (Notes 12 and 13)	**85.0**	77.1
Income tax expense	**32.7**	41.1
Net finance costs (Note 14)	**30.7**	24.8
Amortization of intangible assets (Note 13)	**33.7**	33.5
(Gain) on disposal of property and equipment and investment property	**(15.6)**	(0.1)
Interest paid	**(35.7)**	(28.5)
Interest received	**2.1**	2.1
Income taxes paid	**(129.0)**	(93.7)
Other	**3.1**	2.3
Total except as noted below	**106.1**	166.5
Change in operating working capital and other (Note 16)	**(470.6)**	(536.2)
Change in loans receivable	**108.8**	140.1
Cash (used for) operating activities	**(255.7)**	(229.6)
Investing activities		
Additions to property and equipment and investment property	**(137.1)**	(76.3)
Additions to intangible assets	**(26.5)**	(37.8)
Total additions	**(163.6)**	(114.1)
Acquisition of short-term investments	**(28.5)**	(65.7)
Proceeds from the maturity and disposition of short-term investments	**34.8**	42.2
Acquisition of long-term investments	**(21.5)**	—
Proceeds on disposition of property and equipment and investment property	**15.7**	0.3
Other	**(0.4)**	1.3
Cash (used for) investing activities	**(163.5)**	(136.0)
Financing activities		
Dividends paid	**(56.6)**	(43.4)
Distributions paid to non-controlling interests	**(6.1)**	(19.7)
Total dividends and distributions paid	**(62.7)**	(63.1)
Net issuance of short-term borrowings	**228.5**	5.2
Issuance of loans payable	**55.8**	43.3
Repayment of loans payable	**(60.3)**	(28.9)
Issuance of long-term debt (Note 8)	**200.0**	6.0
Repayment of long-term debt and finance lease liabilities	**(5.7)**	(5.0)
Payment of transaction costs related to long-term debt	**(2.0)**	—
Repurchase of share capital (Note 9)	**(113.9)**	(132.2)
Payments on financial instruments	**(8.3)**	—
Change in deposits	**14.6**	132.2
Cash generated from (used for) financing activities	**246.0**	(42.5)
Cash (used) in the period	**(173.2)**	(408.1)
Cash and cash equivalents, net of bank indebtedness, beginning of period	**437.0**	823.8
Cash and cash equivalents, net of bank indebtedness, end of period	**$ 263.8**	$ 415.7

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

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

(C$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
December 30, 2017, as previously reported	**$ 615.7**	**$ 2.9**	**$ (37.5)**	**$ 4,169.3**	**$ 4,750.4**	**$ 823.3**	**$ 5,573.7**
Transition adjustments - IFRS 15 (Note 2)	**—**	**—**	**—**	**(7.6)**	**(7.6)**	**—**	**(7.6)**
Restated balance at December 30, 2017	**615.7**	**2.9**	**(37.5)**	**4,161.7**	**4,742.8**	**823.3**	**5,566.1**
Transition adjustments - IFRS 2 & 9	**—**	**—**	**(0.8)**	**(351.1)**	**(351.9)**	**(81.9)**	**(433.8)**
Restated balance at December 31, 2017	**615.7**	**2.9**	**(38.3)**	**3,810.6**	**4,390.9**	**741.4**	**5,132.3**
Net income	**—**	**—**	**—**	**78.0**	**78.0**	**21.1**	**99.1**
Other comprehensive income	**—**	**—**	**44.2**	**—**	**44.2**	**0.6**	**44.8**
Total comprehensive income	**—**	**—**	**44.2**	**78.0**	**122.2**	**21.7**	**143.9**
Transfers of cash flow hedge losses to non-financial assets	**—**	**—**	**14.1**	**—**	**14.1**	**—**	**14.1**
Contributions and distributions to shareholders of Canadian Tire Corporation							
Issuance of Class A Non-Voting Shares (Note 9)	**3.0**	**—**	**—**	**—**	**3.0**	**—**	**3.0**
Repurchase of Class A Non-Voting Shares (Note 9)	**(118.9)**	**—**	**—**	**—**	**(118.9)**	**—**	**(118.9)**
Excess of purchase price over average cost (Note 9)	**112.1**	**—**	**—**	**(112.1)**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**(59.0)**	**(59.0)**	**—**	**(59.0)**
Contributions and distributions to non-controlling interests							
Issuance of trust units to non-controlling interests, net of transaction costs	**—**	**—**	**—**	**—**	**—**	**0.7**	**0.7**
Distributions and dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(6.8)**	**(6.8)**
Total contributions and distributions	**(3.8)**	**—**	**14.1**	**(171.1)**	**(160.8)**	**(6.1)**	**(166.9)**
Balance at March 31, 2018	**$ 611.9**	**$ 2.9**	**$ 20.0**	**$ 3,717.5**	**$ 4,352.3**	**$ 757.0**	**$ 5,109.3**

(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, as previously reported	$ 648.1	$ 2.9	$ 36.7	$ 4,250.9	$ 4,938.6	$ 798.7	$ 5,737.3
Transition adjustments - IFRS 15 (Note 2)	—	—	—	(7.6)	(7.6)	—	(7.6)
Restated balance at December 31, 2016	648.1	2.9	36.7	4,243.3	4,931.0	798.7	5,729.7
Net income	—	—	—	87.5	87.5	20.4	107.9
Other comprehensive (loss)	—	—	(19.6)	—	(19.6)	(0.5)	(20.1)
Total comprehensive (loss) income	—	—	(19.6)	87.5	67.9	19.9	87.8
Contributions and distributions to shareholders of Canadian Tire Corporation							
Issuance of Class A Non-Voting Shares (Note 9)	2.4	—	—	—	2.4	—	2.4
Repurchase of Class A Non-Voting Shares (Note 9)	(139.9)	—	—	—	(139.9)	—	(139.9)
Excess of purchase price over average cost (Note 9)	130.7	—	—	(130.7)	—	—	—
Dividends	—	—	—	(45.2)	(45.2)	—	(45.2)
Contributions and distributions to non-controlling interests							
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	0.8	0.8
Distributions and dividends to non-controlling interests	—	—	—	—	—	(20.5)	(20.5)
Total contributions and distributions	(6.8)	—	—	(175.9)	(182.7)	(19.7)	(202.4)
Balance at April 1, 2017	$ 641.3	$ 2.9	$ 17.1	$ 4,154.9	$ 4,816.2	$ 798.9	$ 5,615.1

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

1. The Company and its Operations

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

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

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

2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements ("interim financial statements") for the 13 weeks ended March 31, 2018 (and comparative results for the 13 weeks ended April 1, 2017) have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* and therefore do not contain all disclosures required by International Financial Reporting Standards ("IFRS"). These interim financial statements should be read in conjunction with the Company's 2017 Consolidated Financial Statements and Notes and have been prepared using the same accounting policies described in Note 3 to the 2017 Consolidated Financial Statements and Notes, with the exception of the significant accounting policies adopted as a result of the application of amendments to IFRS 2 - *Share-based Payment* ("IFRS 2"), IFRS 9 - *Financial Instruments* ("IFRS 9") and IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15"), which are described within this note.

These interim financial statements were authorized for issuance by the Company's Board of Directors on May 9, 2018.

Basis of Presentation

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

- financial instruments at fair value through profit or loss ("FVTPL");
- derivative financial instruments;
- available-for-sale financial assets (under IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"), amortized cost under IFRS 9 in 2018);
- liabilities for share-based payment plans; and
- initial recognition of assets acquired and liabilities assumed in a business combination.

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

Functional and Presentation Currency

These interim financial statements are presented in Canadian dollars ("C$"), the Company's functional currency.

Judgments and Estimates

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

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

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

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience

and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgments and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to assess whether they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 2 to the Company's 2017 Consolidated Financial Statements and Notes with the exception of the estimate of allowances for loans receivable as a result of the application of IFRS 9 and the change in depreciation estimation method described below.

Loans Receivable

Estimation - The Company's estimate of allowances on credit card loans receivable is based on an expected credit loss approach that employs an analysis of historical data and experience of delinquency and default, to estimate the amount of loans that may default as a result of past or future events, with certain adjustments for other relevant circumstances influencing the recoverability of these loans receivable. Impairment of loans is assessed based on whether there has been a significant increase in credit risk since origination and incorporation of forward-looking information in the measurement of expected credit losses. Default rates, loss rates, and the expected timing of future recoveries are periodically benchmarked against actual outcomes to ensure that they remain appropriate.

Depreciation

Estimation - Effective in the first quarter of 2018, the Company changed its depreciation method to straight-line for all of its depreciable assets that were previously depreciated using the declining balance method. The Company believes that the straight-line method of depreciation better reflects the pattern of consumption of the economic benefits of the assets. In accordance with IFRS, this is considered a change in accounting estimate and has been accounted for prospectively.

Estimated useful lives are as follows:

Asset Category	Estimated Useful Lives
Buildings	10 - 45 years
Fixtures and equipment (including software intangible assets)	3 - 25 years
Leasehold improvements	Shorter of term of lease or estimated useful life
Assets under finance lease	Shorter of term of lease or estimated useful life

Standards, Amendments, and Interpretations Issued and Adopted

Adoption of IFRS 9 - Financial Instruments: Classification and Measurement and Impairment

Effective in the first quarter of 2018, the Company adopted IFRS 9, issued in July 2014 and the related consequential amendments to IFRS 7 - *Financial Instruments: Disclosures*. IFRS 9 introduces new requirements for 1) classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting, which represent a significant change from IAS 39.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The adoption of IFRS 9 has resulted in an increase in the Company's allowance for loans receivable. Refer to Note 6 for a reconciliation of the previously reported impairment allowance under IAS 39 to the new impairment allowance under IFRS 9.

The Company also early adopted amendments to IFRS 9, issued in October 2017, effective in the first quarter 2018. The component of the amendments relevant to the Company relates to clarifying the accounting for the modification of financial liabilities and requires the entity 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. The Company previously modified the terms for two medium-term notes, which did not result in the

derecognition of the original notes. As a result of applying the amendments to IFRS 9, the carrying amount of long-term debt increased, with the adjustment recognized in opening retained earnings. Refer to IFRS 9 transitional adjustment section below.

Adoption of IFRS 9 - Financial Instruments: Transitional Adjustments

As permitted by the transitional provision of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amount of financial assets and financial liabilities at the date of transition were recognized in the opening retained earnings and accumulated other comprehensive income ("AOCI") of the current period. Accordingly, the information presented in these interim financial statements for the prior year does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented in the current period under IFRS 9. The following table summarizes the cumulative impact on previously reported balances:

(C$ in millions)	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount December 30, 2017	IFRS 9 re-measurements	IFRS 9 carrying amount December 31, 2017
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 437.0	$ —	$ 437.0
Short-term investments[1]	FVTPL	Amortized cost	45.6	—	45.6
Short-term investments[1]	Available for sale	Amortized cost	86.9	(0.1)	86.8
Trade and other receivables	Loans and receivables	Amortized cost	657.9	—	657.9
Trade and other receivables - derivatives	FVTPL	FVTPL	19.4	—	19.4
Trade and other receivables - derivatives	FVTPL - hedging instruments	FVTPL - hedging instruments	3.8	—	3.8
Loans receivable[2]	Loans and receivables	Amortized cost	6,240.4	(585.7)	5,654.7
Long-term receivables and other assets	Loans and receivables	Amortized cost	44.5	—	44.5
Long-term receivables and other assets - derivatives	FVTPL	FVTPL	27.5	—	27.5
Long-term receivables and other assets - derivatives	FVTPL - hedging instruments	FVTPL - hedging instruments	18.6	—	18.6
Long-term investments[1]	Available for sale	Amortized cost	165.0	(1.2)	163.8
Total financial assets			$ 7,746.6	$ (587.0)	$ 7,159.6
Financial liabilities					
Deposits	Amortized cost	Amortized cost	$ 2,386.8	$ —	$ 2,386.8
Trade and other payables	Amortized cost	Amortized cost	1,780.8	—	1,780.8
Trade and other payables - derivatives	FVTPL	FVTPL	14.2	—	14.2
Trade and other payables - derivatives	FVTPL - hedging instruments	FVTPL - hedging instruments	60.7	—	60.7
Short-term borrowings	Amortized cost	Amortized cost	144.6	—	144.6
Loans payable	Amortized cost	Amortized cost	667.1	—	667.1
Debt[3]	Amortized cost	Amortized cost	3,404.4	5.1	3,409.5
Other long-term liabilities	FVTPL - hedging instruments	FVTPL - hedging instruments	3.6	—	3.6
Redeemable financial instrument (recorded in other long-term liabilities)	FVTPL	FVTPL	517.0	—	517.0
Total financial liabilities			$ 8,979.2	$ 5.1	$ 8,984.3
Deferred income taxes			$ 12.1	$ 157.0	$ 169.1

[1] Short-term investments and long-term investments previously classified either as available-for-sale or FVTPL under IAS 39 are now classified as amortized cost under IFRS 9. This adjustment relates to the reclassification of the cumulative gains/losses recorded in AOCI to the carrying amount of the investments to reflect their amortized costs.

[2] The expected credit loss impairment model is applied to financial assets that are classified and measured at amortized cost under IFRS 9. This adjustment relates to the Company's impairment loss on loans receivable. The adjustment was recognized in opening retained earnings at December 31, 2017. Refer to Note 6 for further details regarding the impairment loss on loans receivable measured in accordance with IFRS 9.

[3] This adjustment relates to the Company's previous modification of medium-term notes, which did not result in the derecognition of the original notes. The adjustment was recognized in opening retained earnings at December 31, 2017.

In addition, the adoption of IFRS 9 resulted in the reclassification of financial instruments as explained below:

Cash and cash equivalents, trade and other receivables, loans receivable, and long-term receivables that were classified as loans and receivables under IAS 39 are now classified as amortized cost, because their previous category under IAS 39 was eliminated, with no change in the carrying amounts.

Short-term investments and long-term investments previously classified either as available-for-sale or FVTPL are now classified as amortized cost because, at the date of initial application, the Company's business model is to hold these investments to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. The change in classification resulted in an insignificant change to the carrying amount of short-term and long-term investments.

There were no further changes to the classification of financial asset and liabilities as a result of the adoption of IFRS 9. Refer to Note 3 to the 2017 Consolidated Financial Statements and Notes for the classification of financial instruments other than the above.

As a result of adopting IFRS 9, the Company updated its accounting policies for the recognition, classification and impairment of financial instruments, which are as follows:

Recognition and initial 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 measured at fair value on initial recognition.

Transaction costs that are directly attributable to the acquisition or issuance 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 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.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company’s business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories: a) amortized cost and b) fair value through profit or loss.

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

All financial assets not classified as amortized cost as described above are measured at FVTPL. This includes all derivative financial assets.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL. These financial liabilities, including derivative liabilities and the redeemable financial instrument, are subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise to the extent they are not part of a designated hedging relationship.

Impairment of financial instruments

The Company recognizes a loss allowance on a forward-looking basis at an amount equal to the lifetime ECL on its financial assets measured at amortized cost, except for the following, which are measured at 12-month ECL:

– Debt investments that are determined to have low credit risk at the reporting date with a credit risk rating equivalent to investment grade; and
– Other financial assets such as loan receivables for which credit risk has not increased significantly since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all probable default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Losses for impaired credit card loans are recognized when credit is granted. Twelve-month ECL is recognized on loans except when credit risk has increased significantly since initial recognition, in which case lifetime ECL is applied. A significant increase in credit risk is assessed based on changes in the probability of default since initial recognition along with borrower specific qualitative information, or when the loan is more than 30 days past due. Credit card loans are considered impaired when they are contractually 90 days past due or there is sufficient doubt about the ultimate collectability of principal and/or interest. Credit card loans are written off when a payment is 180 days past due and there is no likelihood of recoverability.

ECL is calculated as the product of the probability of default, exposure at default, and loss given default over the remaining expected life of the loans and discounted to the reporting date. The ECL model also incorporates forward-looking information, which increases the degree of judgement required as to how changes in macro-economic factors will affect ECLs. Macro-economic factors taken into consideration include, but are not limited to, unemployment rate, and require an evaluation of both the current and forecast direction of the macro-economic cycle. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant loans receivable are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

Adoption of IFRS 9 - Financial Instruments: **Hedge Accounting**

The new general hedge accounting requirements retain the three types of hedge accounting, which are cash flow hedges, fair value hedges and hedges for net investments in foreign operations. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Enhanced annual disclosure requirements about the Company's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application without restatement of prior period comparatives. The Company's qualifying hedging relationships in place as at December 30, 2017 also qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Company has not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

IFRS 9 also introduced the concept of costs of hedging. The fair value of an option consists of its intrinsic value and its time value. Upon adoption of IFRS 9, the time value of an option, can be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. During the current period, the Company entered into a new derivative financial instrument that provides it with an option to enter into an interest rate swap as part of the Company's strategy to manage its interest rate exposure. The Company designates only the change in fair value of the intrinsic value of the instrument as the hedging instrument. The time value of the option relates to a time-period related hedged item. The change in time value is recognized in OCI and is subsequently amortized on a systematic and rational basis over the period during which the hedge adjustment for the option's intrinsic value could affect profit or loss.

IFRS 9 requires hedging gains and losses to be included in the initial carrying amount of non-financial hedged items, which is referred to as a basis adjustment. Although this is consistent with the Company's existing practice, IFRS 9 states that such transfers are not a reclassification adjustment under IAS 1 and hence they do not affect other comprehensive income. Previously, hedging gains and losses subject to basis adjustments were categorized as amounts that may be subsequently reclassified to net income in other comprehensive income, and the actual basis adjustments were presented as a reclassification adjustment in other comprehensive income. Since the IFRS 9 hedge accounting requirements apply prospectively from the first quarter of 2018, the comparative figures have not been restated. The current year fair value gain of $41.3 million on foreign currency contracts subject to cash flow hedge accounting that will be subsequently basis adjusted onto the initial carrying amount of non-financial hedged items (foreign-currency-denominated inventory purchases), has been presented as amounts that will not be subsequently reclassified to net income. Furthermore, the

current period basis adjustment of $14.1 million has been presented as a direct transfer from equity to the initial carrying amount of the hedged inventories, rather than being presented as a reclassification adjustment affecting other comprehensive income.

Apart from this, the application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Company for current and prior years.

Adoption of IFRS 15 - Revenue From Contracts With Customers

On April 9, 2018, the Company announced the planned launch of its Triangle Rewards program – an evolution of its iconic My Canadian Tire Money loyalty program, and associated credit card offerings. The program will be available to customers in the second quarter of 2018.

Effective in the first quarter of 2018, the Company adopted IFRS 15, issued in May 2014, and amended in September 2015 and April 2016. 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. In accordance with the transitional provisions in IFRS 15, the Company elected to adopt the new standard using the retrospective approach. Accordingly, comparative figures have been restated.

IFRS 15 mainly impacts the accounting for the Company's loyalty programs. The costs of the loyalty program previously presented within Selling, general and administrative expenses are now presented as a reduction of revenue and the related liabilities previously presented within Provisions are now recorded within Trade and other payables. Under IFRS 15, expected loyalty awards are reflected as a reduction in revenue when the Company sells merchandise to Canadian Tire Dealers. Under the previous accounting guidance, the costs were recorded when merchandise was sold by the Dealers. Therefore, there was a transitional adjustment relating to the timing difference between when merchandise is sold to the Dealers and when the merchandise is ultimately sold to customers.

The following tables summarize the impacts of adopting IFRS 15 on the Company's consolidated interim financial statements:

Consolidated Statement of Income

			April 1, 2017
(C$ in millions)	As previously reported	IFRS 15 Adjustments	As restated
Revenue	$ 2,753.5	$ (32.1)	$ 2,721.4
Gross margin	972.9	(32.1)	940.8
Selling, general and administrative expenses	799.1	(32.1)	767.0
Income before income taxes	149.0	—	149.0

The impact of adopting IFRS 15 resulted in the restatements of the Balance Sheet line items below. As the impact is limited to these four line items, a 2016 restated balance sheet has not been presented.

Consolidated Balance Sheets

	December 30, 2017			April 1, 2017			December 31, 2016		
(C$ in millions)	As previously reported	IFRS 15 Adjustments	As restated	As previously reported	IFRS 15 Adjustments	As restated	As previously reported	IFRS 15 Adjustments	As restated
Deferred income taxes	$ 114.4	$ 2.8	$ 117.2	$ 93.9	$ 2.8	$ 96.7	$ 82.3	$ 2.8	$ 85.1
Trade and other payables	2,100.3	130.5	2,230.8	1,899.8	118.4	2,018.2	1,859.3	109.3	1,968.6
Provisions	279.0	(120.1)	158.9	257.2	(108.0)	149.2	250.8	(98.9)	151.9
Retained earnings	4,169.3	(7.6)	4,161.7	4,162.5	(7.6)	4,154.9	4,250.9	(7.6)	4,243.3

As a result of adopting IFRS 15, the Company updated its accounting policies for the recognition of revenue relating to the sale of goods and the Company's loyalty programs:

Revenue

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 customer loyalty program costs, net of sales taxes.

Customer loyalty

Loyalty award credits issued as part of a sales transaction results in revenue being deferred until the loyalty award is redeemed by the customer. In addition, an obligation arises from the loyalty program when the Company sells merchandise to the Dealers, for which award credits may be issued as part of the subsequent sales transaction with the customer. The obligation is 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 loyalty program costs are recorded as a reduction to Revenue in the Consolidated Statements of Income.

Adoption of Amendments to IFRS 2 - Share-Based Payment

Effective in the first quarter of 2018, the Company adopted amendments to IFRS 2 as issued in June 2016. The component of the amendments relevant to the Company relates to clarifying the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. The implementation of these amendments did not have a significant impact on the Company. As required by the transitional provisions of IFRS 2, prior periods have not been restated. The effect of applying the amendments has been recognized in the opening retained earnings of the current period.

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 29, 2018 and, accordingly, have not been applied in preparing the interim financial statements.

Leases

In January 2016, the International Accounting Standards Board ("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 upgrading its accounting system and implementing processes and internal controls to enable the application of IFRS 16 for 2019.

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.

Post-Employment Benefits

In February 2018, the IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). When a change to a plan (an amendment, curtailment or settlement) takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendments will be effective to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. The Company is currently assessing the potential impact of these amendments.

3. Capital Management

The Company's objectives when managing capital are:

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

The definition of capital varies from company to company, industry to industry, and for different purposes. The Company's definition of capital is the same as that detailed in Note 4 to the 2017 Consolidated Financial Statements and Notes, which includes Glacier Credit Card Trust ("GCCT") indebtedness but excludes Franchise Trust indebtedness.

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

The Company was in compliance with all financial covenants under its existing debt agreements as at March 31, 2018. Under these covenants, the Company has sufficient flexibility to support business growth.

CT Real Estate Investment Trust ("CT REIT") is required to comply with covenants established under its Trust Indenture, bank credit agreement, and the Declaration of Trust, and was in compliance with the financial covenants thereunder as at March 31, 2018.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB"), a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain covenants established under its bank line of credit and note purchase facilities. As at March 31, 2018, CTB complied with all external regulatory capital requirements and all financial covenants under its bank line of credit and note purchase facilities.

4. Liquidity and Financing

In March 2018, GCCT increased the amount of commercial paper outstanding by $200 million. As at March 31, 2018, $290.1 million of commercial paper notes had been issued.

5. Operating Segments

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

- The retail business is conducted under a number of banners including Canadian Tire, Canadian Tire Gas ("Petroleum"), Mark's, PartSource, and various FGL 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. On April 9, 2018, the Company announced the planned launch of its Triangle Rewards program – an evolution of its iconic My Canadian Tire Money loyalty program, and associated credit card offerings. The program will be available to customers in Spring 2018. Financial Services also markets insurance and warranty products and provides settlement services to the Company's affiliates. Financial Services includes CTB, a federally regulated financial institution that manages and finances the Company's consumer MasterCard, Visa, and retail credit card portfolios, as well as an existing block of Canadian Tire branded line of credit portfolios. CTB also offers high-interest savings deposit accounts, tax free savings accounts, and GIC deposits, both directly and through third-party brokers. Financial Services also includes GCCT, a structured entity established to purchase co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases.

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

For the	13 weeks ended									
	March 31, 2018					April 1, 2017[1]				
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$ 2,505.5**	**$ 11.1**	**$ 299.7**	**$ (1.4)**	**$ 2,814.9**	$2,437.7	$ 8.3	$ 276.2	$ (0.8)	$2,721.4
Intercompany revenue	**1.4**	**105.5**	**5.4**	**(112.3)**	**—**	1.5	102.8	4.8	(109.1)	—
Total revenue	**2,506.9**	**116.6**	**305.1**	**(113.7)**	**2,814.9**	2,439.2	111.1	281.0	(109.9)	2,721.4
Cost of producing revenue	**1,725.6**	**—**	**130.9**	**(13.4)**	**1,843.1**	1,684.9	—	108.8	(13.1)	1,780.6
Gross margin	**781.3**	**116.6**	**174.2**	**(100.3)**	**971.8**	754.3	111.1	172.2	(96.8)	940.8
Other (income) expense	**(49.9)**	**—**	**(0.1)**	**32.7**	**(17.3)**	(30.9)	—	(0.1)	31.0	—
Selling, general and administrative expenses[2]	**814.6**	**31.6**	**77.4**	**(97.0)**	**826.6**	748.4	29.9	74.8	(86.1)	767.0
Net finance (income) costs	**(6.4)**	**25.8**	**(0.2)**	**11.5**	**30.7**	(7.6)	23.8	(0.1)	8.7	24.8
Fair value (gain) loss on investment properties	**—**	**(13.3)**	**—**	**13.3**	**—**	—	(17.9)	—	17.9	—
Income before income taxes	**$ 23.0**	**$ 72.5**	**$ 97.1**	**$ (60.8)**	**$ 131.8**	$ 44.4	$ 75.3	$ 97.6	$ (68.3)	$ 149.0
Items included in the above:										
Depreciation and amortization[2]	**$ 100.7**	**$ —**	**$ 2.9**	**$ 15.1**	**$ 118.7**	$ 89.7	$ —	$ 2.5	$ 18.4	$ 110.6
Interest income	**23.8**	**—**	**246.7**	**(19.0)**	**251.5**	22.5	—	222.6	(17.8)	227.3
Interest expense	**13.1**	**25.8**	**28.1**	**(19.4)**	**47.6**	11.3	23.8	26.1	(21.4)	39.8

[1] Certain prior period figures have been restated due to the adoption of new accounting standards (refer to Note 2).
[2] Effective in the first quarter of 2018, the Company changed its depreciation method for certain depreciable assets (refer to Note 2).

The eliminations and adjustments include the following items:

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

Capital expenditures by reportable operating segment are as follows:

For the	13 weeks ended							
	March 31, 2018				April 1, 2017			
(C$ in millions)	**Retail**	**CT REIT[2]**	**Financial Services**	**Total**	Retail	CT REIT[2]	Financial Services	Total
Capital expenditures[1]	**$ 44.9**	**$ 67.8**	**$ 0.9**	**$ 113.6**	$ 79.2	$ 3.4	$ 1.0	$ 83.6

[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 $0.5 million (2017 - $0.1 million).

Total assets by reportable operating segment are as follows:

(C$ in millions) As at	**March 31, 2018**	April 1, 2017[1]	December 30, 2017[1]
Retail	**$ 10,772.6**	$ 10,889.9	$ 11,051.7
CT REIT	**5,555.3**	5,109.7	5,455.4
Financial Services	**5,687.2**	5,611.8	6,172.5
Eliminations and adjustments	**(6,570.6)**	(6,273.0)	(7,052.6)
Total assets[2]	**$ 15,444.5**	$ 15,338.4	$ 15,627.0

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

Total liabilities by reportable operating segment are as follows:

(C$ in millions) As at	**March 31, 2018**	April 1, 2017[1]	December 30, 2017[1]
Retail	**$ 4,093.5**	$ 3,909.1	$ 4,238.6
CT REIT	**2,659.6**	2,452.0	2,594.0
Financial Services	**4,874.4**	4,579.3	5,027.2
Eliminations and adjustments	**(1,292.3)**	(1,217.1)	(1,798.9)
Total liabilities[2]	**$ 10,335.2**	$ 9,723.3	$ 10,060.9

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

The eliminations and adjustments include the following items:

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

6. Loans Receivable

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

(C$ in millions)	Total principal amount of receivables[1]		
As at	**March 31, 2018**	April 1, 2017	December 30, 2017
Credit card loans[2]	**$ 4,876.4**	$ 4,952.3	$ 5,567.5
Dealer loans[3]	**669.5**	717.5	672.9
Total loans receivable	**5,545.9**	5,669.8	6,240.4
Less: long-term portion[4]	**608.8**	684.2	627.2
Current portion of loans receivable	**$ 4,937.1**	$ 4,985.6	$ 5,613.2

[1] Amounts shown are net of allowance for loan impairment. Due to the adoption of IFRS 9, prior period figures presented are not comparable.
[2] Includes line of credit loans.
[3] Dealer loans primarily relates to loans issued by Franchise Trust.
[4] The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer loans of $604.8 million (April 1, 2017 – $681.4 million and December 30, 2017 – $624.5 million).

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

(C$ in millions)	**12-month ECL (Stage 1)**	**Lifetime ECL - not credit-impaired (Stage 2)**	**Lifetime ECL - credit-impaired (Stage 3)**	**Total**
Balance, beginning of year per IAS 39	**$ —**	**$ —**	**$ —**	**$ 111.0**
IFRS 9 adjustment				**584.0**
Balance, beginning of year per IFRS 9	**227.0**	**182.3**	**285.7**	**695.0**
Write-offs	**(1.5)**	**(3.7)**	**(85.1)**	**(90.3)**
Recoveries	**—**	**—**	**17.3**	**17.3**
New loans originated	**7.0**	**—**	**—**	**7.0**
Transfers				**—**
to Stage 1	**50.9**	**(45.0)**	**(5.9)**	**—**
to Stage 2	**(16.9)**	**18.0**	**(1.1)**	**—**
to Stage 3	**(6.1)**	**(27.2)**	**33.3**	**—**
Net re-measurements	**(29.6)**	**57.1**	**60.5**	**88.0**
Balance, end of period	**$ 230.8**	**$ 181.5**	**$ 304.7**	**$ 717.0**

Credit card loans are considered impaired when payment is 90 days past due or there is sufficient doubt regarding the ultimate collectability of the outstanding balance. Credit card loans are written-off when payment is 180 days past due and there is no likelihood of recoverability. No collateral is held against loans receivable, except for loans to Dealers.

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

(C$ in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Low risk	**$ 1,838.7**	**$ 207.4**	**$ —**	**$ 2,046.1**
Moderate risk	**1,681.8**	**251.8**	**—**	**1,933.6**
High risk	**691.9**	**281.4**	**640.4**	**1,613.7**
Total gross carrying amount	**4,212.4**	**740.6**	**640.4**	**5,593.4**
ECL allowance	**230.8**	**181.5**	**304.7**	**717.0**
Net carrying amount	**$ 3,981.6**	**$ 559.1**	**$ 335.7**	**$ 4,876.4**

During the 13 weeks ended March 31, 2018, the amount of cash received from interest earned on credit cards and loans was $238.2 million (2017 – $213.2 million).

7. Property and Equipment

On March 29, 2018, the Company sold surplus property located in Ontario to a third party for proceeds of $25.0 million, which consisted of $15.0 million in cash at closing and a vendor-take-back mortgage for $10.0 million due in 5 years.

8. Long-Term Debt

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 and mature December 7, 2027.

9. Share Capital

Share capital consists of the following:

(C$ in millions) As at	March 31, 2018	April 1, 2017	December 30, 2017
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (April 1, 2017 – 3,423,366; December 30, 2017 – 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
62,380,561 Class A Non-Voting Shares (April 1, 2017 – 66,391,682; December 30, 2017 – 63,066,561)	**611.7**	641.1	615.5
	$ 611.9	$ 641.3	$ 615.7

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

During 2018 and 2017, the Company issued and repurchased Class A Non-Voting Shares. The Company's share repurchases were made pursuant to its normal course issuer bid ("NCIB") program. Share repurchases are charged to share capital at the average cost per share outstanding and the excess between the repurchase price and the average cost is first allocated to contributed surplus, with any remainder allocated to retained earnings.

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

For the	13 Weeks Ended			
	March 31, 2018		April 1, 2017	
(C$ in millions)	Number	$	Number	$
Shares outstanding at beginning of the year	**63,066,561**	**$ 615.5**	67,323,781	$ 647.9
Issued under the dividend reinvestment plan	**17,221**	**3.0**	15,613	2.4
Repurchased[1]	**(703,221)**	**(118.9)**	(947,712)	(139.9)
Excess of repurchase price over average cost	**—**	**112.1**	—	130.7
Shares outstanding at end of the period	**62,380,561**	**$ 611.7**	66,391,682	$ 641.1

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

As of March 31, 2018, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $59.2 million (2017 – $45.4 million) at a rate of $0.900 per share (2017 – $0.650 per share).

On May 9, 2018, the Company's Board of Directors declared a dividend of $0.900 per share payable on September 1, 2018 to shareholders of record as of July 31, 2018.

10. Share-Based Payments

During the 13 weeks ended March 31, 2018, the Company granted the following share-based payment awards:

Stock options

The Company granted 302,160 stock options to certain employees. These stock options vest on a graduated basis over a three-year period, are exercisable over a term of seven years, and have an exercise price of $177.09.

11. Revenue

Revenue by reportable operating segment is as follows:

For the	13 weeks ended									
					March 31, 2018					April 1, 2017[1]
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Adjustments**	**Total**	Retail	CT REIT	Financial Services	Adjustments	Total
Sale of goods	**$ 2,379.8**	**$ —**	**$ —**	**$ —**	**$ 2,379.8**	$ 2,318.4	$ —	$ —	$ —	$ 2,318.4
Interest income on loans receivable	**4.3**	**—**	**246.4**	**(1.4)**	**249.3**	3.6	—	222.4	(0.8)	225.2
Royalties and licence fees	**106.4**	**—**	**—**	**—**	**106.4**	102.1	—	—	—	102.1
Services rendered	**4.1**	**—**	**53.3**	**—**	**57.4**	2.7	—	53.8	—	56.5
Rental income	**10.9**	**11.1**	**—**	**—**	**22.0**	10.9	8.3	—	—	19.2
	$ 2,505.5	**$ 11.1**	**$ 299.7**	**$ (1.4)**	**$ 2,814.9**	$ 2,437.7	$ 8.3	$ 276.2	$ (0.8)	$ 2,721.4

[1] Certain prior period figures have been restated due to the adoption of new accounting standards (refer to Note 2).

Revenue by major retail banners is as follows:

For the	13 weeks ended	
(C$ in millions)	**March 31, 2018**	April 1, 2017
Canadian Tire	**$ 1,388.9**	$ 1,389.5
FGL	**421.2**	408.9
Mark's	**233.8**	228.3
Petroleum	**459.7**	408.6
Other	**1.9**	2.4
	$ 2,505.5	$ 2,437.7

Major customers

The Company does not rely on any one customer.

12. Cost of Producing Revenue

For the	13 weeks ended	
(C$ in millions)	**March 31, 2018**	April 1, 2017
Inventory cost of sales[1]	**$ 1,730.7**	$ 1,686.3
Net impairment loss on loans receivable	**88.2**	67.4
Finance costs	**14.6**	12.9
Other	**9.6**	14.0
	$ 1,843.1	$ 1,780.6

[1] Inventory cost of sales includes depreciation for the 13 weeks ended March 31, 2018 of $1.7 million (2017 – $1.7 million).

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 weeks ended March 31, 2018 were $10.7 million (2017 – $12.1 million).

Inventory writedowns recognized in prior periods and reversed in the 13 weeks ended March 31, 2018 were $0.8 million (2017 – $1.5 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.

13. Selling, General and Administrative Expenses

For the	13 weeks ended	
(C$ in millions)	**March 31, 2018**	April 1, 2017[1]
Personnel expenses	**$ 308.5**	$ 290.2
Occupancy	**185.3**	176.8
Marketing and advertising	**55.3**	49.6
Depreciation of property and equipment and investment property[2,3]	**83.3**	75.4
Amortization of intangible assets	**33.7**	33.5
Information systems	**40.4**	38.6
Other	**120.1**	102.9
	$ 826.6	$ 767.0

[1] Certain prior period figures have been restated due to the adoption of new accounting standards (refer to Note 2).
[2] Refer to Note 12 for depreciation included in cost of producing revenue.
[3] Effective in the first quarter of 2018, the Company changed its depreciation method for certain depreciable assets (refer to Note 2).

14. Net Finance Costs

For the	13 weeks ended	
(C$ in millions)	**March 31, 2018**	April 1, 2017
Finance (income)	**$ (2.3)**	$ (2.1)
Finance costs	**33.0**	26.9
	$ 30.7	$ 24.8

15. Income Taxes

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

For the	13 weeks ended	
(C$ in millions)	**March 31, 2018**	April 1, 2017
(Losses) on cash flow hedges and available-for-sale financial assets	**n/a**	$ (6.1)
Net fair value gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment	**$ 1.4**	n/a
Deferred cost of hedging not subject to basis adjustment - Changes in fair value of the time value of an option in relation to time-period related hedged items	**(0.4)**	n/a
Reclassification of (gains) to non-financial assets	**n/a**	(1.2)
Reclassification of losses (gains) to income	**0.2**	—
Net fair value gains on hedging instruments entered into for cash flow hedges subject to basis adjustment	**15.1**	n/a
	$ 16.3	$ (7.3)

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

There have been no material changes in ongoing audits by tax authorities as disclosed in Note 15 to the 2017 Consolidated Financial Statements and Notes.

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. Notes to the Condensed Interim Consolidated Statements of Cash Flows

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

(C$ in millions) As at	March 31, 2018	April 1, 2017	December 30, 2017
Cash	**$ 110.7**	$ 84.2	$ 104.4
Cash equivalents	**168.8**	320.1	321.5
Restricted cash and cash equivalents[1]	**3.8**	11.4	11.1
Total cash and cash equivalents[2]	**283.3**	415.7	437.0
Bank indebtedness	**(19.5)**	—	—
Cash and cash equivalents, net of bank indebtedness	**$ 263.8**	$ 415.7	$ 437.0

[1] Relates to GCCT and is restricted for the purpose of paying note holders and additional funding costs.
[2] Included in cash and cash equivalents are amounts held in reserve in support of Financial Services' liquidity and regulatory requirements.

Change in operating working capital and other comprise the following:

For the	13 weeks ended	
(C$ in millions)	March 31, 2018	April 1, 2017[1]
Change in operating working capital		
Trade and other receivables	**$ (129.8)**	$ (217.8)
Merchandise inventories	**(311.6)**	(333.6)
Income taxes	**—**	(0.6)
Prepaid expenses and deposits	**(6.1)**	(39.1)
Trade and other payables	**19.3**	73.5
Total	**(428.2)**	(517.6)
Change in other		
Provisions	**(16.4)**	(4.7)
Long-term provisions	**(0.2)**	(0.1)
Other long-term liabilities	**(25.8)**	(13.8)
Total	**(42.4)**	(18.6)
Change in operating working capital and other	**$ (470.6)**	$ (536.2)

[1] Certain prior period figures have been restated due to the adoption of new accounting standards (refer to Note 2).

Capital Commitments

As at March 31, 2018, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately $107.2 million (2017 – $63.3 million).

17. Financial Instruments

17.1 Fair Value of Financial Instruments

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

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

The carrying amount of the Company's long-term receivables and other assets approximate their fair value either because the interest rates applied to measure their carrying amount approximate current market interest 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 traded in active markets were determined by reference to their quoted closing bid price or dealer price quotations at the reporting date. For investments that are not traded in active markets, the Company determines fair values using a combination of discounted cash flow models, comparison to similar instruments for which market-observable prices exist, and other valuation models.

Derivatives

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

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

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

Redeemable Financial Instrument

The fair value of the redeemable financial instrument is calculated based on a discounted cash flow model using normalized earnings attributable to the Financial Services business, adjusted for any undistributed earnings and Scotiabank's proportionate interest in the Financial Services business. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy. Refer to Note 3 and Note 32 to the Company's 2017 Consolidated Financial Statements and Notes for further information regarding this financial instrument.

17.2 Fair Value Measurement of Investments, Debt and Deposits

The fair value measurement of investments, debt and deposits is categorized within Level 2 of the fair value hierarchy as described in Note 32.4 to the Company's 2017 Consolidated Financial Statements and Notes. The fair values of the Company's investments, debt and deposits compared to the carrying amounts are as follows:

As at	**March 31, 2018**		April 1, 2017		December 30, 2017	
(C$ in millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments[1,2]	**$ 136.4**	**$ 136.5**	n/a	n/a	n/a	n/a
Long-term investments[2]	**175.2**	**176.5**	n/a	n/a	n/a	n/a
Debt	**3,602.3**	**3,717.4**	$ 3,322.1	$ 3,507.1	$ 3,404.4	$ 3,534.8
Deposits	**2,402.3**	**2,386.9**	2,314.5	2,329.1	2,386.8	2,404.4

[1] The effective interest rate of investments that were reclassified out of FVTPL upon transition to IFRS 9 is 1.1% per annum and $0.2 million of interest income has been recognized during the current period.
[2] Under IFRS 9, short-term and long-term investments are measured at amortized cost, previously under IAS 39 they were measured at fair value.

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

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

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

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

(C$ in million)

As at		March 31, 2018		April 1, 2017		December 30, 2017	
Balance sheet line	**Category**	**Level**		Level		Level	
Short-term investments[1]	FVTPL		**n/a**	2	$ 38.6	2	$ 45.6
Short-term investments[1]	Available-for-sale		**n/a**	2	102.0	2	86.9
Long-term investments[1]	Available-for-sale		**n/a**	2	175.5	2	165.0
Trade and other receivables	FVTPL[2]	**2**	**$ 19.5**	2	21.7	2	19.4
Trade and other receivables	Effective hedging instruments	**2**	**22.4**	2	33.6	2	3.8
Long-term receivables and other assets	FVTPL[2]	**2**	**18.1**	2	25.2	2	27.5
Long-term receivables and other assets	Effective hedging instruments	**2**	**36.8**	2	12.2	2	18.6
Trade and other payables	FVTPL[2]	**2**	**6.5**	2	2.1	2	14.2
Trade and other payables	Effective hedging instruments	**2**	**12.3**	2	14.2	2	60.7
Redeemable financial instrument	FVTPL	**3**	**517.0**	3	517.0	3	517.0
Other long-term liabilities	Effective hedging instruments	**2**	**0.4**	2	9.7	2	3.6

[1] Under IAS 39, short-term and long-term investments were measured at fair value and categorized within Level 2 of the fair value hierarchy.
[2] Includes derivatives that were classified as held for trading under IAS 39.

There were no transfers in either direction among categories during the 13 weeks ended March 31, 2018 or 13 weeks ended April 1, 2017.

18. Legal matters

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

19. Subsequent Event

Subsequent to the quarter, the Company announced that it has agreed to purchase the company that owns and operates the Helly Hansen brands and related businesses for $985 million, and is assuming approximately $50 million of operating debt, net of cash. The acquisition is expected to close in Q3 2018 and is subject to usual closing conditions. Helly Hansen is a global leader in sportswear and workwear based in Oslo, Norway.