Management’s Discussion and Analysis

Canadian Tire Corporation, Limited

Second Quarter 2017

1.0 Preface

1.1 Definitions

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

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

In this document:

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

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

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

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

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

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

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

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

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

1.2 Forward-looking statements

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

1.3 Review and approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on August 9, 2017.

1.4 Quarterly and annual comparisons in the MD&A

Unless otherwise indicated, all comparisons of results for Q2 2017 (13 and 26 weeks ended July 1, 2017) are compared against results for Q2 2016 (13 and 26 weeks ended July 2, 2016).

1.5 Accounting framework

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

1.6 Accounting estimates and assumptions

The preparation of condensed interim consolidated financial statements that conform to IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 9.1 in this MD&A for further information.

1.7 Key operating performance measures and additional GAAP and non-GAAP financial measures

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

Retail sales is one of these key operating performance measures and refers to the Point of Sale ("POS") (i.e. cash register) value of all goods and services sold to retail customers at stores operated by Canadian Tire Associate Dealers ("Dealers"), Mark's and FGL Sports franchisees, and Petroleum retailers, at corporately owned stores across all retail banners, of services provided as part of the Home Services offering, and of goods sold through the Company's online sales channels, and in aggregate does not form part of the Company's condensed interim consolidated financial statements. Management believes that retail sales and related year-over-year comparisons provide meaningful information to investors and are expected and valued by them to help assess the size and financial health of the Company's retail network of stores. These measures also serve as an indicator of the strength of the Company's brand, which ultimately impacts its consolidated financial performance. Refer to section 9.3.1 for additional information on retail sales.

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

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

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

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

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

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

1.8 Rounding and percentages

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

2.0 Company and industry overview

For an overview of the business, a full description of the Company's Retail, CT REIT, and Financial Services operating segments, and a discussion of the competitive landscape affecting the Company, refer to section 2.0 of the MD&A contained in the Company's 2016 Report to Shareholders, available on the Company's website (www.corp.canadiantire.ca/en/investors), and SEDAR (www.sedar.com).

3.0 Three-Year (2015 to 2017) financial aspirations

Financial aspirations: 2015 to 2017

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

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

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

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

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

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

Economic conditions that affect the Company's performance have changed since the Retail ROIC aspiration was announced. The deterioration of the Alberta economy, resulting from the decline in oil prices, and the decline in the value of the Canadian dollar compared to the U.S. dollar have resulted in challenges to deliver the growth in earnings required to achieve the Retail ROIC aspiration. Increasing Retail ROIC continues to be a focus for the Company.

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

1. Annual retail sales growth of 3+ percent at Canadian Tire, 5+ percent at Mark's, and 9+ percent at FGL Sports
Key assumptions: • Strong and consistent same-store sales growth across core retail businesses • Retail square footage growth at Canadian Tire and Mark's in line with recent years • Continued Sport Chek network expansion • Growth in eCommerce sales across all retail banners • Positive customer response to brand and product-focused marketing, in-store merchandising, category specific tactical growth initiatives, and digital initiatives • Effective use of loyalty program customer shopping data to create targeted customer offerings and enhance in-store experience
Significant risks: • Limitations on availability of preferred retail locations due to continued competition and demand for retail space in Canada • Increased competition due to expanding and new U.S. retailers, new and existing online competitors, or a significant change in the Canadian retail landscape • Decline in economic growth, consumer confidence, and household spending • The competitiveness of the Company's loyalty programs • Customers' willingness to participate in and the relative attractiveness of the Company's marketing offers • Impact of commodity prices and other factors on the economic condition of various geographic or customer segments
2. Average diluted EPS growth of 8 to 10 percent over the three-year period
Key assumptions: • Realization of retail sales growth aspirations • Increased bottom-line earnings across all businesses through strong margin management, operating expense growth in line with revenue growth, and growth in gross average accounts receivable ("GAAR") in the Financial Services segment • Realization of cost savings and benefits from initiatives aimed at improving gross margin and operating expenses, including Dealer contract initiatives and enterprise-wide operating efficiency initiatives
Significant risks: • Revenue growth not achieved; refer to significant risks associated with retail sales aspirations described above • Increased costs relating to foreign exchange and global sourcing of key products impacting the Company's ability to maintain or reduce operating, supply chain, and/or product costs • Inability to achieve enhanced purchasing efficiencies and a reduction of overhead expenses • Short-term effect on EPS from the Company's capital-allocation initiatives including the potential impact of organic and inorganic growth initiatives designed to create long-term growth • GAAR growth could be challenged by new regulations and adverse economic conditions
3. Financial Services return on receivables of 6+ percent annually
Key assumptions: • Continued GAAR growth • Customers respond positively to new marketing initiatives, including enhanced loyalty program and in-store financing across the retail banners • Continued prudent expense management
Significant risks: • Decline in economic growth, consumer confidence, and household spending • Higher credit or default risk resulting in incremental allowance for future write-offs • GAAR growth could be challenged by new regulations and adverse economic conditions
4. Retail return on invested capital of 9+ percent by the end of 2017
Key assumptions: • Growth in retail earnings due to sales growth and successful execution of operating efficiency initiatives that increase retail gross margin and reduce operating expense as a percentage of revenue • Increased return from existing assets including enhanced same-store productivity and prudent working capital management • Continued successful investments in businesses to achieve organic growth and in projects and initiatives to improve returns • Average annual operating capital expenditures of $450 million to $500 million over the three-year period (updated from the original assumption of an investment between $600 million and $625 million, over the three-year period, given actual spend for 2015 and 2016 and the revised forecasts for 2017 operating capital expenditures)
Significant risks: • Earnings growth not achieved; refer to significant risks associated with retail sales and EPS growth aspirations described above • Increased capital investment due to inorganic growth opportunities that the Company may pursue

4.0 2017 Strategic imperatives

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

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

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

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

2017 Initiatives

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

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

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

2017 Initiatives

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

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

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

2017 Initiatives

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

5.0 Financial performance

5.1 Consolidated financial performance

Non-operational items

The results of operations in the current and previous quarter and year-to-date ended July 1, 2017 and July 2, 2016 did not include material non-operational items. As a result, the Company has not included a measure of "normalized" earnings or "normalized" diluted EPS in this MD&A.

5.1.1 Consolidated financial results

(C$ in millions, except where noted)	Q2 2017	Q2 2016	Change	YTD Q2 2017	YTD Q2 2016	Change
Retail sales[1]	**$ 4,103.1**	$ 3,983.3	3.0 %	**$ 6,680.3**	$ 6,465.5	3.3 %
Revenue	**$ 3,413.5**	$ 3,352.2	1.8 %	**$ 6,167.0**	$ 5,911.6	4.3 %
Gross margin dollars	**$ 1,151.0**	$ 1,110.2	3.7 %	**$ 2,123.9**	$ 2,024.2	4.9 %
Gross margin as a % of revenue	**33.7%**	33.1%	60 bps	**34.4%**	34.2%	20 bps
Other expense (income)	**$ 0.5**	$ (4.7)	(110.4)%	**$ 0.5**	$ (7.8)	(106.0)%
Selling, general and administrative expenses	**831.9**	824.3	0.9 %	**1,631.0**	1,601.7	1.8 %
Net finance costs	**26.2**	22.8	14.7 %	**51.0**	43.7	16.7 %
Income before income taxes	**$ 292.4**	$ 267.8	9.2 %	**$ 441.4**	$ 386.6	14.2 %
Income taxes	**75.4**	68.8	9.6 %	**116.5**	102.0	14.2 %
Effective tax rate	**25.8%**	25.7%		**26.4%**	26.4%	
Net income	**$ 217.0**	$ 199.0	9.0 %	**$ 324.9**	$ 284.6	14.2 %
Net income attributable to:						
Shareholders of Canadian Tire Corporation	**$ 195.2**	$ 179.4	8.8 %	**$ 282.7**	$ 245.9	14.9 %
Non-controlling interests	**21.8**	19.6	11.7 %	**42.2**	38.7	9.2 %
	$ 217.0	$ 199.0	9.0 %	**$ 324.9**	$ 284.6	14.2 %
Basic EPS	**$ 2.82**	$ 2.47	14.2 %	**$ 4.05**	$ 3.36	20.5 %
Diluted EPS	**$ 2.81**	$ 2.46	14.1 %	**$ 4.04**	$ 3.35	20.4 %
Weighted average number of Common and Class A Non-Voting Shares outstanding:						
Basic	**69,336,491**	72,785,088	NM[2]	**69,814,985**	73,179,346	NM[2]
Diluted	**69,536,003**	72,978,883	NM[2]	**70,015,219**	73,363,370	NM[2]

[1] Key operating performance measure. Refer to section 9.3.1 in this MD&A for additional information.
[2] Not meaningful.

Non-controlling interests

The following table outlines the net income attributable to the Company's non-controlling interests. For additional details, refer to Note 14 of the annual consolidated financial statements contained in the Company's 2016 Report to Shareholders.

(C$ in millions)	Q2 2017	Q2 2016	YTD Q2 2017	YTD Q2 2016
Financial Services Non-controlling interest percentage 20.0% (2016 - 20.0%)	**$ 14.5**	$ 13.1	**$ 28.6**	$ 26.5
CT REIT Non-controlling interest percentage 14.5% (2016 - 14.8%)	**6.0**	5.3	**11.8**	10.5
Retail segment subsidiary Non-controlling interest percentage 50.0% (2016 - 50.0%)	**1.3**	1.2	**1.8**	1.7
Net income attributable to non-controlling interests	**$ 21.8**	$ 19.6	**$ 42.2**	$ 38.7

Consolidated second quarter 2017 versus second quarter 2016

Earnings Summary

Diluted EPS was $2.81 in the quarter, an increase of $0.35 per share, or 14.1 percent, compared to the prior year. The earnings performance reflects increased revenue and gross margin dollars from the Retail and Financial Services segments. This increase was partially offset by higher selling, general and administrative expenses, lower real estate gains compared to 2016, and higher net financing costs. Diluted EPS also benefited from the favourable impact of share repurchases, which resulted in a lower share base.

Retail sales

Consolidated retail sales increased $119.8 million or 3.0 percent, which includes a 6.4 percent increase in Petroleum retail sales primarily due to higher per litre gas prices. Excluding Petroleum, consolidated retail sales increased 2.5 percent reflecting increased sales at Canadian Tire, Mark's, and FGL Sports. Refer to section 5.2 for further information regarding Retail segment sales in the quarter.

Revenue

Consolidated revenue increased $61.3 million, or 1.8 percent, which includes a $27.3 million increase in Petroleum revenue primarily due to higher per litre gas prices. Excluding Petroleum, consolidated revenue increased 1.2 percent primarily due to increased revenue at Mark's, FGL Sports, and in the Financial Services segment. This was partially offset by lower shipments to Canadian Tire Dealers. Refer to sections 5.2 and 5.4 for further information regarding revenue at the Retail and Financial Services segments.

Gross margin

Consolidated gross margin dollars increased $40.8 million, up 3.7 percent driven by increased revenue at Mark's, FGL Sports, and in the Financial Services segment and an improved gross margin rate at Canadian Tire. The consolidated gross margin rate increase of 60 basis points reflects a lower gross margin rate at Petroleum. Excluding Petroleum, the gross margin rate increased 102 basis points due to higher gross margin rates in both the Retail and Financial Services segments. Refer to sections 5.2 and 5.4 for further information regarding gross margin at the Retail and Financial Services segments.

Other (income)

Consolidated other income decreased $5.2 million primarily due to real estate gains incurred in the prior year.

Selling, general and administrative expenses

Consolidated selling, general and administrative expenses increased $7.6 million, or 0.9 percent, primarily due to increased marketing and advertising expenses, the timing of spend related to various information systems initiatives, and increased personnel expenses. This was partially offset by lower consulting expenses related to the Company's investment in operational efficiency initiatives, and decreased occupancy costs.

Net finance costs

Consolidated net finance costs increased $3.4 million, or 14.7 percent, primarily due to higher interest expense on long-term debt.

Income taxes

The effective tax rate increased to 25.8 percent from 25.7 percent in the prior year. Refer to Tax Matters in section 8.0 of this MD&A for further details.

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

Consolidated year-to-date net income attributable to owners of CTC increased $36.8 million, or 14.9 percent, over the prior year. The increase in earnings reflects year-to-date retail sales and revenue growth across all Retail segment banners and the Financial Services segment, and improved gross margin rates at Canadian Tire, Mark's, and in the Financial Services segment. These favourable earnings impacts were partially offset by increased selling, general and administrative expenses, lower real estate gains than in the prior year, and higher net finance costs.

5.1.2 Consolidated key operating performance measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information.

(C$ in millions)	**Q2 2017**	Q2 2016	Change	**YTD Q2 2017**	YTD Q2 2016	Change
Net income attributable to Shareholders of Canadian Tire Corporation	**$ 195.2**	$ 179.4	8.8%	**282.7**	$ 245.9	14.9%
Adjusted EBITDA[1]	**433.2**	404.9	7.0%	**$ 717.6**	$ 652.5	10.0%
Selling, general and administrative expenses (excluding depreciation and amortization) as a % of revenue[2]	**21.1%**	21.2%	(17) bps	**22.8%**	23.4%	(55) bps
Adjusted EBITDA[1] as a % of revenue	**12.7%**	12.1%	61 bps	**11.6%**	11.0%	60 bps

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

[2] Selling, general and administrative expenses exclude depreciation and amortization of $113.0 million in Q2 2017 (2016 - $112.4 million) and $221.9 million Q2 YTD (2016 - $218.3 million).

Adjusted EBITDA and Adjusted EBITDA as a percentage of revenue increased compared to the prior year due to the strong performance in the Retail and Financial Services segments in the quarter and year-to-date.

In the quarter, selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue decreased 17 basis points compared to the prior year. Excluding Petroleum revenue, selling, general and administrative expenses (excluding depreciation and amortization) as a percentage of revenue, remained flat compared to the prior year. On a year-to-date basis, excluding Petroleum revenue, this measure decreased 36 basis points compared to the prior year primarily due to higher revenue and decreased expenses due to a year-over-year reduction in spending on operational efficiency initiatives, and the timing of certain expenses related to information systems in the Retail segment.

5.1.3 Seasonal trend analysis

Quarterly operating net income and revenue are affected by seasonality. The fourth quarter typically generates the greatest contribution to revenues and earnings, and the first quarter the least, largely due to the seasonal nature of some merchandise and the timing of marketing programs in the retail businesses. In the first quarter, retail revenue is approximately 20 percent of total annual revenue and retail earnings is typically less than five percent of the total annual earnings for the Retail segment. The following table shows the financial performance of the Company by quarter for the last two years. The quarterly trend could be impacted by non-operational items.

(C$ in millions, except per share amounts)	**Q2 2017**	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue	**$ 3,413.5**	$ 2,753.5	$ 3,641.0	$ 3,128.4	$ 3,352.2	$ 2,559.4	$ 3,380.2	$ 3,126.8
Net income	**217.0**	107.9	265.1	197.8	199.0	85.6	241.5	219.9
Basic EPS	**2.82**	1.24	3.47	2.45	2.47	0.90	3.02	2.63
Diluted EPS	**2.81**	1.24	3.46	2.44	2.46	0.90	3.01	2.62

5.2 Retail segment performance

5.2.1 Retail segment financial results

(C$ in millions)	**Q2 2017**	Q2 2016	Change	**YTD Q2 2017**	YTD Q2 2016	Change
Retail sales[1]	**$ 4,103.1**	$ 3,983.3	3.0 %	**$ 6,680.3**	$ 6,465.5	3.3 %
Revenue	**$ 3,091.8**	$ 3,043.8	1.6 %	**$ 5,537.3**	$ 5,297.9	4.5 %
Gross margin dollars	**$ 927.3**	$ 900.4	3.0 %	**$ 1,687.9**	$ 1,615.8	4.5 %
Gross margin as a % of revenue	**30.0%**	29.6%	41 bps	**30.5%**	30.5%	(2) bps
Other (income)	**$ (31.0)**	$ (32.8)	(5.7)%	**$ (61.9)**	$ (63.1)	(1.9)%
Selling, general and administrative expenses	**781.8**	771.2	1.4 %	**1,536.5**	1,508.9	1.8 %
Net finance (income)	**(7.1)**	(11.1)	(36.5)%	**(14.7)**	(23.7)	(38.0)%
Income before income taxes	**$ 183.6**	$ 173.1	6.1 %	**$ 228.0**	$ 193.7	17.7 %

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

5.2.2 Retail segment key operating performance measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information on performance measures.

(Year-over-year percentage change, C$ in millions, except as noted)	**Q2 2017**	Q2 2016	Change	**YTD Q2 2017**	YTD Q2 2016	Change
Retail segment - total						
Retail sales growth	**3.0 %**	3.1 %		**3.3%**	2.2 %	
Consolidated same-store sales growth[1]	**1.8 %**	3.4 %		**1.2%**	3.0 %	
Revenue[2]	**$ 3,091.8**	$ 3,043.8	1.6 %	**$ 5,537.3**	$ 5,297.9	4.5 %
Retail ROIC[3]	**8.73 %**	8.32 %		**n/a**	n/a	
Income before income taxes	**$ 183.6**	$ 173.1	6.1 %	**$ 228.0**	$ 193.7	17.7 %
EBITDA[4]	**$ 270.4**	$ 256.1	5.6 %	**$ 396.9**	$ 352.9	12.4 %
Retail segment - by banner						
Canadian Tire						
Retail sales growth[5]	**2.2 %**	4.2 %		**2.1%**	3.5 %	
Same-store sales growth[1, 5]	**1.4 %**	2.9 %		**1.1%**	2.2 %	
Sales per square foot[6] (whole $)	**$ 402.0**	$ 405.0	(0.8)%	**n/a**	n/a	
Revenue[2, 7]	**$ 1,892.8**	$ 1,902.1	(0.5)%	**$ 3,273.3**	$ 3,160.9	3.6 %
FGL Sports						
Retail sales growth[8]	**3.7 %**	5.7 %		**1.3%**	6.4 %	
Same-store sales growth[1, 8]	**2.6 %**	5.8 %		**0.1%**	6.6 %	
Sales per square foot[9] (whole $)	**$ 294.0**	$ 294.0	(0.3)%	**n/a**	n/a	
Revenue[2]	**$ 462.1**	$ 452.0	2.2 %	**$ 885.1**	$ 881.2	0.4 %
Mark's						
Retail sales growth[10]	**4.7 %**	4.4 %		**5.1%**	2.5 %	
Same-store sales growth[1, 10]	**4.0 %**	4.6 %		**4.6%**	2.9 %	
Sales per square foot[11] (whole $)	**$ 342**	$ 324	5.6 %	**n/a**	n/a	
Revenue[2, 12]	**$ 273.6**	$ 260.9	4.8 %	**$ 501.9**	$ 473.6	6.0 %
Petroleum						
Gasoline volume growth in litres	**0.3 %**	1.4 %		**0.2%**	(1.0)%	
Same-store gasoline volume growth in litres[1]	**(0.2)%**	0.5 %		**0.1%**	(1.6)%	
Retail sales growth	**6.4 %**	(5.3)%		**10.7%**	(7.0)%	
Revenue[2]	**$ 459.3**	$ 432.0	6.3 %	**$ 869.1**	$ 779.4	11.5 %
Gross margin dollars	**$ 46.8**	$ 48.7	(3.7)%	**$ 85.8**	$ 86.9	(1.2)%

1 Refer to section 9.3.1 in this MD&A for additional information on same-store sales growth.
2 Revenue reported for Canadian Tire, FGL Sports, Mark's, and Petroleum includes intersegment revenue. FGL Sports revenue has been restated for the 13 and 26 weeks ended July 2, 2016 to exclude revenue from its business-to-business operation. Therefore, in aggregate revenue for Canadian Tire, FGL Sports, Mark's, and Petroleum will not equal total revenue for the Retail segment.
3 Retail ROIC is calculated on a rolling 12-month basis. Refer to section 9.3.1 in this MD&A for additional information.
4 EBITDA is a non-GAAP measure. Refer to section 9.3.2 in this MD&A for a reconciliation of EBITDA to income before income taxes and additional information.
5 Retail sales growth includes sales from Canadian Tire stores, PartSource stores, and the labour portion of Canadian Tire's auto service sales.
6 Sales per square foot figures are calculated on a rolling 12-month basis and exclude PartSource stores. Retail space does not include seasonal outdoor garden centres, auto service bays, or warehouse and administrative space.
7 Revenue includes revenue from Canadian Tire, PartSource, and Franchise Trust.
8 Retail sales growth includes sales from both corporate and franchise stores.
9 Sales per square foot figures are calculated on a rolling 12-month basis, include both corporate and franchise stores and warehouse and administrative space.
10 Retail sales growth includes retail sales from Mark's corporate and franchise stores and ancillary revenue relating to embroidery and alteration services.
11 Sales per square foot figures are calculated on a rolling 12-month basis, include sales from both corporate and franchise stores and exclude ancillary revenue. Sales per square foot do not include warehouse and administrative space.
12 Revenue includes sale of goods to Mark's franchise stores, retail sales from Mark's corporate stores, Mark's wholesale revenue from its commercial division, and includes ancillary revenue relating to embroidery and alteration services.

5.2.3 Retail banner network at a glance

Number of stores and retail square footage	July 1, 2017	July 2, 2016	December 31, 2016
Consolidated store count			
Canadian Tire stores[1]			
Smart stores	**431**	408	420
Traditional stores	**28**	35	31
Small market stores	**24**	25	25
Updated and expanded stores	**16**	31	22
Other	**2**	2	2
Total Canadian Tire stores	**501**	501	500
PartSource stores	**90**	91	91
FGL Sports stores			
Sport Chek	**196**	191	196
Atmosphere	**68**	67	69
Sports Experts	**68**	73	68
Other	**101**	98	100
Total FGL Sports stores	**433**	429	433
Mark's stores[1]			
Mark's	**330**	324	330
L'Équipeur	**46**	45	45
Mark's Work Wearhouse	**7**	12	7
Total Mark's stores	**383**	381	382
Canadian Tire gas bar locations	**297**	296	296
Total stores	**1,704**	1,698	1,702
Consolidated retail square footage[2] (in millions)			
Canadian Tire	**21.7**	21.4	21.6
FGL Sports	**7.7**	7.4	7.7
Mark's	**3.6**	3.5	3.6
PartSource	**0.3**	0.3	0.3
Total retail square footage[2]	**33.3**	32.6	33.2

[1] Store count numbers reflect individual selling locations. Both Canadian Tire and Mark's totals include stores that are co-located.
[2] The retail square footage excludes Petroleum's convenience store rental space.

Retail segment second quarter 2017 versus second quarter 2016

Earnings Summary

Income before income taxes increased $10.5 million, or 6.1 percent. This increase is attributable to solid gross margin growth across the Retail segment banners, which is partially offset by increased selling, general and administrative expenses, higher real estate gains in 2016, and a decline in net finance income.

Retail sales

Canadian Tire retail sales increased 2.2 percent (same-store sales increased 1.4 percent). The increase in retail sales reflects consistently strong performance throughout the quarter in non-seasonal categories including, automotive and fixing. Performance of the spring/summer categories did not strengthen until June, supported by more seasonable weather and the positive impacts of promotional events in the quarter. Sales growth of owned brands such as Noma, Master Chef, and Premier was strong this quarter.

FGL Sports retail sales increased 3.7 percent (same-store sales increased 2.6 percent). The unseasonably cold weather in April and May hindered sales in spring/summer categories, while contributing to sales growth in the outerwear category. Licensed apparel performed well due to the participation of five Canadian teams in the NHL playoffs. FGL Sports also showed positive growth from various promotional events held throughout the quarter and growing eCommerce sales.

Retail sales at Mark's increased by 4.7 percent (same-store sales increased 4.0 percent). The increase in retail sales was driven by growth in industrial apparel, footwear, and jeans as well as strong eCommerce sales. Incremental store-wide promotions continue to have a positive impact on sales.

Petroleum retail sales increased 6.4 percent primarily due to an increase in year-over-year per litre gas prices.

Revenue
Revenue increased $48.0 million, or 1.6 percent, compared to prior year. Excluding the impact of Petroleum, which increased 6.3 percent year over year, retail revenue increased 0.8 percent driven by retail sales growth at Mark's and FGL Sports. This was partially offset by a decline in revenues at Canadian Tire due to lower product shipments to Dealers. Dealer shipments of spring/summer merchandise in the first quarter had been strong in anticipation of a normal weather pattern to the spring season. With the unusually cold first half of the quarter, replenishment of seasonal merchandise did not materialize as expected.

Gross margin
Gross margin dollars increased $26.9 million, or 3.0 percent, reflecting an increase in revenue. The gross margin rate increased 41 basis points. Excluding Petroleum, the gross margin rate increased 83 basis points due to Canadian Tire's focus on owned brands, a more profitable business mix, and the positive impact of sourcing productivity. The benefit earned from improved Dealer earnings as part of the Company's cost and margin sharing arrangement and Mark's continued refinements of pricing and promotional optimization strategies also positively impacted gross margin. This was partially offset by foreign currency costs at Canadian Tire and Mark's which, while still a headwind, was less than the prior year.

Selling, general and administrative expenses
Selling, general and administrative expenses increased $10.6 million, or 1.4 percent, primarily due to:

- higher marketing and advertising expenses at Canadian Tire due in part to promotional campaigns including Canada 150, Tested for Life in Canada, and Canada Fun Store as well as additional promotions at FGL Sports;
- increased information systems spend in support of digital and technology related spend;
- higher stock based compensation expense; and
- higher costs related to new and renovated stores at FGL Sports;

partially offset by:

- lower consulting expenses relating to the Company's investment in operational efficiency initiatives; and
- decreased occupancy costs due to lower property tax expense.

Other (income)
Consolidated other income decreased $1.8 million primarily due to real estate gains incurred in the prior year; partially offset by increased distributions earned on CT REIT units held by the Retail segment.

Net finance income
Net finance income decreased $4.0 million primarily due to lower capitalized interest expense relating to the Bolton Distribution Centre ("DC") (recorded at the consolidated level in 2017), which commenced operations on July 3, 2017, and lower income earned on intersegment debt due to the redemption of CT REIT Series 2 Class C LP units in May 2016 and Series 10-15 Class C LP units in May 2017.

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

Retail sales on a year-to-date basis increased 3.3 percent. Petroleum retail sales increased 10.7 percent, resulting from higher year-over-year gas prices. Excluding Petroleum, retail sales grew 2.1 percent driven by both seasonal and non-seasonal categories at Canadian Tire and Mark's, owned brands at Canadian Tire, and licensed apparel and hockey sales at FGL Sports. In addition, retail sale growth across all Retail banners reflects a strong product offering and successful promotional events. Revenue increased by 4.5 percent compared to prior year. Excluding the impact of Petroleum, which increased 11.5 percent, Retail segment revenue increased 3.3 percent primarily attributable to the increased retail sales at Mark's and FGL Sports banners and increased shipments to Canadian Tire Dealers.

Income before income taxes increased $34.3 million, or 17.7 percent. This increase is primarily attributable to strong revenue growth from Canadian Tire and Mark's and improved gross margin rate at Canadian Tire. These positive impacts to earnings performance more than offset increased selling, general and administrative expenses.

5.2.4 Retail segment business risks

The Retail segment is exposed to a number of risks in the normal course of business that have the potential to affect its operating performance. These include, but are not limited to, supply chain disruption, seasonality, environmental, commodity price, market obsolescence and global sourcing risks. Refer to section 7.2.4 of the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of these business-specific risks. Also refer to section 12.2 of the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of other industry-wide and company-wide risks affecting the business.

5.3 CT REIT segment performance

5.3.1 CT REIT segment financial results

(C$ in millions)	**Q2 2017**	Q2 2016	Change	**YTD Q2 2017**	YTD Q2 2016	Change
Property revenue	**$ 111.6**	$ 101.5	10.0 %	**$ 222.7**	$ 200.0	11.4%
Property expense	**25.7**	24.2	6.4 %	**51.9**	47.7	8.8%
General and administrative expense	**2.4**	2.5	(2.8)%	**6.1**	5.9	4.7%
Net finance costs	**23.8**	22.7	4.9 %	**47.6**	45.0	5.7%
Fair value (gain) adjustment	**(14.6)**	(8.2)	78.9 %	**(32.5)**	(20.1)	61.8%
Income before income taxes	**$ 74.3**	$ 60.3	23.1 %	**$ 149.6**	$ 121.5	23.1%

CT REIT segment key operating performance measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information on performance measures.

(C$ in millions)	**Q2 2017**	Q2 2016	Change	**YTD Q2 2017**	YTD Q2 2016	Change
Net operating income[1]	**$ 80.2**	$ 71.5	12.3%	**$ 159.4**	$ 140.6	13.4%
Funds from operations[1]	**59.4**	52.0	14.3%	**117.5**	101.6	15.6%
Adjusted funds from operations[1]	**$ 48.6**	$ 41.5	17.1%	**$ 95.9**	$ 80.9	18.5%

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

CT REIT segment second quarter 2017 versus second quarter 2016

Earnings summary

Income before income taxes increased $14.0 million, or 23.1 percent, primarily due to properties acquired during 2017 and 2016 and an increase of $6.4 million in the fair market value gain over the prior year.

Property revenue

Property revenue consists of base rent as well as operating cost and property tax recoveries. Property revenue increased by $10.1 million, or 10.0 percent, primarily due to higher base rent relating to properties acquired and intensification activities completed during 2017 and 2016.

Of the $111.6 million in property revenue received, $103.1 million was from CTC. The property revenue received from CTC was 8.2 percent higher than the prior year of $ 95.3 million.

Property expense

Property expense for the quarter was $25.7 million, an increase of $1.5 million or 6.4 percent over the prior year, largely due to property acquisitions. The majority of the property expense costs are recoverable from tenants, with CT REIT absorbing these expenses to the extent that vacancies exist. Property expense consists primarily of property taxes, other recoverable operating expenses, property management expenses (including the outsourcing of property management services pursuant to the Property Management Agreement between CT REIT and CTC), and ground rent.

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

Net finance costs
Net finance costs consist of distributions on the Class C LP Units held by CTC, mortgage and debenture interest, bank credit facility interest expense, capitalized interest, and the amortization of financing costs. Net financed costs increased $1.1 million primarily due to higher interest expense on the debentures issued in June 2017 and May 2016, and increased utilization of its bank credit facility; partially offset by the redemption of Series 10-15 Class C LP Units in May 2017 and the redemption of Series 2 Class C LP Units in June 2016.

Net operating income
NOI was $80.2 million, an increase of $8.7 million, or 12.3 percent, primarily due to property acquisitions completed in 2017 and 2016. NOI is a non-GAAP measure; refer to section 9.3.2 for additional information.

Funds from operations and adjusted funds from operations
FFO and AFFO for the quarter were $59.4 million and $48.6 million, respectively. FFO and AFFO were higher compared to the prior year by $7.4 million and $7.1 million respectively, primarily due to property acquisitions completed in 2017 and 2016. FFO and AFFO are non-GAAP measures; refer to section 9.3.2 for additional information.

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

Property revenue was $222.7 million, of which $205.9 million was received from CTC. Property expense was $51.9 million, of which the majority of the costs are recoverable from tenants. Property revenue and property expense increased 11.4 percent and 8.8 percent, respectively, primarily due to property acquisitions and intensification activities completed during 2017 and 2016.

NOI was $159.4 million and FFO and AFFO were $117.5 million and $95.9 million, respectively. NOI, FFO and AFFO increased $18.8 million, $15.9 million and $15.0 million, respectively, primarily due to property acquisitions completed in 2017 and 2016. FFO and AFFO were also positively affected by higher interest capitalization which was partially offset by higher general and administrative expenses. FFO and AFFO are non-GAAP measures; refer to section 9.3.2 for additional information.

5.3.2 CT REIT segment business risks
CT REIT is exposed to a number of risks in the normal course of business that have the potential to affect its operating performance. These include, but are not limited to, financial risks, real property ownership and tenant risks, and tax-related risks. Refer to section 7.3.2 of the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of these business-specific risks and to section 12.2 of the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of industry-wide and company-wide risks affecting the business. Also refer to section 4 in CT REIT's Annual Information Form and section 11 - Enterprise Risk Management in CT REIT's MD&A for the year ended December 31, 2016, which are not incorporated herein by reference, for further discussion of risks that affect CT REIT's operations.

5.4 Financial Services segment performance

5.4.1 Financial Services segment financial results

(C$ in millions)	**Q2 2017**	Q2 2016	Change	**YTD Q2 2017**	YTD Q2 2016	Change
Revenue	**$ 288.3**	$ 277.8	3.8 %	**$ 569.3**	$ 559.3	1.8 %
Gross margin dollars	**176.3**	166.4	6.0 %	**348.5**	328.5	6.1 %
Gross margin (% of revenue)	**61.2%**	59.9%	126 bps	**61.2%**	58.7%	248 bps
Other expense (income)	**0.1**	(0.1)	(128.8)%	**—**	(0.2)	(86.7)%
Selling, general and administrative expenses	**75.1**	76.5	(1.8)%	**149.9**	145.4	3.1 %
Net finance (income)	**(0.1)**	(0.1)	8.4 %	**(0.2)**	(0.4)	(42.6)%
Income before income taxes	**$ 101.2**	$ 90.1	12.3 %	**$ 198.8**	$ 183.7	8.2 %

5.4.2 Financial Services segment key operating performance measures

Key operating performance measures do not have standard meanings under IFRS and, therefore, may not be comparable to similar terms used by other companies. Refer to section 9.3.1 in this MD&A for definitions and further information on performance measures.

(C$ in millions)	**Q2 2017**	Q2 2016	Change	**YTD Q2 2017**	YTD Q2 2016	Change
Credit card sales growth[1]	**7.1%**	3.0%		**7.9%**	2.3%	
Gross average accounts receivable (GAAR)	**$ 5,177.9**	$ 4,854.4	6.7%	**$ 5,141.5**	$ 4,839.4	6.2%
Revenue[2] (as a % of GAAR)	**22.08%**	22.75%		**n/a**	n/a	
Average number of accounts with a balance[3] (thousands)	**1,874**	1,821	2.9%	**1,855**	1,812	2.4%
Average account balance[3] (whole $)	**$ 2,761**	$ 2,663	3.7%	**$ 2,769**	$ 2,669	3.8%
Net credit card write-off rate[2, 3]	**5.62%**	6.12%		**n/a**	n/a	
Past due credit card receivables[3, 4] (PD2+)	**2.47%**	2.84%		**n/a**	n/a	
Allowance rate[5]	**1.94%**	2.23%		**n/a**	n/a	
Operating expenses[2] (as a % of GAAR)	**5.89%**	5.82%		**n/a**	n/a	
Return on receivables[2]	**7.51%**	7.42%		**n/a**	n/a	

1 Credit card sales growth excludes balance transfers.
2 Figures are calculated on a rolling 12-month basis.
3 Credit card portfolio only.
4 Credit card receivables more than 30 days past due as a percentage of total ending credit card receivables.
5 The allowance rate was calculated based on the total-managed portfolio of loans receivable.

Financial Services segment second quarter 2017 versus second quarter 2016

Earnings summary

Income before income taxes of $101.2 million increased $11.1 million, or 12.3 percent, primarily due to an increase in revenues year over year and decreased selling, general and administrative expenses.

GAAR increased 6.7 percent driven by increased average account balances and a higher number of average active accounts compared to the prior year. The continued increase in the average number of active accounts reflects positive results from the Company's initiatives to stimulate receivables growth and the continued focus on integration initiatives with the Retail businesses.

Revenue

Revenue increased $10.5 million, or 3.8 percent due to higher credit card charges resulting from increased GAAR. This was partially offset by increased loyalty costs, and the impact relating to a change in Management's estimate of the amortization period for loan acquisition costs which benefited the prior year.

Gross margin

Gross margin dollars increased 6.0 percent and the gross margin rate increased 126 basis points during the quarter primarily due to the increase in revenue and lower write-offs, partially offset by an unfavourable variance in the incremental allowance for future write-offs relative to prior year.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased $1.4 million, or 1.8 percent, primarily due to lower marketing costs which was partially offset by increased costs for credit card operations.

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

Revenue increased $10.0 million, or 1.8 percent compared to the prior year due to increased credit card charges as a result of increased GAAR which were offset by lower insurance revenue, increased loyalty expenses, and the impact relating to a change in Management's estimate of the amortization period for loan acquisition costs which benefited the prior year.

Income before income taxes of $198.8 million increased $15.1 million, or 8.2 percent, primarily due to an increase in the gross margin rate year over year caused by favourable credit card portfolio aging which led to a decrease in write-offs as

well as a decrease in the allowance for future write-offs partially offset by increased personnel expense, increased marketing costs to support the Company's digital strategy, and increased costs for credit card operations.

5.4.3 Financial Services segment business risks

The Financial Services segment is exposed to a number of risks in the normal course of business that have the potential to affect its operating performance. These include, but are not limited to, consumer credit risk, securitization funding risk, interest rate, and regulatory risk. Refer to sections 7.4.3 of the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of these business-specific risks. Also refer to section 12.2 in the MD&A contained in the Company's 2016 Report to Shareholders for a discussion of additional industry-wide and company-wide risks.

6.0 Balance sheet analysis, liquidity, and capital resources

6.1 Selected balance sheet highlights

Selected line items from the Company's assets, liabilities, and shareholders' equity as at July 1, 2017, July 2, 2016, and December 31, 2016 are noted below:

(C$ in millions)	**July 1, 2017**	July 2, 2016	December 31, 2016
Assets			
Cash and cash equivalents	**$ 689.3**	$ 535.1	$ 829.7
Short-term investments	**368.8**	229.3	117.2
Trade and other receivables	**487.4**	634.3	690.8
Loans receivable	**5,247.5**	4,858.2	5,138.4
Merchandise inventories	**1,912.5**	1,870.1	1,710.7
Investment property	**263.8**	233.6	266.4
Total assets	**15,537.0**	14,926.6	15,302.8
Liabilities			
Deposits	**$ 1,010.7**	924.7	950.7
Trade and other payables	**1,688.6**	1,689.5	1,856.9
Short-term borrowings	**90.0**	104.1	199.4
Current portion of long-term debt	**457.1**	231.8	653.4
Long-term debt	**3,379.8**	3,097.7	2,667.1
Long-term deposits	**1,360.8**	1,330.4	1,230.8
Total liabilities	**9,995.9**	9,356.3	9,565.5

The year-over-year increase in total assets of $610.4 million was primarily due to:

- an increase in loans receivable of $389.3 million largely relating to growth in credit card sales, increase in active accounts and higher average account balances at Financial Services;
- an increase in cash and cash equivalents of $154.2 million (refer to Summary cash flows in section 6.2 of this MD&A);
- an increase in short-term investments of $139.5 million as a result of increased liquidity at the Corporation;
- an increase in merchandise inventories of $42.4 million mostly attributable to an increase in in-transit inventory at Canadian Tire to support the summer season, offset by a decrease in inventory at Mark's and FGL Sports; and
- an increase in investment property of $30.2 million primarily due to the acquisition of a multi-tenanted property in British Columbia by CT REIT in Q4 2016;

partially offset by:

- a decrease in trade and other receivables of $146.9 million largely due to the timing of collections at Canadian Tire as well as a decrease in the fair value of derivative assets arising from less favourable valuation of the foreign exchange and equity hedge portfolios.

The year-over-year increase in total liabilities of $639.6 million was primarily due to:

- a net increase in debt (current portion of long-term debt and long-term debt) of $507.4 million primarily due to the issuance of $560 million of Series 2017-1 term notes at Financial Services in June 2017, issuance of $175 million senior debentures at CT REIT in June 2017, offset by the maturity of $211.6 million senior and subordinated notes at Financial Services in May 2017; and
- a net increase in deposits (current portion and long-term) of $116.4 million due to a higher volume of GICs offered partially offset by lower volume of high interest savings accounts in the Financial Services segment.

Total assets increased $234.2 million compared to December 31, 2016 primarily due to the purchase of short-term investments as a result of increased liquidity at the Corporation and an increase in merchandise inventories driven by increased inventory at Canadian Tire and FGL Sports due to the seasonality of the business and the delayed start to the summer season. The increase in loans receivable was due to a higher number of active accounts and higher average account balances at Financial Services. Partially offsetting these increases was a decrease in trade and other receivables due to higher collections at Canadian Tire and FGL Sports, a decrease in derivative assets, and a decrease in cash and cash equivalents (for details refer to Summary cash flows in section 6.2 of this MD&A).

Total liabilities increased $430.4 million compared to December 31, 2016 primarily due to a net increase in long-term debt as a result of the reasons noted above, partially offset by a decrease in trade and other payables due to timing of payments, and a decrease in short-term borrowings from CT REIT's payment of its line of credit facility in June 2017.

For the complete balance sheet, refer to the Condensed Interim Consolidated Balance Sheets included in the condensed interim consolidated financial statements for the second quarter of 2017.

6.2 Summary cash flows

The Company's cash and cash equivalents position, net of bank indebtedness, was $689.3 million at July 1, 2017.

The Company's Condensed Interim Consolidated Statements of Cash Flows for the quarters ended July 1, 2017 and July 2, 2016 are noted in the following table:

(C$ in millions)	**Q2 2017**	Q2 2016	Change	**YTD Q2 2017**	YTD Q2 2016	Change
Cash generated from operating activities before the undernoted item	**$ 600.9**	$ 606.5	$ (5.6)	**$ 231.2**	$ 151.1	$ 80.1
Change in loans receivable	**(254.8)**	(208.1)	(46.7)	**(114.7)**	(41.4)	(73.3)
Cash generated from operating activities	**346.1**	398.4	(52.3)	**116.5**	109.7	6.8
Cash (used for) generated from investing activities before the undernoted items	**(25.3)**	(2.6)	(22.7)	**33.0**	(17.4)	50.4
Change in short-term investments	**(202.3)**	140.0	(342.3)	**(282.5)**	(112.9)	(169.6)
Additions to property and equipment, investment property and intangibles	**(80.2)**	(274.4)	194.2	**(194.3)**	(441.9)	247.6
Cash (used for) investing activities	**(307.8)**	(137.0)	(170.8)	**(443.8)**	(572.2)	128.4
Cash (used for) financing activities before the undernoted items	**(28.7)**	(4.8)	(23.9)	**(77.4)**	(44.2)	(33.2)
Change in long-term debt and short-term borrowings	**399.9**	114.0	285.9	**406.1**	348.4	57.7
Repurchase of share capital	**(192.1)**	(113.2)	(78.9)	**(324.3)**	(219.2)	(105.1)
Change in deposits	**56.2**	(19.9)	76.1	**188.4**	0.4	188.0
Cash generated from (used for) financing activities	**235.3**	(23.9)	259.2	**192.8**	85.4	107.4
Cash generated (used) in the period	**$ 273.6**	$ 237.5	$ 36.1	**$ (134.5)**	$ (377.1)	$ 242.6

The Company's cash generated in the quarter increased to $273.6 million from $237.5 million in the prior year. The $36.1 million increase in cash generated was primarily due to:

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

partially offset by:

- an increase in short-term investments primarily due to increased liquidity at the Corporation;
- an increase in payments for share buy-backs in connection with the Company's share repurchase plan; and
- an increase in loans receivable as a result of the growth in the credit card portfolio as well increased lending to Dealers under the Franchise Trust Dealer Loan Program.

On a year-to-date basis, the Company's cash used decreased to $134.5 million from $377.1 million in the prior year. The $242.6 million decrease in cash used was caused by a decreased capital expenditures offset by an increase in short-term investments. The decrease in cash used was also due to the net issuance of long-term debt and increase in GIC deposits, partially offset by higher repayment of short-term borrowings in the current year compared to 2016 and an increase in payments for share buy-backs in connection with the Company's share repurchase plan.

6.3 Capital management

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

6.3.1 Capital management objectives

The Company's objectives when managing capital are:

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

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

6.3.2 Capital under management

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

The Company monitors its capital structure through measuring debt-to-earnings ratios and manages its debt service and other fixed obligations by tracking its interest and other coverage ratios, and forecasting cash flow. 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 July 1, 2017 to reported GAAP measures is provided in section 9.3.2 of this MD&A.

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

The Company was in compliance with all financial covenants under its existing debt agreements as at July 1, 2017 and July 2, 2016. Under these covenants, the Company has sufficient flexibility to fund 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 July 1, 2017 and July 2, 2016. In addition, the Company was in compliance with all regulatory capital guidelines established by the Office of the Superintendent of Financial Institutions of Canada and its Internal Capital Adequacy Assessment Process associated with the operations of CTB, a federally chartered bank and complied with all financial covenants under its credit facilities.

6.4 Capital expenditures

The Company's capital expenditures for the periods ended July 1, 2017 and July 2, 2016 were as follows:

(C$ in millions)	**Q2 2017**	Q2 2016	**YTD Q2 2017**	YTD Q2 2016
Real estate	**$ 25.7**	$ 69.9	**$ 54.3**	$ 110.1
Information technology	**41.6**	48.8	**72.4**	88.4
Other operating	**3.4**	8.0	**12.1**	14.7
Operating capital expenditures	**70.7**	126.7	**138.8**	213.2
CT REIT acquisitions and developments excluding vend-ins from CTC[1]	**10.3**	116.9	**13.7**	118.2
Distribution capacity	**16.4**	20.6	**28.5**	67.7
Total capital expenditures[2]	**$ 97.4**	$ 264.2	**$ 181.0**	$ 399.1

[1] CT REIT capital expenditures include the construction of stores under Mark's and FGL Sports banners of $0.6 million in Q2 2017 (2016 – $0.4 million) and $0.7 million Q2 YTD 2017 (2016 – $0.4 million).

[2] Capital expenditures are presented on an accrual basis and include software additions.

Total capital expenditures decreased by $166.8 million in the quarter and $218.1 million year-to-date primarily due to fewer CT REIT third-party acquisitions, including the Sears DC which was acquired in the second quarter of 2016 for $84.0 million. Real estate spending was also lower as the prior year included spending related to the conversion of five former Target locations to Canadian Tire stores and additional stores built for FGL Sports in 2016. Distribution capacity spending was lower in the quarter and year-to-date due to decreased spend on the Bolton DC, as the project approached the final stages of completion in June 2017. The Bolton DC became fully operational in the third quarter of 2017, at which time depreciation and operating expense commenced.

Capital commitments

The Company had commitments of approximately $71.8 million as at July 1, 2017 (2016 – $97.3 million) for the acquisition of tangible and intangible assets.

Capital expenditure update

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

Operating capital expenditures

As previously announced the Company expects its three-year annual operating capital expenditure investment to be within the range of $450 million to $500 million. The revised forecast excludes spending for operational efficiency initiatives that may be identified. This range includes continued investment in the Company's store network, capital spending relating to renovations of 12 former Target locations acquired in Q2 2015, and significant new investments in digital technology.

As previously disclosed, for fiscal 2017, the Company expects annual operating capital expenditures to be within the range of $400 million to $425 million.

The annual and average annual operating capital expenditures outlined do not include spending relating 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.

Distribution capacity capital expenditures

As previously disclosed, for fiscal 2017, the Company expects capital expenditures required for distribution capacity to be within the range of $25 million to $50 million and include expenditures required to bring the Bolton DC into active service.

6.5 Liquidity and financing

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

Committed bank lines of credit

As at July 1, 2017, CT REIT had $1.5 million of letters of credit outstanding under its bank line of credit. The Company had no other borrowings outstanding under its bank lines of credit.

On April 25, 2017, and effective July 2017, the term of Canadian Tire's bank facility was extended to five years (expiring July 2022).

Short form base-shelf prospectuses

On April 5, 2017, CT REIT renewed its short form base-shelf prospectus under which it can issue up to $2.0 billion of debt and equity capital.

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

Debentures

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

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

As at July 1, 2017, Glacier had $90.0 million of asset-backed commercial paper outstanding. In support of the program, the term of Glacier's $300 million liquidity facility was extended to three years (expiring July 2020).

Additional details on the Company's sources of funding, credit ratings, and a description of credit market conditions are provided in section 8.5 of the MD&A contained in the Company's 2016 Report to Shareholders.

6.5.1 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 31, 2016, refer to section 8.5.1.1 of the MD&A contained in the Company's 2016 Report to Shareholders. There were no significant changes to the outstanding contractual obligations identified at year end, other than those discussed in this document. The Company believes it has sufficient liquidity available to meet its contractual obligations as at July 1, 2017.

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

7.0 Equity

7.1 Shares outstanding

(C$ in millions)	**July 1, 2017**	July 2, 2016	December 31, 2016
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (July 2, 2016 - 3,423,366; December 31, 2016 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
65,089,482 Class A Non-Voting Shares (July 2, 2016 - 68,934,458; December 31, 2016 - 67,323,781)	**630.8**	659.3	647.9
	$ 631.0	$ 659.5	$ 648.1

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

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

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

(C$ in millions)		
Share buy-back intention announced on November 10, 2016	$	550.0
Shares repurchased from January 1, 2017 through July 1, 2017		337.3
Shares remaining to be repurchased in 2017 under the November 10, 2016 announcement	$	212.7

7.2 Dividends

The Company has declared dividends payable to holders of Class A Non-Voting Shares and Common Shares at a rate of $0.65 per share payable on December 1, 2017 to shareholders of record as of October 31, 2017. The dividend is considered an "eligible dividend" for tax purposes.

7.3 Equity derivative contracts

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

During the quarter, equity forwards that hedged 150,000 stock option and performance share units settled and resulted in a payment to the Company of $1.15 million. Also during the quarter, the Company entered into floating rate equity forwards to offset its exposure to 215,000 stock options and performance share units at a weighted average purchase price of $146.04.

8.0 Tax matters

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

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

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

Income taxes for the 13 and 26 weeks ended July 1, 2017 were $75.4 million (2016 - $68.8 million) and $116.5 million (2016 - $102 million), respectively. The effective tax rates for the 13 and 26 weeks ended July 1, 2017 were 25.8 percent (2016 - 25.7 percent) and 26.4 percent (2016 - 26.4 percent), respectively. There were no material changes in the effective tax rates since the increase in adjustments to tax estimates and reduction in tax benefits related to capital property dispositions in the period were primarily offset by lower non-deductible stock option expense in the period.

9.0 Accounting policies, estimates, and non-GAAP measures

9.1 Critical accounting estimates

The Company estimates certain amounts reflected in its condensed interim consolidated financial statements using detailed financial models based on historical experience, current trends, and other assumptions that are believed to be reasonable. Actual results could differ from those estimates. In Management's judgment, the accounting estimates and policies detailed in Note 2 and Note 3 of the consolidated financial statements contained in the Company's 2016 Report to Shareholders do not require Management to make assumptions about matters that are highly uncertain and, accordingly, none of those estimates are considered a "critical accounting estimate" as defined in Form 51-102F1 published by the Ontario Securities Commission except as noted below.

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

9.2 Changes in accounting policies

Standards, amendments, and interpretations issued and adopted

Disclosure initiative

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

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

Standards, amendments, and interpretations issued but not yet adopted

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

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the Company's own credit risk recognized in other comprehensive income instead of net income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. The impairment requirements of IFRS 9 are expected to impact the Company, particularly with respect to the estimate of allowances on credit card loans receivable. In order to meet the impairment requirements of IFRS 9, a dedicated project team has been established with joint leadership from finance and credit risk. The Company is assessing the potential financial and disclosure impact of this standard.

Revenue from contracts with customers

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

enhanced disclosure requirements. IFRS 15 will be applied retrospectively for annual periods beginning on or after January 1, 2018. The Company is assessing the potential impact of this standard.

In April 2016, the IASB published clarifications to IFRS 15 which addressed three topics (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is assessing the potential impact of these amendments.

Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaced IAS 17 – *Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. The Company is assessing the potential impact of this standard.

9.3 Key operating performance measures and non-GAAP financial measures

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

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

9.3.1 Key operating performance measures

Retail sales

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

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

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

Same-store sales

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

Additional information on same-store sales and retail sales growth descriptions for Canadian Tire, Mark's, and FGL Sports can be found in section 5.2.2 of this MD&A.

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

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

Return on receivables
ROR is used by Management to assess the profitability of the Financial Services' total portfolio of receivables. ROR is calculated by dividing income before income tax and gains/losses on disposal of property and equipment by the average total-managed portfolio over a 12-month period. An ROR aspiration has been included as one of the Company's financial aspirations, to be achieved on an annual basis over the three-year period from 2015 to 2017.

9.3.2 Non-GAAP financial measures
Adjusted EBITDA
The following table reconciles consolidated income before income taxes, net finance costs, depreciation and amortization, and any change in fair value of redeemable financial instrument, or adjusted EBITDA, to net income attributable to shareholders of Canadian Tire Corporation which is a GAAP measure reported in the condensed interim consolidated financial statements for the periods ended July 1, 2017 and July 2, 2016. Management uses adjusted EBITDA as a supplementary measure when assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital expenditures.

(C$ in millions)	**Q2 2017**	Q2 2016	**YTD Q2 2017**	YTD Q2 2016
Adjusted EBITDA	**$ 433.2**	$ 404.9	**$ 717.6**	$ 652.5
Change in fair value of redeemable financial instrument	**—**	—	**—**	—
EBITDA	**$ 433.2**	$ 404.9	**$ 717.6**	$ 652.5
Less:				
Depreciation and amortization[1]	**114.6**	114.3	**225.2**	222.2
Net finance costs	**26.2**	22.8	**51.0**	43.7
Income before income taxes	**$ 292.4**	$ 267.8	**$ 441.4**	$ 386.6
Income taxes	**75.4**	68.8	**116.5**	102.0
Effective tax rate	**25.8%**	25.7%	**26.4%**	26.4%
Net income	**$ 217.0**	$ 199.0	**$ 324.9**	$ 284.6
Net income attributable to Non-controlling interests	**21.8**	19.6	**42.2**	38.7
Net income attributable to shareholders of Canadian Tire Corporation	**$ 195.2**	$ 179.4	**$ 282.7**	$ 245.9

[1] Includes $1.6 million reported in cost of producing revenue in the quarter (2016 - $1.9 million) and $3.3 million for Q2 YTD 2017 (2016 - $3.9 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 July 1, 2017 and July 2, 2016.

(C$ in millions)	**Q2 2017**	Q2 2016	**YTD Q2 2017**	YTD Q2 2016
EBITDA	**$ 270.4**	$ 256.1	**$ 396.9**	$ 352.9
Less:				
Depreciation and amortization[1]	**93.9**	94.1	**183.6**	182.9
Net finance (income)	**(7.1)**	(11.1)	**(14.7)**	(23.7)
Income before income taxes	**$ 183.6**	$ 173.1	**$ 228.0**	$ 193.7

[1] Includes $1.6 million reported in cost of producing revenue in the quarter (2016 - $1.9 million) and $3.3 million for Q2 YTD 2017 (2016 - $3.9 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 July 1, 2017 (C$ in millions)	**Consolidated**	**Retail**	**CT REIT**	**Financial Services**
Consolidated net debt				
Short-term deposits	**1,010.7**	**—**	**—**	**1,010.7**
Long-term deposits	**1,360.8**	**—**	**—**	**1,360.8**
Short-term borrowings	**90.0**	**—**	**—**	**90.0**
Current portion of long-term debt	**457.1**	**15.9**	**17.5**	**423.7**
Long-term debt	**3,379.8**	**648.1**	**912.8**	**1,818.9**
Debt	**6,298.4**	**664.0**	**930.3**	**4,704.1**
Liquid assets[1]	**(1,233.7)**	**(587.3)**	**(35.3)**	**(611.1)**
Net debt (cash)	**5,064.7**	**76.7**	**895.0**	**4,093.0**
Inter-company debt	**—**	**(1,519.6)**	**1,451.6**	**68.0**
Adjusted net debt (cash)	**$ 5,064.7**	**$ (1,442.9)**	**$ 2,346.6**	**$ 4,161.0**

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

As at July 2, 2016 (C$ in millions)	Consolidated	Retail	CT REIT	Financial Services
Consolidated net debt				
Bank indebtedness	$ 11.6	$ 0.2	$ —	$ 11.4
Short-term deposits	924.7	—	—	924.7
Long-term deposits	1,330.4	—	—	1,330.4
Short-term borrowings	104.1	—	15.0	89.1
Current portion of long-term debt	231.8	18.4	1.3	212.1
Long-term debt	3,097.7	664.0	750.4	1,683.3
Debt	5,700.3	682.6	766.7	4,251.0
Liquid assets[1]	(939.3)	(478.2)	(1.1)	(460.0)
Net debt (cash)	4,761.0	204.4	765.6	3,791.0
Inter-company debt	—	(1,584.6)	1,522.0	62.6
Adjusted net debt (cash)	4,761.0	(1,380.2)	2,287.6	3,853.6

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

CT REIT Non-GAAP financial measures

Net operating income

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

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

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

(C$ in millions)	**Q2 2017**	Q2 2016	**YTD Q2 2017**	YTD Q2 2016
Property revenue	**$ 111.6**	$ 101.5	**$ 222.7**	$ 200.0
Less:				
Property expense	**25.7**	24.2	**51.9**	47.7
Straight-line rent adjustment	**5.7**	5.9	**11.4**	11.8
Add:				
Straight-line land lease expense adjustment	**—**	0.1	**—**	0.1
Net operating income	**$ 80.2**	$ 71.5	**$ 159.4**	$ 140.6

Funds from operations and adjusted funds from operations

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

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

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

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

(C$ in millions)	**Q2 2017**	Q2 2016	**YTD 2017**	YTD 2016
Income before income taxes	**$ 74.3**	$ 60.3	**$ 149.6**	$ 121.5
Fair value (gain) adjustment	**(14.6)**	(8.2)	**(32.5)**	(20.1)
Deferred taxes	**(0.1)**	(0.3)	**0.5**	(0.2)
Fair value of equity awards	**(0.2)**	0.2	**(0.1)**	0.4
Funds from operations	**59.4**	52.0	**117.5**	101.6
Properties straight-line rent adjustment	**(5.7)**	(5.9)	**(11.4)**	(11.8)
Straight-line land lease expense adjustment	**—**	0.1	**—**	0.1
Capital expenditure reserve	**(5.1)**	(4.7)	**(10.2)**	(9.0)
Adjusted funds from operations	**$ 48.6**	$ 41.5	**$ 95.9**	$ 80.9

10.0 Enterprise risk management

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

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

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

11.0 Controls and procedures

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

Changes in internal control over financial reporting
During the quarter ended July 1, 2017, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

12.0 Social and environmental responsibility

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

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

12.3 Social responsibility: Community building

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

12.4 Social responsibility: Responsible sourcing practices

Canadian Tire 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 Canadian Tire's Responsible Sourcing policies and activities are available on the Company's website at: http://corp.canadiantire.ca/EN/CorporateCitizenship/ResponsibleSourcing/Pages/default.aspx.

12.5 Environmental responsibility

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

The Company's sustainability strategy has four imperatives:

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

Benefits from the Company's sustainability initiatives and its annual environmental footprint reporting are included in section 14.0 of the MD&A contained in the Company's 2016 Report to Shareholders. For further details please refer to the Company's Business Sustainability Reports at:
http://corp.canadiantire.ca/EN/CorporateCitizenship/EnvironmentalSustainability/Pages/OurProgressReports.aspx.

13.0 Subsequent event

On July 14, 2017, the Company completed the acquisition of the company that owns the Canadian rights to the Paderno brand, and sold the manufacturing and wholesale distribution operations to a third party. The cost of this transaction was approximately $20 million and the impact of the transaction will be included in the Company's third-quarter financial results.

14.0 Forward-looking statements and other investor communication

Caution regarding forward-looking statements

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

- the Company's financial aspirations for fiscal years 2015 to 2017 in section 3.0;
- 2017 strategic imperatives in section 4.0;
- capital expenditures in subsection 6.4;
- contractual obligations, guarantees, and commitments in subsection 6.5.1;
- the Company's intention with respect to the purchase of its Class A Non-Voting Shares in section 7.1; and
- tax matters in section 8.0.

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

Certain statements other than statements of historical facts included in this document may constitute forward-looking statements, including, but not limited to, statements concerning Management's current expectations relating to possible or assumed future prospects and results, the Company's strategic goals and priorities, its actions and the results of those actions and the economic and business outlook for the Company. Often, but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "believe", "estimate", "plan",

“can”, “could”, “should”, “would”, “outlook”, “forecast”, “anticipate”, “aspire”, “foresee”, “continue”, “ongoing” or the negative of these terms or variations of them or similar terminology. Forward-looking statements are based on the reasonable assumptions, estimates, analyses, beliefs and opinions of Management, made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that Management believes to be relevant and reasonable at the date that such statements are made.

By their very nature, forward-looking statements require Management to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that the Company’s assumptions, estimates, analyses, beliefs and opinions may not be correct and that the Company’s expectations and plans will not be achieved. Examples of material assumptions and Management’s beliefs, which may prove to be incorrect, include, but are not limited to, the effectiveness of certain performance measures, current and future competitive conditions and the Company’s position in the competitive environment, the Company’s core capabilities, and expectations around the availability of sufficient liquidity to meet the Company’s contractual obligations. Although the Company believes that the forward-looking information in this document is based on information, assumptions and beliefs that are current, reasonable and complete, such information is necessarily subject to a number of factors that could cause actual results to differ materially from Management’s expectations and plans as set forth in such forward-looking statements. Some of the factors, many of which are beyond the Company’s control and the effects of which can be difficult to predict, include: (a) credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates; (b) the ability of the Company to attract and retain high-quality employees for all of its businesses, Dealers, Canadian Tire Petroleum retailers, and Mark’s and FGL Sports franchisees, as well as the Company’s financial arrangements with such parties; (c) the growth of certain business categories and market segments and the willingness of customers to shop at its stores or acquire its financial products and services; (d) the Company’s margins and sales and those of its competitors; (e) the changing consumer preferences toward eCommerce, online retailing and the introduction of new technologies; (f) the possible effects on our business from international conflicts, political conditions, and developments including changes relating to or affecting economic or trade matters; (g) risks and uncertainties relating to information management, technology, cyber threats, property management and development, environmental liabilities, supply chain management, product safety, changes in law, regulation, competition, seasonality, weather patterns, commodity prices and business disruption, the Company’s relationships with suppliers, manufacturers, partners and other third parties, changes to existing accounting pronouncements, the risk of damage to the reputation of brands promoted by the Company and the cost of store network expansion and retrofits; (h) the Company’s capital structure, funding strategy, cost management programs, and share price and (i) the Company’s ability to obtain all necessary regulatory approvals. Management cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect the Company’s results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

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

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

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

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

Commitment to disclosure and investor communication

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

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

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

If you would like to contact the Investor Relations department directly, call Lisa Greatrix at (416) 480-8725 or email investor.relations@cantire.com.

August 9, 2017

CANADIAN TIRE CORPORATION, LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Q2 2017

Condensed Interim Consolidated Balance Sheets (Unaudited)

As at (C$ in millions)	**July 1, 2017**	July 2, 2016	December 31, 2016
ASSETS			
Cash and cash equivalents (Note 15)	**$ 689.3**	$ 535.1	$ 829.7
Short-term investments	**368.8**	229.3	117.2
Trade and other receivables	**487.4**	634.3	690.8
Loans receivable (Note 6)	**5,247.5**	4,858.2	5,138.4
Merchandise inventories	**1,912.5**	1,870.1	1,710.7
Income taxes recoverable	**51.8**	75.9	42.5
Prepaid expenses and deposits	**131.7**	132.9	103.8
Assets classified as held for sale	**8.2**	4.2	4.6
Total current assets	**8,897.2**	8,340.0	8,637.7
Long-term receivables and other assets	**753.3**	766.3	763.7
Long-term investments	**175.6**	174.9	175.2
Goodwill and intangible assets	**1,274.5**	1,261.1	1,280.3
Investment property	**263.8**	233.6	266.4
Property and equipment	**4,058.0**	4,049.0	4,097.2
Deferred income taxes	**114.6**	101.7	82.3
Total assets	**$ 15,537.0**	$ 14,926.6	$ 15,302.8
LIABILITIES			
Bank indebtedness (Note 15)	**$ —**	$ 11.6	$ 5.9
Deposits	**1,010.7**	924.7	950.7
Trade and other payables	**1,688.6**	1,689.5	1,856.9
Provisions	**254.6**	231.3	253.2
Short-term borrowings	**90.0**	104.1	199.4
Loans payable	**743.7**	721.1	700.3
Income taxes payable	**50.4**	37.1	61.1
Current portion of long-term debt	**457.1**	231.8	653.4
Total current liabilities	**4,295.1**	3,951.2	4,680.9
Long-term provisions	**46.7**	47.7	45.9
Long-term debt (Note 7)	**3,379.8**	3,097.7	2,667.1
Long-term deposits	**1,360.8**	1,330.4	1,230.8
Deferred income taxes	**89.9**	88.6	104.2
Other long-term liabilities	**823.6**	840.7	836.6
Total liabilities	**9,995.9**	9,356.3	9,565.5
EQUITY			
Share capital (Note 8)	**631.0**	659.5	648.1
Contributed surplus	**2.9**	2.9	2.9
Accumulated other comprehensive (loss) income	**(22.7)**	(17.3)	36.7
Retained earnings	**4,123.8**	4,126.1	4,250.9
Equity attributable to shareholders of Canadian Tire Corporation	**4,735.0**	4,771.2	4,938.6
Non-controlling interests	**806.1**	799.1	798.7
Total equity	**5,541.1**	5,570.3	5,737.3
Total liabilities and equity	**$ 15,537.0**	$ 14,926.6	$ 15,302.8

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

Condensed Interim Consolidated Statements of Income (Unaudited)

For the	13 weeks ended		26 weeks ended	
(C$ in millions, except per share amounts)	**July 1, 2017**	July 2, 2016	**July 1, 2017**	July 2, 2016
Revenue (Note 10)	**$ 3,413.5**	$ 3,352.2	**$ 6,167.0**	$ 5,911.6
Cost of producing revenue (Note 11)	**2,262.5**	2,242.0	**4,043.1**	3,887.4
Gross margin	**1,151.0**	1,110.2	**2,123.9**	2,024.2
Other expense (income)	**0.5**	(4.7)	**0.5**	(7.8)
Selling, general and administrative expenses (Note 12)	**831.9**	824.3	**1,631.0**	1,601.7
Net finance costs (Note 13)	**26.2**	22.8	**51.0**	43.7
Income before income taxes	**292.4**	267.8	**441.4**	386.6
Income taxes	**75.4**	68.8	**116.5**	102.0
Net income	**$ 217.0**	$ 199.0	**$ 324.9**	$ 284.6
Net income attributable to:				
Shareholders of Canadian Tire Corporation	**$ 195.2**	$ 179.4	**$ 282.7**	$ 245.9
Non-controlling interests	**21.8**	19.6	**42.2**	38.7
	$ 217.0	$ 199.0	**$ 324.9**	$ 284.6
Basic EPS	**$ 2.82**	$ 2.47	**$ 4.05**	$ 3.36
Diluted EPS	**$ 2.81**	$ 2.46	**$ 4.04**	$ 3.35
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	**69,336,491**	72,785,088	**69,814,985**	73,179,346
Diluted	**69,536,003**	72,978,883	**70,015,219**	73,363,370

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		26 weeks ended	
(C$ in millions)	**July 1, 2017**	July 2, 2016	**July 1, 2017**	July 2, 2016
Net income	**$ 217.0**	$ 199.0	**$ 324.9**	$ 284.6
Other comprehensive (loss), net of taxes				
Items that may be reclassified subsequently to net income:				
Cash flow hedges and available-for-sale financial assets:				
(Losses)	**(26.7)**	(4.1)	**(43.5)**	(125.0)
Reclassification of gains to non-financial assets	**(6.2)**	(2.4)	**(9.4)**	(44.0)
Reclassification of gains to income	**(6.7)**	(0.3)	**(6.8)**	(1.2)
Other comprehensive (loss)	**(39.6)**	(6.8)	**(59.7)**	(170.2)
Other comprehensive (loss) attributable to:				
Shareholders of Canadian Tire Corporation	**$ (39.8)**	$ (5.1)	**$ (59.4)**	$ (165.4)
Non-controlling interests	**0.2**	(1.7)	**(0.3)**	(4.8)
	$ (39.6)	$ (6.8)	**$ (59.7)**	$ (170.2)
Comprehensive income	**$ 177.4**	$ 192.2	**$ 265.2**	$ 114.4
Comprehensive income attributable to:				
Shareholders of Canadian Tire Corporation	**$ 155.4**	$ 174.3	**$ 223.3**	$ 80.5
Non-controlling interests	**22.0**	17.9	**41.9**	33.9
	$ 177.4	$ 192.2	**$ 265.2**	$ 114.4

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

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**July 1, 2017**	July 2, 2016	**July 1, 2017**	July 2, 2016
Cash generated from (used for):				
Operating activities				
Net income	**$ 217.0**	$ 199.0	**$ 324.9**	$ 284.6
Adjustments for:				
Depreciation of property and equipment and investment property (Notes 11 and 12)	**81.0**	83.9	**158.1**	160.9
Income tax expense	**75.4**	68.8	**116.5**	102.0
Net finance costs (Note 13)	**26.2**	22.8	**51.0**	43.7
Amortization of intangible assets (Note 12)	**33.6**	30.4	**67.1**	61.3
(Gain) on disposal of property and equipment and assets held for sale	**—**	(9.5)	**(0.1)**	(12.3)
Interest paid	**(32.3)**	(26.9)	**(60.8)**	(54.5)
Interest received	**1.5**	2.4	**3.6**	3.9
Income taxes paid	**(67.0)**	(71.7)	**(160.7)**	(173.2)
Other	**2.7**	(0.5)	**5.0**	(3.7)
Total adjustments, except as noted below	**338.1**	298.7	**504.6**	412.7
Change in operating working capital and other (Note 15)	**262.8**	307.8	**(273.4)**	(261.6)
Change in loans receivable (Note 6)	**(254.8)**	(208.1)	**(114.7)**	(41.4)
Cash generated from operating activities	**346.1**	398.4	**116.5**	109.7
Investing activities				
Additions to property and equipment and investment property	**(49.1)**	(223.9)	**(125.4)**	(357.4)
Additions to intangible assets	**(31.1)**	(50.5)	**(68.9)**	(84.5)
Total additions	**(80.2)**	(274.4)	**(194.3)**	(441.9)
Acquisition of short-term investments	**(251.8)**	(42.9)	**(317.5)**	(344.3)
Proceeds from the maturity and disposition of short-term investments	**49.5**	182.9	**91.7**	231.4
Acquisition of long-term investments	**(25.9)**	(20.0)	**(25.9)**	(41.4)
Proceeds on disposition of property and equipment and assets held for sale	**0.2**	14.3	**0.5**	18.0
Other	**0.4**	3.1	**1.7**	6.0
Cash (used for) investing activities	**(307.8)**	(137.0)	**(443.8)**	(572.2)
Financing activities				
Dividends paid	**(42.9)**	(39.6)	**(86.3)**	(79.5)
Distributions paid to non-controlling interests	**(14.8)**	(6.1)	**(34.5)**	(30.3)
Total dividends and distributions paid	**(57.7)**	(45.7)	**(120.8)**	(109.8)
Net (repayment) issuance of short-term borrowings	**(114.6)**	(224.5)	**(109.4)**	15.4
Issuance of loans payable	**59.5**	121.1	**102.8**	215.7
Repayment of loans payable	**(30.5)**	(80.2)	**(59.4)**	(150.1)
Issuance of long-term debt (Note 7)	**735.0**	350.0	**741.0**	350.0
Repayment of long-term debt and finance lease liabilities (Note 7)	**(216.4)**	(8.4)	**(221.4)**	(13.9)
Payment of transaction costs related to long-term debt	**(4.1)**	(3.1)	**(4.1)**	(3.1)
Repurchase of share capital	**(192.1)**	(113.2)	**(324.3)**	(219.2)
Change in deposits	**56.2**	(19.9)	**188.4**	0.4
Cash generated from (used for) financing activities	**235.3**	(23.9)	**192.8**	85.4
Cash generated (used) in the period	**273.6**	237.5	**(134.5)**	(377.1)
Cash and cash equivalents, net of bank indebtedness, beginning of period	**415.7**	286.0	**823.8**	900.6
Cash and cash equivalents, net of bank indebtedness, end of period	**$ 689.3**	$ 523.5	**$ 689.3**	$ 523.5

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

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

(C$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
Balance at December 31, 2016	**$ 648.1**	**$ 2.9**	**$ 36.7**	**$ 4,250.9**	**$ 4,938.6**	**$ 798.7**	**$ 5,737.3**
Net income	**—**	**—**	**—**	**282.7**	**282.7**	**42.2**	**324.9**
Other comprehensive loss	**—**	**—**	**(59.4)**	**—**	**(59.4)**	**(0.3)**	**(59.7)**
Total comprehensive (loss) income	**—**	**—**	**(59.4)**	**282.7**	**223.3**	**41.9**	**265.2**
Contributions and distributions to shareholders of Canadian Tire Corporation							
Issuance of Class A Non-Voting Shares (Note 8)	**4.8**	**—**	**—**	**—**	**4.8**	**—**	**4.8**
Repurchase of Class A Non-Voting Shares (Note 8)	**(342.1)**	**—**	**—**	**—**	**(342.1)**	**—**	**(342.1)**
Excess of purchase price over average cost (Note 8)	**320.2**	**—**	**—**	**(320.2)**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**(89.6)**	**(89.6)**	**—**	**(89.6)**
Contributions and distributions to non-controlling interests							
Issuance of trust units to non-controlling interests, net of transaction costs	**—**	**—**	**—**	**—**	**—**	**1.7**	**1.7**
Distributions and dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(36.2)**	**(36.2)**
Total contributions and distributions	**(17.1)**	**—**	**—**	**(409.8)**	**(426.9)**	**(34.5)**	**(461.4)**
Balance at July 1, 2017	**$ 631.0**	**$ 2.9**	**$ (22.7)**	**$ 4,123.8**	**$ 4,735.0**	**$ 806.1**	**$ 5,541.1**

(C$ in millions)	Share capital	Contributed surplus	Total accumulated other comprehensive income	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity
Balance at January 2, 2016	$ 671.2	$ 2.9	$ 148.1	$ 4,172.0	$ 4,994.2	$ 795.5	$ 5,789.7
Net income	—	—	—	245.9	245.9	38.7	284.6
Other comprehensive loss	—	—	(165.4)	—	(165.4)	(4.8)	(170.2)
Total comprehensive income (loss)	—	—	(165.4)	245.9	80.5	33.9	114.4
Contributions and distributions to shareholders of Canadian Tire Corporation							
Issuance of Class A Non-Voting Shares (Note 8)	4.9	—	—	—	4.9	—	4.9
Repurchase of Class A Non-Voting Shares (Note 8)	(225.0)	—	—	—	(225.0)	—	(225.0)
Excess of purchase price over average cost (Note 8)	208.4	—	—	(208.4)	—	—	—
Dividends	—	—	—	(83.4)	(83.4)	—	(83.4)
Contributions and distributions to non-controlling interests							
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	1.0	1.0
Distributions and dividends to non-controlling interests	—	—	—	—	—	(31.3)	(31.3)
Total contributions and distributions	(11.7)	—	—	(291.8)	(303.5)	(30.3)	(333.8)
Balance at July 2, 2016	$ 659.5	$ 2.9	$ (17.3)	$ 4,126.1	$ 4,771.2	$ 799.1	$ 5,570.3

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

1. The Company and its operations

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

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

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

2. Basis of preparation

Statement of compliance
These condensed interim consolidated financial statements ("interim financial statements") for the 13 and 26 weeks ended July 1, 2017 (and comparative results for the 13 and 26 weeks ended July 2, 2016) have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* and therefore do not contain all disclosures required by International Financial Reporting Standards ("IFRS"). These interim financial statements should be read in conjunction with the consolidated financial statements contained in the Company's 2016 Report to Shareholders and have been prepared using the same accounting policies described in Note 3 to the consolidated financial statements contained in the Company's 2016 Report to Shareholders.

These interim financial statements were authorized for issuance by the Company's Board of Directors on August 9, 2017.

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

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

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

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

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

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

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

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

to assess whether they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 2 to the consolidated financial statements contained in the Company's 2016 Report to Shareholders.

Standards, amendments, and interpretations issued and adopted

Disclosure initiative

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

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

Standards, amendments, and interpretations issued but not yet adopted

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

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the Company's own credit risk recognized in other comprehensive income instead of net income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. The impairment requirements of IFRS 9 are expected to impact the Company, particularly with respect to the estimate of allowances on credit card loans receivable. In order to meet the impairment requirements of IFRS 9, a dedicated project team has been established with joint leadership from finance and credit risk. The Company is assessing the potential financial and disclosure impact of this standard.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15"), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue,* and International Financial Reporting Interpretations Committee 13 – *Customer Loyalty Programmes* ("IFRIC 13"), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 will be applied retrospectively for annual periods beginning on or after January 1, 2018. The Company is assessing the potential impact of this standard.

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

contracts. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is assessing the potential impact of these amendments.

Leases
In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaced IAS 17 – *Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. The Company is assessing the potential impact of this standard.

3. Capital management

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

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

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

The Company was in compliance with financial covenants under its existing debt agreements as at July 1, 2017. Under these covenants, the Company has sufficient flexibility to fund 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 July 1, 2017.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB"), a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain covenants established under its unsecured revolving credit facility. As at July 1, 2017, CTB complied with all regulatory capital requirements and the financial covenants under its credit facility.

4. Liquidity and financing

On April 25, 2017, and effective July 2017, the term of Canadian Tire's bank facility was extended to five years (expiring July 2022) and the term of Glacier's $300 million liquidity facility was extended to three years (expiring July 2020).

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

5. Operating segments

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

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

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

- Financial Services markets a range of Canadian Tire branded credit cards including Canadian Tire Options MasterCard, Cash Advantage MasterCard, Gas Advantage MasterCard, and Sport Chek MasterCard and also participates in the Canadian Tire loyalty program. Certain costs associated with these activities were allocated to Financial Services for segment reporting purposes. Financial Services also markets insurance and warranty products and provides settlement services to Canadian Tire 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**									
	July 1, 2017					July 2, 2016				
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$ 3,090.3**	**$ 8.5**	**$ 282.3**	**$ 32.4**	**$ 3,413.5**	$ 3,042.5	$ 6.2	$ 274.2	$ 29.3	$ 3,352.2
Intercompany revenue	**1.5**	**103.1**	**6.0**	**(110.6)**	**—**	1.3	95.3	3.6	(100.2)	—
Total revenue	**3,091.8**	**111.6**	**288.3**	**(78.2)**	**3,413.5**	3,043.8	101.5	277.8	(70.9)	3,352.2
Cost of producing revenue	**2,164.5**	**—**	**112.0**	**(14.0)**	**2,262.5**	2,143.4	—	111.4	(12.8)	2,242.0
Gross margin	**927.3**	**111.6**	**176.3**	**(64.2)**	**1,151.0**	900.4	101.5	166.4	(58.1)	1,110.2
Other (income) expense	**(31.0)**	**—**	**0.1**	**31.4**	**0.5**	(32.8)	—	(0.1)	28.2	(4.7)
Selling, general and administrative expenses	**781.8**	**28.1**	**75.1**	**(53.1)**	**831.9**	771.2	26.7	76.5	(50.1)	824.3
Net finance (income) costs	**(7.1)**	**23.8**	**(0.1)**	**9.6**	**26.2**	(11.1)	22.7	(0.1)	11.3	22.8
Fair value (gain) loss on investment properties	**—**	**(14.6)**	**—**	**14.6**	**—**	—	(8.2)	—	8.2	—
Income before income taxes	**$ 183.6**	**$ 74.3**	**$ 101.2**	**$ (66.7)**	**$ 292.4**	$ 173.1	$ 60.3	$ 90.1	$ (55.7)	$ 267.8
Items included in the above:										
Depreciation and amortization	**$ 93.9**	**$ —**	**$ 2.5**	**$ 18.2**	**$ 114.6**	$ 94.1	$ —	$ 2.2	$ 18.0	$ 114.3
Interest income	**22.5**	**0.1**	**229.7**	**(18.4)**	**233.9**	23.2	0.1	215.9	(18.6)	220.6
Interest expense	**11.6**	**23.9**	**27.5**	**(21.3)**	**41.7**	8.4	22.8	26.1	(18.8)	38.5

For the	26 weeks ended									
	July 1, 2017					July 2, 2016				
(C$ in millions)	**Retail**	**CT REIT**	**Financial Services**	**Eliminations and adjustments**	**Total**	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	**$ 5,534.3**	**$ 16.8**	**$ 558.5**	**$ 57.4**	**$ 6,167.0**	$ 5,295.3	$ 10.6	$ 553.0	$ 52.7	$ 5,911.6
Intercompany revenue	**3.0**	**205.9**	**10.8**	**(219.7)**	**—**	2.6	189.4	6.3	(198.3)	—
Total revenue	**5,537.3**	**222.7**	**569.3**	**(162.3)**	**6,167.0**	5,297.9	200.0	559.3	(145.6)	5,911.6
Cost of producing revenue	**3,849.4**	**—**	**220.8**	**(27.1)**	**4,043.1**	3,682.1	—	230.8	(25.5)	3,887.4
Gross margin	**1,687.9**	**222.7**	**348.5**	**(135.2)**	**2,123.9**	1,615.8	200.0	328.5	(120.1)	2,024.2
Other (income) expense	**(61.9)**	**—**	**—**	**62.4**	**0.5**	(63.1)	—	(0.2)	55.5	(7.8)
Selling, general and administrative expenses	**1,536.5**	**58.0**	**149.9**	**(113.4)**	**1,631.0**	1,508.9	53.6	145.4	(106.2)	1,601.7
Net finance (income) costs	**(14.7)**	**47.6**	**(0.2)**	**18.3**	**51.0**	(23.7)	45.0	(0.4)	22.8	43.7
Fair value (gain) loss on investment properties	**—**	**(32.5)**	**—**	**32.5**	**—**	—	(20.1)	—	20.1	—
Income before income taxes	**$ 228.0**	**$ 149.6**	**$ 198.8**	**$ (135.0)**	**$ 441.4**	$ 193.7	$ 121.5	$ 183.7	$ (112.3)	$ 386.6
Items included in the above:										
Depreciation and amortization	**$ 183.6**	**$ —**	**$ 5.0**	**$ 36.6**	**$ 225.2**	$ 182.9	$ —	$ 4.1	$ 35.2	$ 222.2
Interest income	**45.0**	**0.1**	**452.3**	**(36.2)**	**461.2**	46.5	0.1	437.6	(37.5)	446.7
Interest expense	**22.9**	**47.7**	**53.6**	**(42.7)**	**81.5**	16.0	45.2	52.1	(37.9)	75.4

The eliminations and adjustments include the following items:

- reclassifications of certain revenues and costs in the Financial Services segment to net finance costs;
- reclassifications of revenues and operating expenses to reflect loyalty program accounting in accordance with IFRIC 13 for the Company's Loyalty program;
- conversion from CT REIT's fair value investment property valuation policy to the Company's cost model, including the recording of depreciation; and
- intersegment eliminations and adjustments including intercompany rent, property management fees, credit card processing fees, and capitalized interest related to the Bolton distribution centre in 2017.

Capital expenditures by reportable operating segment are as follows:

For the	13 weeks ended							
	July 1, 2017				July 2, 2016			
(C$ in millions)	**Retail**	**CT REIT[1]**	**Financial Services**	**Total**	Retail	CT REIT[1]	Financial Services	Total
Capital expenditures[2]	**$ 85.2**	**$ 10.3**	**$ 1.9**	**$ 97.4**	$ 145.3	$ 116.9	$ 2.0	$ 264.2

[1] CT REIT capital expenditures include the construction of stores under Mark's and FGL Sports banners of $0.6 million in Q2 2017 (2016 – $0.4 million).
[2] Capital expenditures are presented on an accrual basis and include software additions.

	26 weeks ended							
	July 1, 2017				July 2, 2016			
(C$ in millions)	**Retail**	**CT REIT[1]**	**Financial Services**	**Total**	Retail	CT REIT[1]	Financial Services	Total
Capital expenditures[2]	**$ 164.4**	**$ 13.7**	**$ 2.9**	**$ 181.0**	$ 276.8	$ 118.2	$ 4.1	$ 399.1

[1] CT REIT capital expenditures include the construction of stores under Mark's and FGL Sports banners of $0.7 million YTD Q2 2017 (2016 – $0.4 million).
[2] Capital expenditures are presented on an accrual basis and include software additions.

Total assets by reporting operating segment are as follows:

(C$ in millions)

As at	July 1, 2017	July 2, 2016	December 31, 2016
Retail	**$ 10,639.3**	$ 10,609.2	$ 11,024.4
CT REIT	**5,213.9**	4,874.6	5,014.6
Financial Services	**6,036.1**	5,575.8	5,773.5
Eliminations and adjustments	**(6,352.3)**	(6,133.0)	(6,509.7)
Total assets[1]	**$ 15,537.0**	$ 14,926.6	$ 15,302.8

[1] The Company employs a shared-services model for several of its back-office functions including Finance, Information Technology, Human Resources, and Legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

Total liabilities by reporting operating segment are as follows:

(C$ in millions)

As at	July 1, 2017	July 2, 2016	December 31, 2016
Retail	**$ 3,753.7**	$ 3,689.5	$ 3,943.9
CT REIT	**2,450.2**	2,352.0	2,424.0
Financial Services	**4,972.0**	4,527.1	4,731.6
Eliminations and adjustments	**(1,180.0)**	(1,212.3)	(1,534.0)
Total liabilities[1]	**$ 9,995.9**	$ 9,356.3	$ 9,565.5

[1] The Company employs a shared-services model for several of its back-office functions including Finance, Information Technology, Human Resources, and Legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

The eliminations and adjustments include the following items:

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

6. Loans receivable

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

(C$ in millions)	Total principal amount of receivables[1]		
As at	July 1, 2017	July 2, 2016	December 31, 2016
Credit card loans[2]	**$ 5,178.0**	$ 4,818.7	$ 5,104.6
Dealer loans[3]	**746.7**	726.6	705.4
Total loans receivable	**5,924.7**	5,545.3	5,810.0
Less: long-term portion[4]	**677.2**	687.1	671.6
Current portion of loans receivable	**$ 5,247.5**	$ 4,858.2	$ 5,138.4

[1] Amounts shown are net of allowance for loan impairment.
[2] Includes line of credit loans.
[3] Dealer loans primarily relates to loans issued by Franchise Trust.
[4] The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer loans of $674.8 million (July 2, 2016 – $682.2 million and December 31, 2016 – $668.9 million).

The gross impairment loss on loans receivable for the 13 and 26 weeks ended July 1, 2017 was $89.8 million (2016 – $88.6 million) and $176.4 million (2016 - $185.0 million), respectively. Recoveries of bad debts for the 13 and 26 weeks ended July 1, 2017 were $17.5 million (2016 – $17.9 million) and $35.0 million (2016 - $34.3 million), respectively.

During the 13 and 26 weeks ended July 1, 2017, the amount of cash received from interest earned on credit cards and loans was $210.4 million (2016 – $201.6 million) and $423.5 million (2016 - $408.4 million), respectively.

7. Long-term debt

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

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

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

8. Share capital

Share capital consists of the following:

(C$ in millions) As at	**July 1, 2017**	July 2, 2016	December 31, 2016
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (July 2, 2016 - 3,423,366; December 31, 2016 - 3,423,366)	**$ 0.2**	$ 0.2	$ 0.2
65,089,482 Class A Non-Voting Shares (July 2, 2016 - 68,934,458; December 31, 2016 - 67,323,781)	**630.8**	659.3	647.9
	$ 631.0	$ 659.5	$ 648.1

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

During 2017 and 2016, the Company issued and repurchased Class A Non-Voting Shares. The Company's share repurchases were made pursuant to its normal course issuer bid ("NCIB") program. Share repurchases are charged to share capital at the average cost per share outstanding and the excess between the repurchase price and the average cost is first allocated to contributed surplus, with any remainder allocated to retained earnings.

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

For the	**26 Weeks Ended**			
	July 1, 2017		July 2, 2016	
(C$ in millions)	**Number**	**$**	Number	$
Shares outstanding at beginning of the year	**67,323,781**	**$ 647.9**	70,637,987	$ 671.0
Issued under the dividend reinvestment plan	**31,138**	**4.8**	35,990	4.9
Repurchased[1]	**(2,265,437)**	**(342.1)**	(1,739,519)	(225.0)
Excess of repurchase price over average cost	**—**	**320.2**	—	208.4
Shares outstanding at end of the period	**65,089,482**	**$ 630.8**	68,934,458	$ 659.3

[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 July 1, 2017, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of $44.5 million (2016 – $41.6 million) at a rate of $0.650 per share (2016 – $0.575 per share).

On August 9, 2017, the Company's Board of Directors declared a dividend of $0.650 per share payable on December 1, 2017 to shareholders of record as of October 31, 2017.

9. Share-based payments

During the 26 weeks ended July 1, 2017, the Company granted the following share-based payment awards:

Stock options
The Company granted 295,761 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 $153.72 or $156.29.

10. Revenue

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**July 1, 2017**	July 2, 2016	**July 1, 2017**	July 2, 2016
Sale of goods	**$ 2,976.9**	$ 2,933.5	**$ 5,308.3**	$ 5,077.3
Interest income on loans receivable	**232.1**	218.2	**457.3**	441.7
Royalties and licence fees	**102.1**	97.9	**204.2**	195.5
Services rendered	**83.5**	86.4	**159.1**	165.6
Rental income	**18.9**	16.2	**38.1**	31.5
	$ 3,413.5	$ 3,352.2	**$ 6,167.0**	$ 5,911.6

Major customers
The Company does not rely on any one customer.

11. Cost of producing revenue

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**July 1, 2017**	July 2, 2016	**July 1, 2017**	July 2, 2016
Inventory cost of sales[1]	**$ 2,166.3**	$ 2,144.1	**$ 3,852.6**	$ 3,684.1
Net impairment loss on loans receivable	**70.8**	69.8	**138.2**	147.5
Finance costs	**13.7**	13.3	**26.6**	26.7
Other	**11.7**	14.8	**25.7**	29.1
	$ 2,262.5	$ 2,242.0	**$ 4,043.1**	$ 3,887.4

[1] Inventory cost of sales includes depreciation for the 13 and 26 weeks ended July 1, 2017 of $1.6 million (2016 – $1.9 million) and $3.3 million (2016 – $3.9 million), respectively.

Inventory writedowns, as a result of net realizable value being lower than cost, recognized in the 13 and 26 weeks ended July 1, 2017 were $9.6 million (2016 – $10.1 million) and $21.7 million (2016 – $26.0 million), respectively.

Inventory writedowns recognized in prior periods and reversed in the 13 and 26 weeks ended July 1, 2017 were $1.5 million (2016 – $1.9 million) and $3.0 million (2016 – $2.0 million), respectively. The reversal of writedowns was the result of actual losses being lower than previously estimated.

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

12. Selling, general and administrative expenses

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**July 1, 2017**	July 2, 2016	**July 1, 2017**	July 2, 2016
Personnel expenses	**$ 289.9**	$ 287.0	**$ 580.1**	$ 561.8
Occupancy	**168.4**	172.3	**345.2**	336.4
Marketing and advertising	**111.0**	100.9	**192.3**	178.8
Depreciation of property and equipment and investment property[1]	**79.4**	82.0	**154.8**	157.0
Amortization of intangible assets	**33.6**	30.4	**67.1**	61.3
Information systems	**40.0**	33.9	**78.6**	69.1
Other	**109.6**	117.8	**212.9**	237.3
	$ 831.9	$ 824.3	**$ 1,631.0**	$ 1,601.7

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

13. Net finance costs

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**July 1, 2017**	July 2, 2016	**July 1, 2017**	July 2, 2016
Finance (income)	**$ (1.8)**	$ (2.4)	**$ (3.9)**	$ (5.0)
Finance costs	**28.0**	25.2	**54.9**	48.7
	$ 26.2	$ 22.8	**$ 51.0**	$ 43.7

14. Income taxes

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

For the	13 weeks ended		26 weeks ended	
(C$ in millions)	**July 1, 2017**	July 2, 2016	**July 1, 2017**	July 2, 2016
Income tax (benefit) of cash flow hedges and available-for-sale financial assets:				
Losses	**$ (9.7)**	$ (1.5)	**$ (15.8)**	$ (45.3)
Reclassification of gains to non-financial assets	**(2.2)**	(0.9)	**(3.4)**	(16.0)
Reclassification of gains to income	**(2.4)**	(0.1)	**(2.4)**	(0.4)
	$ (14.3)	$ (2.5)	**$ (21.6)**	$ (61.7)

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

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

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

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

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

(C$ in millions) As at	**July 1, 2017**	July 2, 2016	December 31, 2016
Cash	**$ 80.2**	$ 78.5	$ 81.0
Cash equivalents	**595.9**	446.1	738.2
Restricted cash and cash equivalents[1]	**13.2**	10.5	10.5
Total cash and cash equivalents[2]	**689.3**	535.1	829.7
Bank indebtedness	**—**	(11.6)	(5.9)
Cash and cash equivalents, net of bank indebtedness	**$ 689.3**	$ 523.5	$ 823.8

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

Change in operating working capital and other comprise the following:

For the	**13 weeks ended**		**26 weeks ended**	
(C$ in millions)	**July 1, 2017**	July 2, 2016	**July 1, 2017**	July 2, 2016
Change in operating working capital				
Trade and other receivables	**$ 357.1**	$ 188.8	**$ 139.3**	$ 83.9
Merchandise inventories	**135.4**	215.5	**(198.2)**	(84.9)
Prepaid expenses and deposits	**11.1**	17.6	**(28.0)**	(36.8)
Trade and other payables	**(243.2)**	(145.8)	**(179.4)**	(246.8)
Total	**260.4**	276.1	**(266.3)**	(284.6)
Change in other				
Provisions	**1.0**	13.2	**5.4**	19.2
Long-term provisions	**0.1**	0.7	**—**	(1.4)
Other long-term liabilities	**1.3**	17.8	**(12.5)**	5.2
Total	**2.4**	31.7	**(7.1)**	23.0
Change in operating working capital and other	**$ 262.8**	$ 307.8	**$ (273.4)**	$ (261.6)

Capital commitments
As at July 1, 2017, the Company had capital commitments for the acquisition of property and equipment, investment property and intangible assets for an aggregate cost of approximately $71.8 million (2016 – $97.3 million).

16. Financial instruments

16.1 Fair value of financial instruments
Fair values have been determined for measurement and/or disclosure purposes based on the following:

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

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

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

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

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

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

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

Redeemable financial instrument
The fair value of the redeemable financial instrument is calculated based on a discounted cash flow model using normalized earnings attributable to the Financial Services business, adjusted for any undistributed earnings and Scotiabank's proportionate interest in the Financial Services business. This recurring fair value measurement is categorized within Level 3 of the fair value hierarchy. Refer to Note 3 and Note 32 to the consolidated financial statements contained in the Company's 2016 Report to Shareholders for further information regarding this financial instrument.

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

As at	**July 1, 2017**		July 2, 2016		December 31, 2016	
(C$ in millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities carried at amortized cost						
Debt	**$ 3,836.9**	**$ 4,008.8**	$ 3,329.5	$ 3,559.2	$ 3,320.5	$ 3,476.9
Deposits	**$ 2,371.5**	**$ 2,385.3**	$ 2,255.1	$ 2,274.7	$ 2,181.5	$ 2,197.9

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

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

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

(C$ in million)

As at		**July 1, 2017**		July 2, 2016		December 31, 2016	
Balance sheet line	**Category**	**Level**		Level		Level	
Short-term investments	FVTPL	**2**	**$ 196.1**	2	$ 18.6	2	$ 38.6
Short-term investments	Available for sale	**2**	**172.7**	2	210.7	2	78.6
Long-term investments	Available for sale	**2**	**175.6**	2	174.9	2	175.2
Trade and other receivables	FVTPL[1]	**2**	**12.3**	2	27.0	2	26.7
Trade and other receivables	Effective hedging instruments	**2**	**5.1**	2	31.6	2	49.9
Long-term receivables and other assets	FVTPL[1]	**2**	**19.2**	2	27.5	2	26.0
Long-term receivables and other assets	Effective hedging instruments	**2**	**12.2**	2	5.8	2	20.2
Trade and other payables	FVTPL[1]	**2**	**10.4**	2	1.8	2	1.1
Trade and other payables	Effective hedging instruments	**2**	**35.0**	2	37.1	2	12.3
Redeemable financial instrument	FVTPL	**3**	**517.0**	3	517.0	3	517.0
Other long-term liabilities	Effective hedging instruments	**2**	**5.6**	2	32.1	2	8.3

[1] Includes derivatives that are classified as held for trading.

There were no transfers in either direction among categories during the 13 and 26 weeks ended July 1, 2017 or 13 and 26 weeks ended July 2, 2016.

17. 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.

18. Subsequent event

On July 14, 2017, the Company completed the acquisition of the company that owns the Canadian rights to the Paderno brand, and sold the manufacturing and wholesale distribution operations to a third party. The cost of this transaction was approximately $20 million and the impact of the transaction will be included in the Company's third-quarter financial results.

19. Comparative figures

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