

CANADIAN TIRE CORPORATION, LIMITED
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Q3 2018

Condensed Interim Consolidated Balance Sheets (Unaudited)

As at (C\$ in millions)	September 29, 2018	September 30, 2017 ¹	December 30, 2017 ¹
ASSETS			
Cash and cash equivalents (Note 16)	\$ 446.4	\$ 653.4	\$ 437.0
Short-term investments	151.3	146.1	132.5
Trade and other receivables	976.4	810.4	681.1
Loans receivable (Note 6)	5,277.7	5,295.7	5,613.2
Merchandise inventories	2,395.8	2,280.9	1,769.8
Income taxes recoverable	105.7	50.0	48.3
Prepaid expenses and deposits	154.3	134.0	113.1
Assets classified as held for sale	5.5	8.2	1.1
Total current assets	9,513.1	9,378.7	8,796.1
Long-term receivables and other assets	707.2	759.4	717.8
Long-term investments	175.3	176.1	165.0
Goodwill and intangible assets	2,265.6	1,281.5	1,292.9
Investment property	386.4	293.8	344.7
Property and equipment (Note 7)	4,208.4	4,059.2	4,193.3
Deferred income taxes	217.2	133.0	117.2
Total assets	\$ 17,473.2	\$ 16,081.7	\$ 15,627.0
LIABILITIES			
Bank indebtedness (Note 16)	\$ 23.0	\$ —	\$ —
Deposits	978.5	994.1	973.9
Trade and other payables	2,421.6	2,296.0	2,230.8
Provisions	146.3	142.1	158.9
Short-term borrowings	829.1	228.1	144.6
Loans payable	647.9	713.4	667.1
Income taxes payable	78.7	31.4	72.1
Current portion of long-term debt (Note 8)	787.2	456.7	282.3
Total current liabilities	5,912.3	4,861.8	4,529.7
Long-term provisions	46.3	43.3	45.7
Long-term debt (Note 8)	4,038.2	3,377.5	3,122.1
Long-term deposits	1,360.7	1,374.5	1,412.9
Deferred income taxes	188.5	96.3	102.3
Other long-term liabilities	832.8	832.1	848.2
Total liabilities	\$ 12,378.8	\$ 10,585.5	\$ 10,060.9
EQUITY			
Share capital (Note 9)	\$ 601.2	\$ 624.1	\$ 615.7
Contributed surplus	2.9	2.9	2.9
Accumulated other comprehensive income (loss)	2.0	(56.0)	(37.5)
Retained earnings	3,695.1	4,116.2	4,161.7
Equity attributable to shareholders of Canadian Tire Corporation	4,301.2	4,687.2	4,742.8
Non-controlling interests	793.2	809.0	823.3
Total equity	5,094.4	5,496.2	5,566.1
Total liabilities and equity	\$ 17,473.2	\$ 16,081.7	\$ 15,627.0

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

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

Condensed Interim Consolidated Statements of Income (Unaudited)

For the (C\$ in millions, except share and per share amounts)	13 weeks ended		39 weeks ended	
	September 29, 2018	September 30, 2017 ¹	September 29, 2018	September 30, 2017 ¹
Revenue (Note 11)	\$ 3,631.3	\$ 3,265.7	\$ 9,927.0	\$ 9,361.2
Cost of producing revenue (Note 12)	2,408.5	2,183.3	6,633.7	6,226.4
Gross margin	1,222.8	1,082.4	3,293.3	3,134.8
Other (income) expense	(4.7)	—	(23.5)	0.5
Selling, general and administrative expenses (Note 13)	870.9	784.1	2,528.7	2,343.6
Net finance costs (Note 14)	43.4	31.5	106.8	82.5
Income before income taxes	313.2	266.8	681.3	708.2
Income taxes	81.9	68.3	176.5	184.8
Net income	\$ 231.3	\$ 198.5	\$ 504.8	\$ 523.4
Net income attributable to:				
Shareholders of Canadian Tire Corporation	\$ 203.8	\$ 176.6	\$ 437.8	\$ 459.3
Non-controlling interests	27.5	21.9	67.0	64.1
	\$ 231.3	\$ 198.5	\$ 504.8	\$ 523.4
Basic earnings per share	\$ 3.16	\$ 2.59	\$ 6.70	\$ 6.63
Diluted earnings per share	\$ 3.15	\$ 2.59	\$ 6.68	\$ 6.62
Weighted average number of Common and Class A Non-Voting Shares outstanding:				
Basic	64,519,606	68,099,921	65,312,977	69,243,297
Diluted	64,683,997	68,252,446	65,514,421	69,433,042

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

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

Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited)

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income	\$ 231.3	\$ 198.5	\$ 504.8	\$ 523.4
Other comprehensive (loss) income, net of taxes				
Items that may be reclassified subsequently to net income:				
(Losses) on cash flow hedges and available-for-sale financial assets	—	(49.1)	—	(92.6)
Net fair value gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment	2.7	—	8.3	—
Deferred cost of hedging not subject to basis adjustment - Changes in fair value of the time value of an option in relation to time-period related hedged items	(0.9)	—	(1.9)	—
Reclassification of losses to non-financial assets	—	16.9	—	7.5
Reclassification of losses (gains) to income	3.0	0.6	3.8	(6.2)
Currency translation adjustment	(27.1)	—	(27.1)	—
Items that will not be reclassified subsequently to net income:				
Net fair value (losses) gains on hedging instruments entered into for cash flow hedges subject to basis adjustment	(24.0)	—	50.5	—
Other comprehensive (loss) income	\$ (46.3)	\$ (31.6)	\$ 33.6	\$ (91.3)
Other comprehensive (loss) income attributable to:				
Shareholders of Canadian Tire Corporation	\$ (47.1)	\$ (33.3)	\$ 31.7	\$ (92.7)
Non-controlling interests	0.8	1.7	1.9	1.4
	\$ (46.3)	\$ (31.6)	\$ 33.6	\$ (91.3)
Comprehensive income	\$ 185.0	\$ 166.9	\$ 538.4	\$ 432.1
Comprehensive income attributable to:				
Shareholders of Canadian Tire Corporation	\$ 156.7	\$ 143.3	\$ 469.5	\$ 366.6
Non-controlling interests	28.3	23.6	68.9	65.5
	\$ 185.0	\$ 166.9	\$ 538.4	\$ 432.1

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

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Cash (used for) generated from:				
Operating activities				
Net income	\$ 231.3	\$ 198.5	\$ 504.8	\$ 523.4
Adjustments for:				
Depreciation of property and equipment and investment property (Notes 12 and 13)	71.2	85.7	225.9	243.8
Income tax expense	81.9	68.3	176.5	184.8
Net finance costs (Note 14)	43.4	31.5	106.8	82.5
Amortization of intangible assets (Note 13)	29.3	33.7	95.6	100.8
(Gain) loss on disposal of property and equipment and investment property	(0.8)	0.1	(16.1)	—
Interest paid	(41.6)	(32.1)	(109.1)	(92.9)
Interest received	2.5	2.9	6.8	6.5
Income taxes paid	(10.9)	(85.0)	(194.0)	(245.7)
Other	3.7	2.6	8.8	7.6
Total except as noted below	410.0	306.2	806.0	810.8
Change in operating working capital and other (Note 16)	(370.0)	(241.8)	(560.8)	(515.2)
Change in loans receivable	(120.0)	(45.2)	(244.8)	(159.9)
Cash (used for) generated from operating activities	(80.0)	19.2	0.4	135.7
Investing activities				
Additions to property and equipment and investment property	(101.5)	(98.7)	(299.0)	(224.1)
Additions to intangible assets	(19.6)	(45.9)	(72.6)	(114.8)
Total additions	(121.1)	(144.6)	(371.6)	(338.9)
Acquisition of short-term investments	(25.4)	(58.8)	(127.7)	(376.3)
Proceeds from maturity and disposition of short-term investments	37.3	290.5	142.0	382.2
Acquisition of long-term investments	(10.0)	(9.1)	(44.0)	(35.0)
Proceeds on disposition of property and equipment and investment property	0.3	1.6	17.9	2.1
Business Combinations, net of cash acquired (Note 19)	(762.9)	(19.3)	(762.9)	(19.3)
Other	3.7	0.8	4.4	2.5
Cash (used for) generated from investing activities	(878.1)	61.1	(1,141.9)	(382.7)
Financing activities				
Dividends paid	(55.3)	(42.1)	(167.8)	(128.4)
Distributions paid to non-controlling interests	(6.1)	(20.7)	(17.1)	(55.2)
Total dividends and distributions paid	(61.4)	(62.8)	(184.9)	(183.6)
Net issuance of short-term borrowings	37.0	138.1	376.8	28.7
Issuance of loans payable	14.5	18.2	173.8	121.0
Repayment of loans payable	(22.4)	(48.4)	(193.1)	(107.8)
Issuance of long-term debt (Note 8)	1,234.0	0.4	1,434.2	741.4
Repayment of long-term debt and finance lease liabilities (Note 9)	(3.6)	(4.2)	(12.9)	(225.6)
Payment of transaction costs related to long-term debt	(4.4)	(0.1)	(6.4)	(4.2)
Repurchase of share capital	(116.4)	(153.7)	(398.4)	(478.0)
Payments on financial instruments	(2.5)	—	(10.8)	—
Change in deposits	(21.8)	(3.7)	(50.4)	184.7
Cash generated from (used for) financing activities	1,053.0	(116.2)	1,127.9	76.6
Cash generated (used) in the period	94.9	(35.9)	(13.6)	(170.4)
Cash and cash equivalents, net of bank indebtedness, beginning of period	328.5	689.3	437.0	823.8
Cash and cash equivalents, net of bank indebtedness, end of period (Note 16)	\$ 423.4	\$ 653.4	\$ 423.4	\$ 653.4

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)	Total accumulated other comprehensive income (loss)									
	Share capital	Contributed surplus	Cashflow hedges ¹	Currency translation adjustment	Total accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity	
December 30, 2017, as previously reported	\$ 615.7	\$ 2.9	\$ (37.5)	\$ —	\$ (37.5)	\$ 4,169.3	\$ 4,750.4	\$ 823.3	\$ 5,573.7	
Transition adjustments - IFRS 15 (Note 2)	—	—	—	—	—	(7.6)	(7.6)	—	(7.6)	
Restated balance at December 30, 2017	615.7	2.9	(37.5)	—	(37.5)	4,161.7	4,742.8	823.3	5,566.1	
Transition adjustments - IFRS 2 & 9	—	—	(0.8)	—	(0.8)	(351.1)	(351.9)	(81.9)	(433.8)	
Restated balance at December 31, 2017	615.7	2.9	(38.3)	—	(38.3)	3,810.6	4,390.9	741.4	5,132.3	
Net income	—	—	—	—	—	437.8	437.8	67.0	504.8	
Other comprehensive income	—	—	58.8	(27.1)	31.7	—	31.7	1.9	33.6	
Total comprehensive income	—	—	58.8	(27.1)	31.7	437.8	469.5	68.9	538.4	
Transfers of cash flow hedge losses to non-financial assets	—	—	8.6	—	8.6	—	8.6	—	8.6	
Contributions and distributions to shareholders of Canadian Tire Corporation										
Issuance of Class A Non-Voting Shares (Note 9)	9.0	—	—	—	—	—	9.0	—	9.0	
Repurchase of Class A Non-Voting Shares (Note 9)	(402.1)	—	—	—	—	—	(402.1)	—	(402.1)	
Excess of purchase price over average cost (Note 9)	378.6	—	—	—	—	(378.6)	—	—	—	
Dividends	—	—	—	—	—	(174.7)	(174.7)	—	(174.7)	
Contributions and distributions to non-controlling interests										
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	2.5	2.5	
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(19.6)	(19.6)	
Total contributions and distributions	(14.5)	—	8.6	—	8.6	(553.3)	(559.2)	(17.1)	(576.3)	
Balance at September 29, 2018	\$ 601.2	\$ 2.9	\$ 29.1	\$ (27.1)	\$ 2.0	\$ 3,695.1	\$ 4,301.2	\$ 793.2	\$ 5,094.4	

¹ The December 30, 2017 opening cashflow hedges balance includes \$0.8 million relating to fair value changes of available-for-sale financial instruments, and are included in the IFRS 9 transition adjustments.

(C\$ in millions)	Total accumulated other comprehensive income (loss)									
	Share capital	Contributed surplus	Cashflow hedges ²	Currency translation adjustment	Total accumulated other comprehensive income (loss)	Retained earnings	Equity attributable to shareholders of Canadian Tire Corporation	Equity attributable to non-controlling interests	Total equity	
December 31, 2016, as previously reported	\$ 648.1	\$ 2.9	\$ 36.7	\$ —	\$ 36.7	\$ 4,250.9	\$ 4,938.6	\$ 798.7	\$ 5,737.3	
Transition adjustments - IFRS 15 (Note 2)	—	—	—	—	—	(7.6)	(7.6)	—	(7.6)	
Restated balance at December 31, 2016	648.1	2.9	36.7	—	36.7	4,243.3	4,931.0	798.7	5,729.7	
Net income	—	—	—	—	—	459.3	459.3	64.1	523.4	
Other comprehensive (loss)	—	—	(92.7)	—	(92.7)	—	(92.7)	1.4	(91.3)	
Total comprehensive (loss) income	—	—	(92.7)	—	(92.7)	459.3	366.6	65.5	432.1	
Contributions and distributions to shareholders of Canadian Tire Corporation										
Issuance of Class A Non-Voting Shares (Note 9)	7.2	—	—	—	—	—	7.2	—	7.2	
Repurchase of Class A Non-Voting Shares (Note 9)	(484.2)	—	—	—	—	—	(484.2)	—	(484.2)	
Excess of purchase price over average cost (Note 9)	453.0	—	—	—	—	(453.0)	—	—	—	
Dividends	—	—	—	—	—	(133.4)	(133.4)	—	(133.4)	
Contributions and distributions to non-controlling interests										
Issuance of trust units to non-controlling interests, net of transaction costs	—	—	—	—	—	—	—	2.0	2.0	
Distributions and dividends to non-controlling interests	—	—	—	—	—	—	—	(57.2)	(57.2)	
Total contributions and distributions	(24.0)	—	—	—	—	(586.4)	(610.4)	(55.2)	(665.6)	
Balance at September 30, 2017	\$ 624.1	\$ 2.9	\$ (56.0)	\$ —	\$ (56.0)	\$ 4,116.2	\$ 4,687.2	\$ 809.0	\$ 5,496.2	

² The September 30, 2017 closing cashflow hedges balance included \$1.1 million relating to fair value changes of available-for-sale financial instruments, under IAS 39.

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.

On July 3, 2018, the Company acquired Teodin Holdco AS, which owns and operates the Helly Hansen brands and related businesses (“Helly Hansen”). The results from the operations of Helly Hansen are included in the Company’s results from operations and financial position commencing July 3, 2018. For further information regarding the Company’s acquisition of Helly Hansen, refer to Business Combinations (Note 19).

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

2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements (“interim financial statements”) for the 13 and 39 weeks ended September 29, 2018 (and comparative results for the 13 and 39 weeks ended September 30, 2017) have been prepared in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* and therefore do not contain all disclosures required by International Financial Reporting Standards (“IFRS”). These interim financial statements should be read in conjunction with the Company’s 2017 Consolidated Financial Statements and Notes and have been prepared using the same accounting policies described in Note 3 to the 2017 Consolidated Financial Statements and Notes, with the exception of the significant accounting policies adopted as a result of the application of amendments to IFRS 2 - *Share-based Payment* (“IFRS 2”), IFRS 9 - *Financial Instruments* (“IFRS 9”) and IFRS 15 - *Revenue from Contracts with Customers* (“IFRS 15”), included in the Company’s first quarter 2018 Condensed Interim Consolidated Financial Statements.

These interim financial statements were authorized for issuance by the Company’s Board of Directors on November 7, 2018.

Basis of Presentation

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

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

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

Functional and Presentation Currency

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

Judgments and Estimates

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

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

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

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

Details of the accounting policies that are subject to judgments and estimates that the Company believes could have the most significant impact on the amounts recognized in these interim financial statements are described in Note 2 to the Company's 2017 Consolidated Financial Statements and Notes with the exception of the estimate of allowances for loans receivable as a result of the application of IFRS 9 and the change in depreciation estimation method described in Note 2 of the first quarter 2018 Condensed Interim Consolidated Financial Statements.

Standards, Amendments, and Interpretations Issued and Adopted

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

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

The Company also early adopted amendments to IFRS 9, issued in October 2017, effective in the first quarter 2018. As a result of applying the amendments to IFRS 9, the carrying amount of long-term debt increased, with the adjustment recognized in opening retained earnings. Refer to Note 2 of the first quarter 2018 Condensed Interim Consolidated Financial Statements for impacts resulting from early adoption and transitional adjustments.

Adoption of IFRS 15 - Revenue from Contracts with Customers

Effective in the first quarter of 2018, the Company adopted IFRS 15, issued in May 2014, and amended in September 2015 and April 2016. Refer to Note 2 of the first quarter 2018 Condensed Interim Consolidated Financial Statements for the details of adopting IFRS 15 and consequent policy changes.

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

Consolidated Statement of Income

(C\$ in millions)	13 weeks ended			39 weeks ended		
	September 30, 2017			September 30, 2017		
	As previously reported	IFRS 15 Adjustments	As restated	As previously reported	IFRS 15 Adjustments	As restated
Revenue	\$ 3,303.9	\$ (38.2)	\$ 3,265.7	\$ 9,470.9	\$ (109.7)	\$ 9,361.2
Gross margin	1,120.6	(38.2)	1,082.4	3,244.5	(109.7)	3,134.8
Selling, general and administrative expenses	822.3	(38.2)	784.1	2,453.3	(109.7)	2,343.6
Income before income taxes	266.8	—	266.8	708.2	—	708.2

The impact of adopting IFRS 15 resulted in the restatements of the following Balance Sheet line items:

Consolidated Balance Sheets

(C\$ in millions)	December 30, 2017			September 30, 2017		
	As previously reported	IFRS 15 Adjustments	As restated	As previously reported	IFRS 15 Adjustments	As restated
Deferred income taxes	\$ 114.4	\$ 2.8	\$ 117.2	\$ 130.2	\$ 2.8	\$ 133.0
Trade and other payables	2,100.3	130.5	2,230.8	2,172.7	123.3	2,296.0
Provisions	279.0	(120.1)	158.9	255.0	(112.9)	142.1
Retained earnings	4,169.3	(7.6)	4,161.7	4,123.8	(7.6)	4,116.2

Adoption of Amendments to IFRS 2 - Share-Based Payment

Effective in the first quarter of 2018, the Company adopted amendments to IFRS 2 as issued in June 2016. Refer to the first quarter 2018 Condensed Interim Consolidated Financial Statements for details.

Standards, Amendments, and Interpretations Issued but not yet Adopted

The following new standards, amendments, and interpretations have been issued and are expected to impact the Company, but are not effective for the fiscal year ending December 29, 2018 and, accordingly, have not been applied in preparing the interim financial statements.

Leases

In January 2016, the International Accounting Standards Board (“IASB”) issued IFRS 16 - *Leases* (“IFRS 16”), which will replace IAS 17 - *Leases* (“IAS 17”) and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases retained. IFRS 16 is expected to have a material impact on the Company’s Consolidated Balance Sheets, with the addition of lease liabilities and right-of-use assets. There will be a shift in the timing of expense recognition in the Consolidated Statements of Income. IFRS 16 will change the presentation of cash flows relating to leases in the Company’s Consolidated Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between the parties of a lease.

IFRS 16 will be applied for the 2019 annual fiscal period. The Company is currently analyzing the full impact of the adoption of IFRS 16.

The Company has upgraded its accounting system and is implementing processes and internal controls to enable the application of IFRS 16 for 2019.

Insurance Contracts

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

3. Capital Management

The Company’s objectives when managing capital are:

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

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

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

The Company was in compliance with all financial covenants under its existing debt agreements as at September 29, 2018. Under these covenants, the Company has sufficient flexibility to support business growth.

Helly Hansen is required to comply with covenants established under its bank credit agreements, and was in compliance with the financial covenants thereunder as at September 29, 2018.

CT Real Estate Investment Trust ("CT REIT") is required to comply with covenants established under its Trust Indenture, bank credit agreement, and the Declaration of Trust, and was in compliance with the financial covenants thereunder as at September 29, 2018.

In addition, the Company is required to comply with regulatory requirements for capital associated with the operations of Canadian Tire Bank ("CTB"), a federally chartered bank, and other regulatory requirements that have an impact on its business operations and certain covenants established under its bank line of credit and note purchase facilities. As at September 29, 2018, CTB was in compliance with all external regulatory capital requirements and all financial covenants under its bank line of credit and note purchase facilities.

4. Liquidity and Financing

In the first quarter of 2018, GCCT increased the amount of commercial paper outstanding by \$200.0 million. As at September 29, 2018, \$292.8 million of commercial paper notes were outstanding.

As at September 29, 2018, CTC had \$399.3 million of borrowings outstanding under its committed bank line of credit. Helly Hansen had a total of \$104.0 million of Canadian Dollar equivalent borrowings outstanding across its committed bank lines of credit (531 million Norwegian Krone ["NOK"]) and its factoring facility (142 million NOK), CT REIT had \$33.0 million of borrowings and \$2.3 million of letters of credit outstanding under its committed bank line of credit, and CTB had no borrowings outstanding under either of its committed bank line of credit or note purchase facilities.

During the current quarter, the term of CTC's committed bank line of credit totaling \$1.975 billion was extended to August 2023 and the term of GCCT's \$300.0 million liquidity facility, which provides backstop protection to its Series 1997-1 asset-backed commercial paper program, was extended to August 2021.

Subsequent to September 29, 2018, CTB extended the term of its committed bank line of credit totaling \$250.0 million to October 2021 and extended the terms of its committed note purchase facilities, for purchase of up to \$2.0 billion of senior and subordinated notes issued by GCCT, to October 2021.

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, Helly Hansen and various FGL banners. Retail also includes the Dealer Loan Program (the portion [silo] of Franchise Trust that issues loans to Dealers). Non-CT REIT real estate is included in Retail.
- CT REIT is an unincorporated, closed-end real estate investment trust. CT REIT holds a geographically-diversified portfolio of properties comprised largely of Canadian Tire banner stores, Canadian Tire anchored retail developments, mixed-use commercial property, and distribution centres.

- Financial Services markets a range of Canadian Tire branded credit cards including Canadian Tire Options MasterCard, Cash Advantage MasterCard, Gas Advantage MasterCard, and Sport Chek MasterCard and also participates in the Canadian Tire Money loyalty program. Certain costs associated with these activities were allocated to Financial Services for segment reporting purposes. On April 9, 2018, the Company announced the launch of its Triangle Rewards program – an evolution of its iconic My Canadian Tire Money loyalty program, and associated Triangle MasterCard, Triangle World MasterCard and Triangle World Elite MasterCard. The program was made available to customers in Spring 2018 with an option to upgrade from existing Canadian Tire card offerings and Canadian Tire Money loyalty program. Financial Services also markets insurance and warranty products and provides settlement services to the Company's affiliates. Financial Services includes CTB, a federally regulated financial institution that manages and finances the Company's consumer MasterCard, Visa, and retail credit card portfolios, as well as an existing block of Canadian Tire branded line of credit portfolios. CTB also offers high-interest savings deposit accounts, tax free savings accounts, and GIC deposits, both directly and through third-party brokers. Financial Services also includes GCCT, a structured entity established to purchase co-ownership interests in the Company's credit card loans. GCCT issues debt to third-party investors to fund its purchases.

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

For the	13 weeks ended									
	September 29, 2018					September 30, 2017 ¹				
(C\$ in millions)	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	\$ 3,307.1	\$ 11.3	\$ 315.3	\$ (2.4)	\$ 3,631.3	\$ 2,970.2	\$ 8.6	\$ 288.8	\$ (1.9)	\$ 3,265.7
Intercompany revenue	2.8	106.4	10.3	(119.5)	—	1.4	100.7	5.8	(107.9)	—
Total revenue	3,309.9	117.7	325.6	(121.9)	3,631.3	2,971.6	109.3	294.6	(109.8)	3,265.7
Cost of producing revenue	2,307.8	—	115.8	(15.1)	2,408.5	2,079.8	—	118.2	(14.7)	2,183.3
Gross margin	1,002.1	117.7	209.8	(106.8)	1,222.8	891.8	109.3	176.4	(95.1)	1,082.4
Other (income) expense	(38.1)	—	(0.1)	33.5	(4.7)	(31.8)	—	(0.1)	31.9	—
Selling, general and administrative expenses ²	868.6	29.1	78.3	(105.1)	870.9	768.4	24.8	76.5	(85.6)	784.1
Net finance costs (income)	4.9	26.3	(0.3)	12.5	43.4	(5.1)	24.4	(0.2)	12.4	31.5
Fair value (gain) loss on investment properties	—	(16.8)	—	16.8	—	—	(10.5)	—	10.5	—
Income before income taxes	\$ 166.7	\$ 79.1	\$ 131.9	\$ (64.5)	\$ 313.2	\$ 160.3	\$ 70.6	\$ 100.2	\$ (64.3)	\$ 266.8
Items included in the above:										
Depreciation and amortization ²	\$ 83.6	\$ —	\$ 2.5	\$ 14.4	\$ 100.5	\$ 95.7	\$ —	\$ 2.6	\$ 21.1	\$ 119.4
Interest income	21.4	—	264.9	(17.1)	269.2	22.2	—	237.0	(17.4)	241.8
Interest expense	21.6	26.3	31.2	(17.5)	61.6	13.0	24.4	28.9	(18.0)	48.3

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

² Effective in the first quarter of 2018, the Company changed its depreciation method for certain depreciable assets (refer to Note 2).

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the	39 weeks ended					September 30, 2017 ¹				
	September 29, 2018					September 30, 2017 ¹				
(C\$ in millions)	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total	Retail	CT REIT	Financial Services	Eliminations and adjustments	Total
External revenue	\$ 8,990.8	\$ 34.1	\$ 907.8	\$ (5.7)	\$ 9,927.0	\$ 8,492.5	\$ 25.3	\$ 847.3	\$ (3.9)	\$ 9,361.2
Intercompany revenue	5.8	319.1	29.3	(354.2)	—	4.4	306.7	16.6	(327.7)	—
Total revenue	8,996.6	353.2	937.1	(359.9)	9,927.0	8,496.9	332.0	863.9	(331.6)	9,361.2
Cost of producing revenue	6,285.9	—	390.6	(42.8)	6,633.7	5,929.2	—	339.0	(41.8)	6,226.4
Gross margin	2,710.7	353.2	546.5	(317.1)	3,293.3	2,567.7	332.0	524.9	(289.8)	3,134.8
Other (income) expense	(122.0)	—	(0.9)	99.4	(23.5)	(93.7)	—	(0.1)	94.3	0.5
Selling, general and administrative expenses ²	2,500.2	90.6	247.8	(309.9)	2,528.7	2,292.9	82.8	226.4	(258.5)	2,343.6
Net finance (income) costs	(7.1)	78.3	(0.8)	36.4	106.8	(19.8)	72.0	(0.4)	30.7	82.5
Fair value (gain) loss on investment properties	—	(42.1)	—	42.1	—	—	(43.0)	—	43.0	—
Income before income taxes	\$ 339.6	\$ 226.4	\$ 300.4	\$ (185.1)	\$ 681.3	\$ 388.3	\$ 220.2	\$ 299.0	\$ (199.3)	\$ 708.2
Items included in the above:										
Depreciation and amortization ²	\$ 270.1	\$ —	\$ 7.7	\$ 43.7	\$ 321.5	\$ 279.3	\$ —	\$ 7.6	\$ 57.7	\$ 344.6
Interest income	69.4	0.1	759.0	(55.0)	773.5	67.2	0.1	689.3	(53.6)	703.0
Interest expense	48.6	78.4	88.6	(55.9)	159.7	35.9	72.1	82.5	(60.7)	129.8

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

² Effective in the first quarter of 2018, the Company changed its depreciation method for certain depreciable assets (refer to Note 2).

The eliminations and adjustments include the following items:

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

While the Company primarily operates in Canada, following the acquisition of Helly Hansen, it now also operates in foreign jurisdictions. Foreign revenue earned by Helly Hansen amounted to \$156.5 million for the 13 and 39 weeks ended September 29, 2018. Property and equipment and intangible assets (brand and goodwill) located outside of Canada was \$995.2 million as at September 29, 2018 (2017 - nil).

Capital expenditures by reportable operating segment are as follows:

For the	13 weeks ended				September 30, 2017			
	September 29, 2018				September 30, 2017			
(C\$ in millions)	Retail	CT REIT ²	Financial Services	Total	Retail	CT REIT ²	Financial Services	Total
Capital expenditures ¹	\$ 137.6	\$ 17.1	\$ 2.5	\$ 157.2	\$ 102.1	\$ 41.6	\$ 1.8	\$ 145.5

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

² CT REIT capital expenditures include the construction of stores under Mark's and FGL banners of \$0.6 million in Q3 2018 (2017 - \$0.2 million).

For the	39 weeks ended				September 30, 2017			
	September 29, 2018				September 30, 2017			
(C\$ in millions)	Retail	CT REIT ²	Financial Services	Total	Retail	CT REIT ²	Financial Services	Total
Capital expenditures ¹	\$ 281.0	\$ 93.6	\$ 5.7	\$ 380.3	\$ 266.5	\$ 55.3	\$ 4.7	\$ 326.5

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

² CT REIT capital expenditures include the construction of stores under Mark's and FGL banners of \$3.6 million YTD Q3 2018 (2017 - \$1.0 million).

Total assets by reportable operating segment are as follows:

(C\$ in millions)

As at	September 29, 2018	September 30, 2017 ¹	December 30, 2017 ¹
Retail	\$ 12,149.5	\$ 11,195.9	\$ 11,051.7
CT REIT	5,676.7	5,265.1	5,455.4
Financial Services	6,255.4	6,334.9	6,172.5
Eliminations and adjustments	(6,608.4)	(6,714.2)	(7,052.6)
Total assets²	\$ 17,473.2	\$ 16,081.7	\$ 15,627.0

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

² The Company employs a shared-services model for several of its back-office functions including Finance, Information Technology, Human Resources, and Legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

Total liabilities by reportable operating segment are as follows:

(C\$ in millions)

As at	September 29, 2018	September 30, 2017 ¹	December 30, 2017 ¹
Retail	\$ 5,660.2	\$ 4,363.4	\$ 4,238.6
CT REIT	2,689.2	2,463.4	2,594.0
Financial Services	5,280.4	5,266.1	5,027.2
Eliminations and adjustments	(1,251.0)	(1,507.4)	(1,798.9)
Total liabilities²	\$ 12,378.8	\$ 10,585.5	\$ 10,060.9

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

² The Company employs a shared-services model for several of its back-office functions including Finance, Information Technology, Human Resources, and Legal. As a result, expenses relating to these functions are allocated on a systematic and rational basis to the reportable operating segments. The associated assets and liabilities are not allocated among segments in the presented measures of segmented assets and liabilities.

The eliminations and adjustments include the following items:

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

6. Loans Receivable

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

(C\$ in millions)

As at	Total principal amount of receivables ¹		
	September 29, 2018	September 30, 2017	December 30, 2017
Credit card loans ²	\$ 5,244.0	\$ 5,253.0	\$ 5,567.5
Dealer loans ³	655.5	716.9	672.9
Total loans receivable	5,899.5	5,969.9	6,240.4
Less: long-term portion ⁴	621.8	674.2	627.2
Current portion of loans receivable	\$ 5,277.7	\$ 5,295.7	\$ 5,613.2

¹ Amounts shown are net of allowance for loan impairment. Due to the adoption of IFRS 9, prior period figures presented are not comparable.

² Includes line of credit loans.

³ Dealer loans primarily relates to loans issued by Franchise Trust.

⁴ The long-term portion of loans receivable is included in long-term receivables and other assets and includes Dealer loans of \$617.0 million (September 30, 2017 – \$671.4 million and December 30, 2017 – \$624.5 million).

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

(C\$ in millions)	12-month ECL ¹ (Stage 1)	Lifetime ECL ¹ - not credit- impaired (Stage 2)	Lifetime ECL ¹ - credit- impaired (Stage 3)	Total
Balance at December 31, 2017 per IAS 39	\$ —	\$ —	\$ —	\$ 111.0
IFRS 9 adjustment				584.0
Balance at December 31, 2017 per IFRS 9	227.0	182.3	285.7	695.0
Increase (decrease) during the period				
Write-offs	(7.7)	(20.2)	(253.0)	(280.9)
Recoveries	—	—	55.1	55.1
New loans originated	36.4	—	—	36.4
Transfers				—
to Stage 1	65.7	(50.3)	(15.4)	—
to Stage 2	(28.8)	31.9	(3.1)	—
to Stage 3	(21.4)	(27.1)	48.5	—
Net remeasurements	(30.6)	69.9	199.1	238.4
Balance at September 29, 2018	\$ 240.6	\$ 186.5	\$ 316.9	\$ 744.0

¹ Expected Credit Loss ("ECL") model.

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

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

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

During the 13 and 39 weeks ended September 29, 2018, the amount of cash received from interest earned on credit cards and loans was \$243.5 million (2017 – \$222.7 million) and \$709.0 million (2017 - \$646.2 million), respectively.

7. Property and Equipment

During the first quarter of 2018, the Company sold surplus property located in Ontario to a third party for \$25.0 million, which consisted of \$15.0 million in cash at closing and a vendor-take-back mortgage of \$10.0 million due in five years.

8. Long-Term Debt

During the first quarter of 2018, CT REIT issued \$200.0 million aggregate principal amount of senior unsecured debentures. The debentures have a coupon rate of 3.865 percent and mature December 7, 2027.

On July 3, 2018, the Company completed the issuance of \$650.0 million aggregate principal amount of unsecured medium term notes, consisting of \$250.0 million aggregate principal amount of 2.646 percent Series E Unsecured Medium-Term Notes due July 6, 2020 and \$400.0 million aggregate principal amount of 3.167 percent Series F Unsecured Medium-Term Notes due July 6, 2023.

On September 13, 2018, GCCT completed the issuance of \$584.0 million term notes that have an expected repayment date of September 20, 2023, consisting of \$546.0 million principal amount of senior notes that bear an interest rate of 3.138 percent per annum and \$38.0 million principal amount of subordinated notes that bear an interest rate of 4.138 percent per annum.

9. Share Capital

Share capital consists of the following:

(C\$ in millions)	September 29, 2018	September 30, 2017	December 30, 2017
As at			
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (September 30, 2017 – 3,423,366; December 30, 2017 – 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
60,725,958 Class A Non-Voting Shares (September 30, 2017 – 64,141,483; December 30, 2017 – 63,066,561)	601.0	623.9	615.5
	\$ 601.2	\$ 624.1	\$ 615.7

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

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

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

For the	13 Weeks Ended				39 Weeks Ended			
	September 29, 2018		September 30, 2017		September 29, 2018		September 30, 2017	
(C\$ in millions)	Number	\$	Number	\$	Number	\$	Number	\$
Shares outstanding at beginning of the period	61,416,558	\$ 605.1	65,089,482	\$ 630.8	63,066,561	\$ 615.5	67,323,781	\$ 647.9
Issued under the dividend reinvestment plan and stock option	17,800	2.9	15,658	2.4	53,794	9.0	46,796	7.2
Repurchased ¹	(708,400)	(117.0)	(963,657)	(142.1)	(2,394,397)	(402.1)	(3,229,094)	(484.2)
Excess of repurchase price over average cost		110.0	—	132.8		378.6	—	453.0
Shares outstanding at end of the period	60,725,958	\$ 601.0	64,141,483	\$ 623.9	60,725,958	\$ 601.0	64,141,483	\$ 623.9

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

As of September 29, 2018, the Company had dividends declared and payable to holders of Class A Non-Voting Shares and Common Shares of \$57.7 million (2017 – \$43.9 million) at a rate of \$0.900 per share (2017 – \$0.650 per share).

On November 7, 2018, the Company's Board of Directors approved an increase to the quarterly dividend by \$0.138 (or 15.3 percent) to \$1.0375 per share and declared dividends payable on March 1, 2019 to shareholders of record as of January 31, 2019.

10. Share-Based Payments

During the 39 weeks ended September 29, 2018, the Company granted the following share-based payment awards:

Stock options

The Company granted 302,160 (2017 - 302,217) stock options to certain employees. These stock options vest on a graduated basis over a three-year period, are exercisable over a term of seven years, and have an exercise price of \$177.09 (2017 - \$152.64, \$153.72 or \$156.29).

11. Revenue

Revenue by reportable operating segment is as follows:

(C\$ in millions)	13 weeks ended					September 30, 2017 ¹				
	September 29, 2018									
	Retail	CT REIT	Financial Services	Adjustments	Total	Retail	CT REIT	Financial Services	Adjustments	Total
Sale of goods	\$ 3,179.1	\$ —	\$ —	\$ —	\$ 3,179.1	\$ 2,846.8	\$ —	\$ —	\$ —	\$ 2,846.8
Interest income on loans receivable	4.8	—	264.6	(2.4)	267.0	4.0	—	236.9	(1.9)	239.0
Royalties and licence fees	108.8	—	—	—	108.8	105.5	—	—	—	105.5
Services rendered	4.1	—	50.7	—	54.8	3.3	—	51.9	—	55.2
Rental income	10.3	11.3	—	—	21.6	10.6	8.6	—	—	19.2
	\$ 3,307.1	\$ 11.3	\$ 315.3	\$ (2.4)	\$ 3,631.3	\$ 2,970.2	\$ 8.6	\$ 288.8	\$ (1.9)	\$ 3,265.7

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

(C\$ in millions)	39 weeks ended					September 30, 2017 ¹				
	September 29, 2018									
	Retail	CT REIT	Financial Services	Adjustments	Total	Retail	CT REIT	Financial Services	Adjustments	Total
Sale of goods	\$ 8,610.8	\$ —	\$ —	\$ —	\$ 8,610.8	\$ 8,129.3	\$ —	\$ —	\$ —	\$ 8,129.3
Interest income on loans receivable	13.8	—	758.1	(5.7)	766.2	11.3	—	688.9	(3.9)	696.3
Royalties and licence fees	322.2	—	—	—	322.2	309.7	—	—	—	309.7
Services rendered	12.2	—	149.7	—	161.9	10.2	—	158.4	—	168.6
Rental income	31.8	34.1	—	—	65.9	32.0	25.3	—	—	57.3
	\$ 8,990.8	\$ 34.1	\$ 907.8	\$ (5.7)	\$ 9,927.0	\$ 8,492.5	\$ 25.3	\$ 847.3	\$ (3.9)	\$ 9,361.2

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

Retail revenue breakdown is as follows:

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Canadian Tire	\$ 1,781.8	\$ 1,710.0	\$ 5,087.3	\$ 5,000.4
FGL	528.5	527.2	1,390.9	1,385.7
Mark's	265.5	251.5	778.2	753.4
Helly Hansen	181.7	n/a	181.7	n/a
Petroleum	550.8	476.1	1,547.9	1,342.6
Other and inter-segment eliminations	(1.2)	5.4	4.8	10.4
	\$ 3,307.1	\$ 2,970.2	\$ 8,990.8	\$ 8,492.5

Major customers

The Company does not rely on any one customer.

12. Cost of Producing Revenue

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Inventory cost of sales ¹	\$ 2,305.1	\$ 2,081.9	\$ 6,288.6	\$ 5,934.5
Net impairment loss on loans receivable	69.9	74.0	257.9	212.2
Finance costs	16.2	14.0	45.7	40.6
Other	17.3	13.4	41.5	39.1
	\$ 2,408.5	\$ 2,183.3	\$ 6,633.7	\$ 6,226.4

¹ Inventory cost of sales includes depreciation for the 13 and 39 weeks ended September 29, 2018 of \$1.7 million (2017 – \$1.7 million) and \$4.8 million (2017 - \$5.0 million), respectively.

Inventory writedowns as a result of net realizable value being lower than cost, recognized in the 13 and 39 weeks ended September 29, 2018 were \$15.2 million (2017 – \$13.9 million) and \$31.9 million (2017 - \$35.6 million), respectively.

Inventory writedowns recognized in prior periods and reversed in the 13 and 39 weeks ended September 29, 2018 were \$1.4 million (2017 – \$4.5 million) and \$3.6 million (2017 - \$7.5 million), respectively. The reversal of writedowns was the result of actual losses being lower than previously estimated.

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

13. Selling, General and Administrative Expenses

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 29, 2018	September 30, 2017 ¹	September 29, 2018	September 30, 2017 ¹
Personnel expenses	\$ 339.4	\$ 288.0	\$ 947.3	\$ 868.1
Occupancy	185.9	171.5	554.8	516.7
Marketing and advertising	67.8	56.5	208.6	178.2
Depreciation of property and equipment and investment property ^{2,3}	69.5	84.0	221.1	238.8
Amortization of intangible assets	29.3	33.7	95.6	100.8
Information systems	44.8	42.2	125.6	120.8
Other	134.2	108.2	375.7	320.2
	\$ 870.9	\$ 784.1	\$ 2,528.7	\$ 2,343.6

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

² Refer to Note 12 for depreciation included in cost of producing revenue.

³ Effective in the first quarter of 2018, the Company changed its depreciation method for certain depreciable assets (refer to Note 2).

14. Net Finance Costs

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Finance (income)	\$ (2.0)	\$ (2.8)	\$ (7.2)	\$ (6.7)
Finance costs	45.4	34.3	114.0	89.2
	\$ 43.4	\$ 31.5	\$ 106.8	\$ 82.5

15. Income Taxes

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

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
(Losses) on cash flow hedges and available-for-sale financial assets	n/a	\$ (18.0)	n/a	\$ (33.8)
Net fair value gains on hedging instruments entered into for cash flow hedges not subject to basis adjustment	\$ 1.0	n/a	\$ 2.7	n/a
Deferred cost of hedging not subject to basis adjustment - Changes in fair value of the time value of an option in relation to time-period related hedged items	(0.3)	n/a	(0.7)	n/a
Reclassification of losses to non-financial assets	n/a	6.1	n/a	2.7
Reclassification of losses (gains) to income	1.0	0.2	1.6	(2.2)
Net fair value (losses) gains on hedging instruments entered into for cash flow hedges subject to basis adjustment	(8.7)	n/a	18.5	n/a
	\$ (7.0)	\$ (11.7)	\$ 22.1	\$ (33.3)

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

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

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

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

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

(C\$ in millions)

As at	September 29, 2018	September 30, 2017	December 30, 2017
Cash	\$ 75.6	\$ 73.2	\$ 104.4
Cash equivalents	361.4	146.2	321.5
Restricted cash and cash equivalents ¹	9.4	434.0	11.1
Total cash and cash equivalents ²	446.4	653.4	437.0
Bank indebtedness	(23.0)	—	—
Cash and cash equivalents, net of bank indebtedness	\$ 423.4	\$ 653.4	\$ 437.0

¹ Restricted cash and cash equivalents relates to GCCT - restricted for the purpose of paying note holders and additional funding costs \$5.9 million (2017 - \$434 million) and other operational items \$3.5 million (2017 - nil).

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

Change in operating working capital and other comprise the following:

For the (C\$ in millions)	13 weeks ended		39 weeks ended	
	September 29, 2018	September 30, 2017 ¹	September 29, 2018	September 30, 2017 ¹
Change in operating working capital				
Trade and other receivables	\$ (347.4)	\$ (341.3)	\$ (100.9)	\$ (202.0)
Merchandise inventories	(313.0)	(344.0)	(484.1)	(542.2)
Prepaid expenses and deposits	(18.5)	(0.9)	(39.9)	(28.9)
Trade and other payables	302.4	456.5	97.8	277.1
Total	(376.5)	(229.7)	(527.1)	(496.0)
Change in other				
Provisions	5.7	(15.4)	(13.6)	(10.0)
Long-term provisions	2.6	(1.3)	3.0	(1.3)
Other long-term liabilities	(1.8)	4.6	(23.1)	(7.9)
Total	6.5	(12.1)	(33.7)	(19.2)
Change in operating working capital and other	\$ (370.0)	\$ (241.8)	\$ (560.8)	\$ (515.2)

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

Capital Commitments

As at September 29, 2018, the Company had capital commitments for the acquisition of property and equipment, investment property, and intangible assets for an aggregate cost of approximately \$205.4 million (2017 – \$61.2 million).

17. Financial Instruments

17.1 Fair Value of Financial Instruments

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

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

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

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

Investments in Equity and Debt Securities

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

Derivatives

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

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

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

Redeemable Financial Instrument

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

17.2 Fair Value Measurement of Investments, Debt and Deposits

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

As at (C\$ in millions)	September 29, 2018		September 30, 2017		December 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments ^{1,2}	\$ 151.3	\$ 151.4	n/a	n/a	n/a	n/a
Long-term investments ²	175.3	176.3	n/a	n/a	n/a	n/a
Debt	4,825.4	4,887.1	\$ 3,834.2	\$ 3,942.5	\$ 3,404.4	\$ 3,534.8
Deposits	2,339.2	2,316.5	2,368.6	2,426.4	2,386.8	2,404.4

¹ The effective interest rate of investments that were reclassified out of FVTPL upon transition to IFRS 9 is 1.1% per annum and \$0.2 million of interest income has been recognized during the current period.

² Under IFRS 9, short-term and long-term investments are measured at amortized cost; previously under IAS 39 they were measured at fair value.

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

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

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

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

(C\$ in millions)

As at		September 29, 2018	September 30, 2017	December 30, 2017
Balance sheet line	Category	Level	Level	Level
Short-term investments ¹	FVTPL	n/a	2 \$ 40.3	2 \$ 45.6
Short-term investments ¹	Available-for-sale	n/a	2 105.8	2 86.9
Long-term investments ¹	Available-for-sale	n/a	2 176.1	2 165.0
Trade and other receivables	FVTPL ²	2 \$ 11.2	2 15.3	2 19.4
Trade and other receivables	Effective hedging instruments	2 45.6	2 2.8	2 3.8
Long-term receivables and other assets	FVTPL ²	2 11.3	2 23.1	2 27.5
Long-term receivables and other assets	Effective hedging instruments	2 22.9	2 17.8	2 18.6
Trade and other payables	FVTPL ²	2 13.8	2 11.3	2 14.2
Trade and other payables	Effective hedging instruments	2 6.8	2 79.5	2 60.7
Redeemable financial instrument	FVTPL	3 517.0	3 517.0	3 517.0
Other long-term liabilities	Effective hedging instruments	2 3.1	2 8.3	2 3.6

¹ Under IAS 39, short-term and long-term investments were measured at fair value and categorized within Level 2 of the fair value hierarchy.

² Includes derivatives that were classified as held for trading under IAS 39.

There were no transfers in either direction among categories during the 13 and 39 weeks ended September 29, 2018 or the 13 and 39 weeks ended September 30, 2017.

18. Contingencies

Legal Matters

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

The Bank's commodity tax assessments for the years 2011, 2012 and 2013 have been appealed to the Tax Court of Canada. The Bank is of the view that certain credit card processing services are exempt financial services under the *Excise Tax Act (Canada)*. Although the Court has recently ruled in a proceeding unrelated to the Bank that similar processing services are subject to Federal and Quebec sales taxes, that decision was recently appealed and the Bank is of the view that there is a more likely than not chance that its position will be accepted by the Courts and the services will be viewed as exempt financial services. Accordingly, no provision has been made for amounts that would be payable in the event of an adverse outcome. If the Court rules against the Bank, the total aggregate exposure as of third quarter 2018 would not be significant.

19. Business Combinations

On July 3, 2018, the Company acquired Teodin Holdco AS, which owns and operates the Helly Hansen brands and related businesses. Helly Hansen is a global leader in sportswear and workwear based in Oslo, Norway.

Founded in 1877, Helly Hansen is known for its professional-grade gear and for being a leader in designing innovative and high quality technical performance products developed for the harshest outdoor conditions. Within its core categories of sailing, skiing, mountain, urban, rainwear, and workwear, Helly Hansen designs and delivers products used by professionals and outdoor enthusiasts around the world. The acquisition strengthens CTC's core businesses across multiple banners, increases its brand offerings in Canada and its ability to grow its brands internationally.

For the quarter-ended September 29, 2018, Helly Hansen generated revenue of \$181.7 million and net income of \$18.9 million. Included within Helly Hansen's net income for the quarter-ended September 29, 2018 is \$1.8 million of depreciation, \$2.5 million of interest expense, and \$5.6 million of income taxes. If the acquisition had occurred on the first day of fiscal 2018, Management estimates that Helly Hansen would have contributed \$421.0 million of revenue and \$16.4 million of net income, before intercompany eliminations, for the 39 weeks ended September 29, 2018.

The purchase price of the equity of Teodin Holdco AS was \$766.3 million which is net of loans from the previous owners and other related items.

The fair value of identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

(C\$ in millions)	
Cash and cash equivalents	\$ 3.4
Trade and other receivables	87.1
Merchandise inventories	169.0
Prepaid expenses and deposits	1.3
Intangible assets	566.0
Property and equipment	20.7
Trade and other payables	(120.5)
Short-term borrowings	(91.3)
Loan from previous owners	(216.5)
Provisions	(0.2)
Deferred income taxes (net)	(86.9)
Other long-term liabilities	(0.7)
Total net identifiable assets	\$ 331.4

The fair value of the identifiable assets acquired and liabilities assumed in the above table have been determined provisionally pending Management's final review of the valuations.

Goodwill was recognized as a result of the acquisition as follows:

(C\$ in millions)	
Total consideration transferred	\$ 766.3
Less: Total net identifiable assets	(331.4)
Goodwill	\$ 434.9

The goodwill recognized on the acquisition of Helly Hansen is attributable mainly to the expected future growth potential from the expanded customer base. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Company incurred acquisition-related costs of \$22.7 million to date (\$5.3 million in Q2 and \$17.4 million in Q3) which is recorded in selling, general and administrative expenses. The Company also recorded \$5.0 million in Q3 as a fair value adjustment for inventory acquired, which is recorded in the cost of producing revenue.

In the prior year, on July 14, 2017, the Company completed the acquisition of Padinox Inc., the company that owned the Canadian rights to the Paderno brand, for cash consideration of \$19.3 million.