CANADIAN TIRE CORPORATION, LIMITED 1997 ANNUAL REPORT

CANADIAN TIRE CORPORATION, LIMITED offers a unique mix of products and services through three distinct yet inter-dependent businesses. Together, these businesses form a very competitive package of location, price, service and assortment that meets the needs of our customers for total value.

With 430 stores across the country, CANADIAN TIRE RETAIL and the Associate Dealers are Canada's leading hardgoods retailer. Retail offers customers the convenience of three specialty stores under one roof – Automotive, Sports and Leisure, and Home Products – each with a very competitive assortment of merchandise and everyday low prices. CANADIAN TIRE FINANCIAL SERVICES is engaged primarily in financing and administering credit card accounts for retail and petroleum customers. Financial Services also supports our retail activities by managing our *Options®* loyalty program, operating *Canadian Tire Auto Club™* and marketing other financial and telecommunications products to our customers. CANADIAN TIRE PETROLEUM is the country's largest independent retailer of gasoline. Petroleum enhances our competitive offering to customers with merchandise cross-promotions, the issuance of Canadian Tire 'Money' and the convenience of on-site Petroleum products.

The 34,000 employees of Canadian Tire and the Associate Dealers share a common vision:
TO BE THE BEST AT WHAT OUR CUSTOMERS VALUE MOST.

stra

Our vision and mission have formed the foundation for every strategy and tactic which Canadian Tire has considered, tested and rolled out since 1993. They will continue to define Canadian Tire's unique strategic agenda for the future; a future that we believe is a very promising one for our customers, employees and shareholders.

1

"I know what I want and at Canadian Tire they have what I want – a wide selection of products in different price ranges."
Mary, a Canadian Tire customer

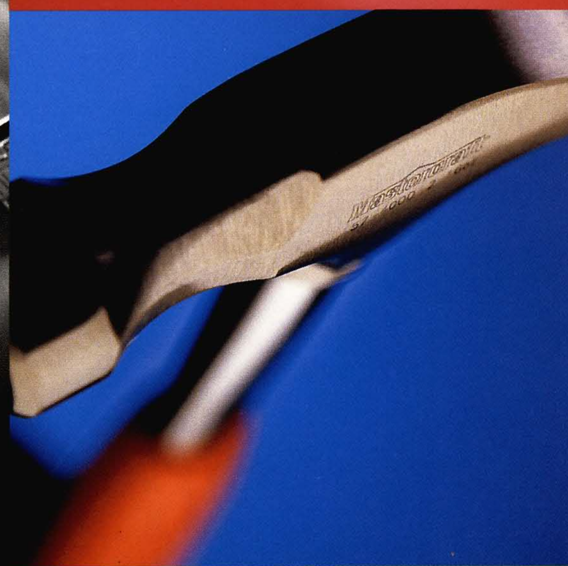
2

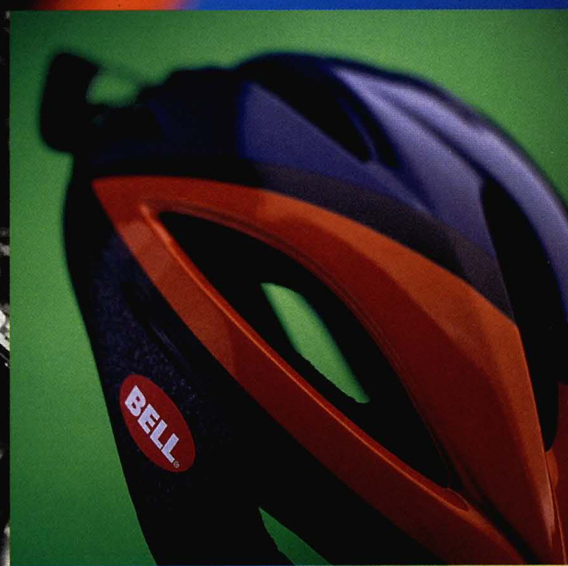
What do customers want when they go to Canadian Tire? We want to know. That's why Canadian Tire Marketing conducts qualitative and quantitative research with thousands of consumers each year. By listening to understand the perceptions, attitudes, habits and usage of Canadian Tire customers, we can use this very detailed "drill-down" information to design new marketing strategies and merchandising concepts that meet their expectations. Our desire to truly understand the specific needs of shoppers in every product line we offer led to very successful tests of numerous strategies in the past two years, including our "parts store within a store", "tire store within a store" and Auto PartSource® *concepts. During 1998, Marketing will roll out the strategic concepts developed for our Sports and Leisure categories and begin the drill-down process in Hardware and Home Improvement lines. We'll be listening for the response.*

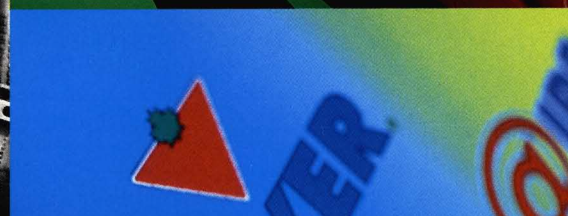
on listening

"Canadian consumers are very knowledgeable. They're looking for the ultimate value as they define it, be it price, quality, brands, service, convenience or some combination of these. That's why we're using in-depth research to learn about, and then deliver, what each customer group really values."
Wayne Sales,
Senior Vice-President, Marketing

3







NATIONAL AND RETAIL BRANDS GIVE CUSTOMERS THE CHOICE THEY TELL US THEY EXPECT AT CANADIAN TIRE.

"At Canadian Tire, when they advertise stock on sale I expect them to have it."

Aweys, a Canadian Tire customer

1

2

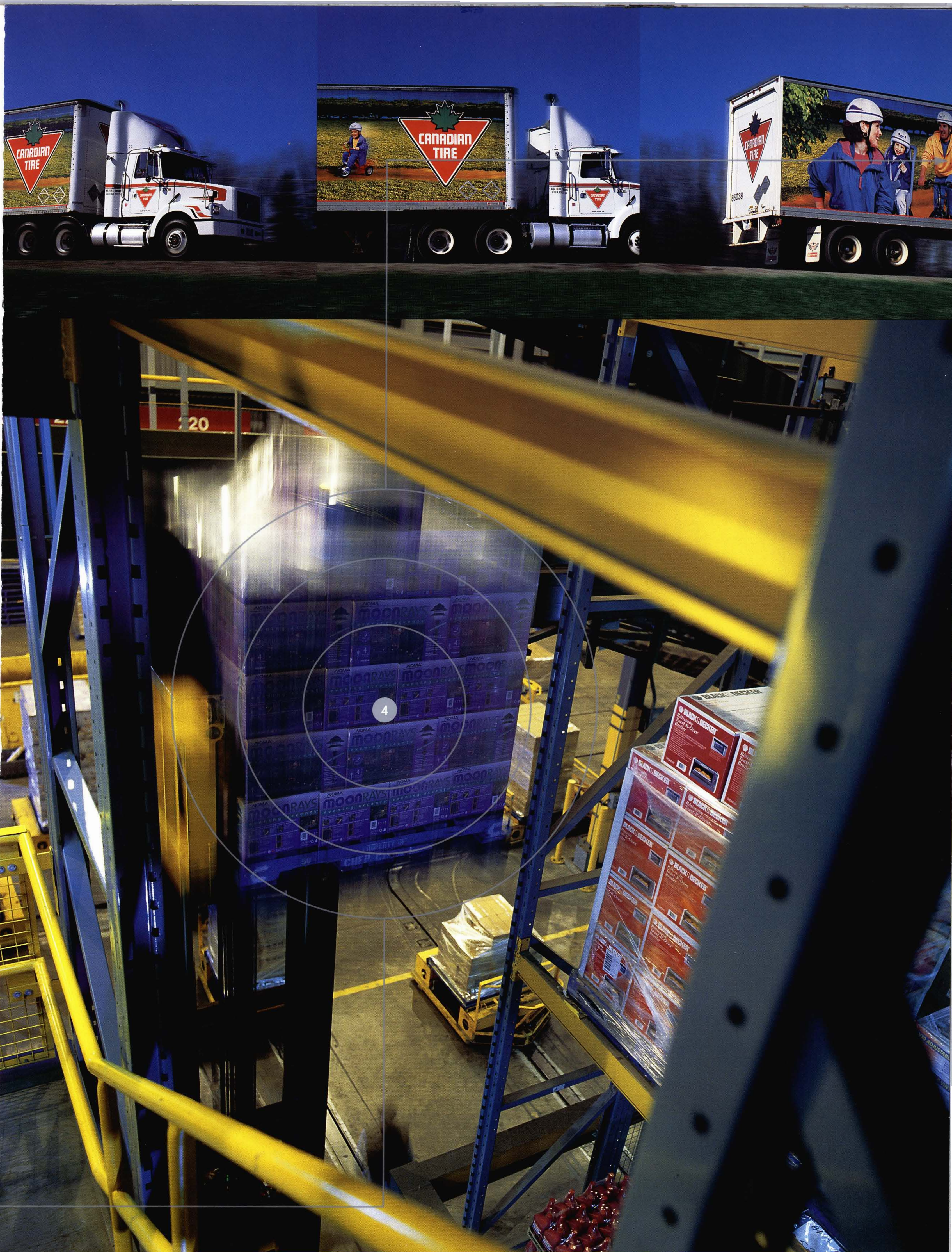
on shelf

When people shop at Canadian Tire, they expect the products they want will be available at a price they are willing to pay. Thanks to a very cooperative partnership between Canadian Tire and its vendors, higher service levels to Canadian Tire stores ensured more "product when you want it" throughout 1997. The Supply Chain team also reduced the time to pick up and receive new inventory and increased the number of vendors wired to Canadian Tire through electronic commerce. These and other process improvements set the stage for a Supply Chain and Information Technology team to roll out a leading-edge electronic inventory forecasting and replenishment system. Enhancements like these lead not only to ensuring more products on the shelves when customers want them, but also to lower costs across the entire supply chain. And that means customers can expect to find lower everyday prices at Canadian Tire.

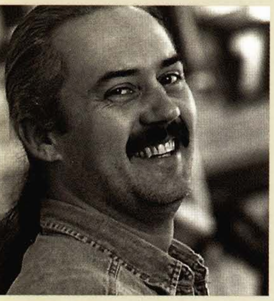
3

"When an item is advertised in the flyer, customers expect us to have product when they want it any time during the sale event. We've made big gains in the past three years in ensuring they're satisfied."

Ray McDonald,
Senior Vice-President,
Supply Chain



REDUCED CYCLE TIME IN THE SUPPLY CHAIN MEANS MORE PRODUCT ON THE SHELVES FOR CUSTOMERS.



1

"I can go to Canadian Tire on a whim because it's in my neighbourhood. It's inviting. I know where everything is."

Ronald, a Canadian Tire customer

2

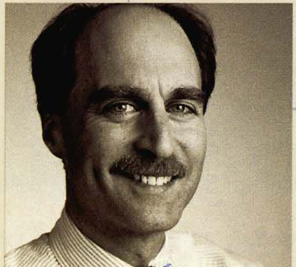
on convenience

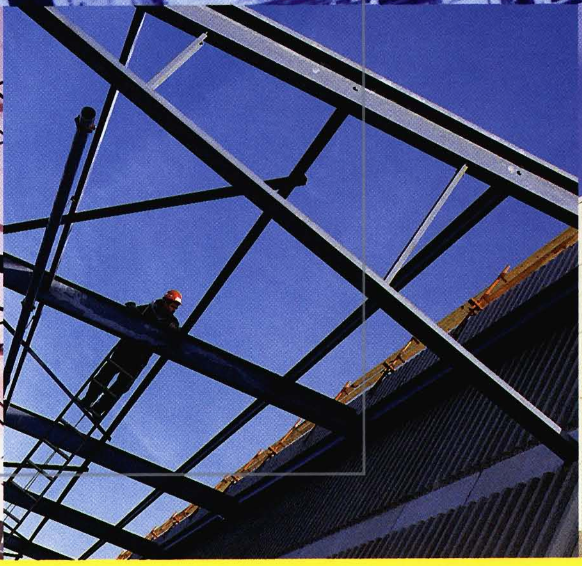
We know that one of the things customers value most is the ease with which they can get to a Canadian Tire store. We are making sure that this competitive advantage remains an important feature of shopping at Canadian Tire during the roll-out of our new-format stores. With nearly all of these larger stores located in mature markets, our Real Estate team has done an excellent job of securing exceptionally well-located replacement or expansion sites. The team again met an aggressive schedule of store planning and construction, opening 36 new-format stores in 1997 and bringing the total to 103 stores. Real Estate also built and opened three Auto PartSource *test stores and completed ten major projects upgrading selected stores to the new-format "look and merchandising presentation." By the end of 1998, the Real Estate team expects to complete another 31 new-format stores, all with the same convenience of location customers have come to rely on from Canadian Tire.*

3

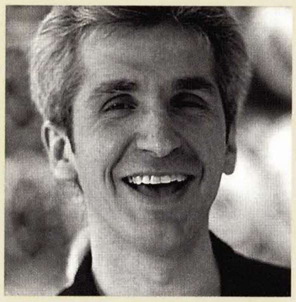
"Our goal with the new-format store program is to ensure that our stores are in prime locations in all markets. The convenient locations of our stores are a big part of the value we offer to customers."

Ken Silver,
Vice-President,
Real Estate & Construction





NINETY PERCENT OF CANADIANS LIVE WITHIN A CONVENIENT 15-MINUTE DRIVE OF AT LEAST ONE CANADIAN TIRE STORE.



1 "Canadian Tire stands behind what they sell. Their satisfaction guaranteed policy reassures me about shopping at Canadian Tire."
Walter, a Canadian Tire customer

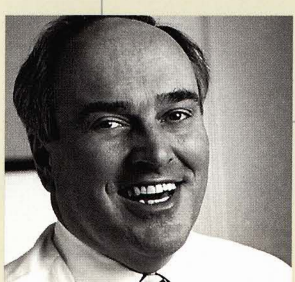
2

on service

Does customer service ever get too good?

We believe service excellence is a process of incremental improvement that never ends. The Associate Dealers agree. To improve service, Dealers sponsor surveys of customer perceptions of their in-store service experience at Canadian Tire. The ongoing surveys canvas nearly 100,000 shoppers a year and cover all 430 Associate Stores across Canada. Dealers share their store-specific data at regional meetings in order to help each other improve their customer service. The results to date are gratifying. In a 1997 survey, 89 percent of Canadian Tire shoppers said they were satisfied or very satisfied with the in-store service. That's a significant accomplishment by Associate Dealers and their staff, and one more step down the road to being the best at what our customers value most.

3 "Dealers are really committed to improving the in-store experience for customers. That's one reason why Dealer Relations helped survey a record number of customers last year."
Jim Ryan,
Senior Vice-President,
Dealer Relations



IN STORES AND IN INTERVIEWS, ASSOCIATE DEALERS ARE LISTENING FOR MORE WAYS TO SATISFY CUSTOMERS.

1 "Whether it's your first apartment, home or renovation, the first place you're going is Canadian Tire. Why? You know the prices are right."

Marjorie, a Canadian Tire customer

2

on value

Petroleum provides customers with the most value they can find at the pumps. We offer gasoline at everyday low prices that are competitive with any retailer in our markets, then add value with special offers and discounts. Like Canadian Tire 'Money' that allows cash buyers to save even more on in-store purchases. Like coupons available only at Canadian Tire gas bars offering deep discounts on selected in-store merchandise or like GasAdvantage®*, which gives credit customers instant discounts at the pump based on their previous month's purchases at our gas bars and Associate Stores. During 1998, Petroleum will continue to add value for its customers through a planned multi-year program to renovate Petroleum gas bar sites for greater customer convenience.*

3 "I think their gasoline prices are competitive with just about anybody. It's Canadian Tire 'Money' and those discount coupons for special products that make their gas a really good deal."

Steve, a Canadian Tire customer

VALUE AT CANADIAN TIRE PUMPS MEANS A LOT MORE THAN JUST COMPETITIVELY PRICED GASOLINE.

1

"I like Canadian Tire because when you shop there, you get extras like Canadian Tire 'Money.'"

Dennis, a Canadian Tire customer

2

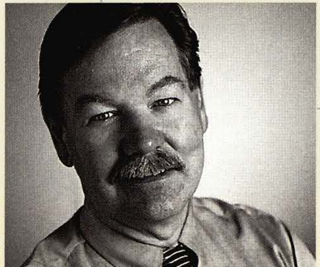
Financial Services believes that if we are the best at what our customers value most, we will have customers for life. Financial Services is an important team player in our efforts to create lifetime loyalty with Canadian Tire customers. How? By offering Canadians more value for the things that are important to them. More value in credit options, with the traditional Canadian Tire credit card and new Options *MasterCard. More value for purchases, with Canadian Tire 'Money' and* Options *reward points. More value in family protection, with insurance products for accidents and work disruption. More value in everyday necessities, with a long-distance savings plan and roadside emergency services. More value in service, with a passion to deliver the highest quality of customer service. We believe that's the kind of value that creates customers for life.*

on rewards

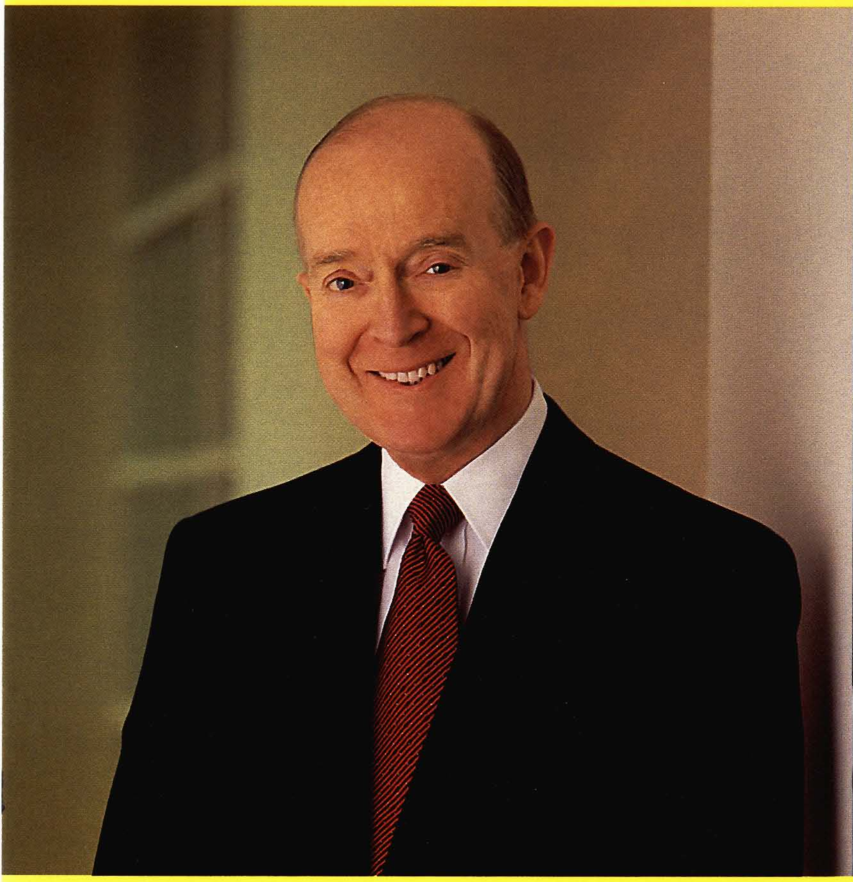
3

"Whether it's Canadian Tire 'Money,' or Options reward points, or everyday low prices, or choice of how you can pay, it's all part of the 'made better' proposition that Canadian Tire offers."

Tom Gauld,
President,
Canadian Tire Acceptance Limited



CANADIAN TIRE HAS PAYMENT OPTIONS AND LOYALTY REWARDS TO MEET THE NEEDS OF EVERY CUSTOMER.



GILBERT S. BENNETT

Chairman of the Board

STEPHEN E. BACHAND

President and Chief Executive Officer

Nineteen ninety-seven was a year of strategic accomplishment throughout Canadian Tire, with financial performance to match. Consolidated gross operating revenue for the 53-week period increased four percent to a record $4.06 billion. Consolidated net earnings per share reached $1.79, an 18 percent improvement over last year's $1.51. We are pleased with these results because they demonstrate the success of our strategies in repositioning Canadian Tire in the retail hardgoods marketplace.

Last year also marked the fifth consecutive year of increased consolidated net earnings from continuing operations. Over those five years, shareholder value as measured by market valuation increased by more than $1.5 billion, suggesting that investors as well as customers have taken note of the changes at Canadian Tire.

The specifics that underlie the Company's achievements during 1997 are detailed in Management's Discussion and Analysis of Operations and elsewhere in this report. However, shareholders may want to know why we believe Canadian Tire will be able to follow the successes of its recent past with continuing growth in the future.

That belief begins with our vision.

To Be the Best

By now, Canadian Tire's vision has become second nature to all employees and at least familiar to most shareholders. That vision is "to be the best at what our customers value most." This deceptively simple statement drives the mission for our retail operations: "to be the first choice for Canadians in automotive, sports and leisure, and home products, providing total customer value through customer-driven service, focused assortments and competitive operations."

These touchstones are more relevant than ever in an increasingly competitive retail marketplace. The truth is that our vision and mission have formed the foundation for every strategy and tactic that we have considered, tested and rolled out since 1993. They will continue to define Canadian Tire's unique strategic agenda for the future; a future that we believe is a very promising one for our customers, employees and shareholders. We have at least six reasons for our confidence.

First, Canadian Tire is a permanent "work in progress" because we are not complacent with what we have accomplished. We continually refer to our vision by asking ourselves the questions, "What *do* customers value most today?" and "What will customers value *tomorrow*?" Our answers have resulted in almost constant change as we have implemented dozens of strategic and tactical programs to ensure our merchandising and processes meet customers' needs for value in all aspects of the shopping experience. The past five years have shown that this organization can handle many difficult demands simultaneously. Out of this success in managing change has come a sense of "controlled urgency" at Canadian Tire. We are impatient for change. We want more of it so we can get closer and closer to making our vision a reality for customers.

A second reason for our optimism is our enterprise-wide commitment to thinking and acting like an "integrated retailer". We are a team-based organization. We have a changing roster of cross-functional teams in place to tackle all the key elements in our strategy. Corporate employees, Associate Dealers and their employees and vendors are actively involved with well-defined roles that are helping us to deliver what customers value.

- *Consolidated gross operating revenue for the 53-week period ended January 3, 1998, increased 4.0 percent to $4.06 billion; this compared to revenue of $3.90 billion for the 52-week period ended December 28, 1996.*
- *Consolidated net earnings rose 12.6 percent in 1997 to $148.6 million ($1.79 per share) from $131.9 million ($1.51 per share) in 1996.*
- *In a very competitive market, Canadian Tire Retail achieved higher revenue and improved productivity, increasing operating earnings by 7.2 percent to $161.2 million in 1997.*
- *Operating earnings for Canadian Tire Financial Services decreased 11.7 percent to $43.0 million in 1997.*
- *Strong expense controls and stable margins in 1997 enabled Petroleum to produce operating earnings of $5.4 million compared to a $3.1 million operating loss for the prior year.*

This cooperative manner of doing things is breaking down organizational barriers and encouraging a cross-fertilization of ideas which results in better decisions.

Third, we have a clear focus on Canadian Tire's strategic agenda. The great value of Canadian Tire's vision and mission is that they give us very clear guidelines for understanding where we are headed as an enterprise as well as for implementing tactical programs that enhance customer-driven service, bring more focus to our offering or make our operations more competitive. In this sense, the "controlled" aspect of "controlled urgency" for change is ensuring that all our tactical plans and resource allocations are aligned with our strategies. Whether our decisions involve people, facilities or procedures, we make certain that everyone at Canadian Tire is able to understand and act on our strategies.

What Customers Value Most

The fourth reason is that we have encouraged a common view of the customer. Our vision is unequivocal: we will be *the best* at what our customers value most. To get ever-closer to achieving that objective, it was necessary to deepen our understanding of what customers *actually* value. Using a process we call "strategic drill-down," we use extensive consumer research to gain a comprehensive insight into what customers expect in their shopping experience. This process underpins the success of our new strategies for categories such as auto parts and tires. Moreover, these successes, and our continual feedback from customers, have given us an appetite for innovative retail concepts that will improve the in-store experience as well as our bottom-line performance.

Dealers, too, are listening to their customers by surveying over 65,000 shoppers each year on customer service. It is making a difference. In a mid-1997 survey, for example, 89 percent of Canadian Tire shoppers indicated they were satisfied or very satisfied with their overall shopping experience. This is gratifying but just one more step in a very long journey of satisfying our customers.

The fifth reason that will help us maintain momentum is the organization's ability to balance "getting on with it" and "getting it right." In 1993, we realized that we were required to "get on with" fundamental change – focusing assortments, investing in stores, improving service and lowering expenses and prices. Though it was a significant challenge for a then-71-year-old company, incremental change alone would not have enabled Canadian Tire to improve its performance in the new competitive environment. With much of that essential work now well underway, Canadian Tire is rolling out its own strategic agenda. We are "getting it right" by fine-tuning our strategies and tactics, listening closely to customers and working as an integrated team to deliver what customers want today.

Finally, we believe the core strengths that will sustain Canadian Tire's performance include the behaviour and values we have developed as a company. Put simply, our people have embraced the effort required to think, feel and act in new ways because they believe they have a goal worth aspiring to and a job worth doing: to be the best at what our customers value most.

These values and behaviours – controlled urgency, team-based leadership, clear strategic focus, common view of the customer, balance of fundamental and incremental change, and a winning attitude – are no guarantee of future performance. But, in our minds, they are the tools that create future revenues, earnings and longevity, which in turn are the basic ingredients of long-term growth in value for shareholders.

Common Share Ownership Change

In August 1997, Martha G. Billes acquired an additional 1,400,767 Common Shares of the Corporation pursuant to a private agreement with her brothers, Alfred Billes and David Billes. With this acquisition, Ms. Billes owns, controls or directs 61.2 percent of the Common Shares of the Corporation, as well as 724,049 Class A Non-Voting Shares.

Board of Directors Changes

During 1997, Alfred W. Billes and David G. Billes stepped down from the Board. Alfred Billes had been a member of Canadian Tire's Board of Directors since 1966 and served on the Board's Management Resources and Compensation, Audit, Social Responsibility and Governance Committees. During his career, he also served as an Associate Dealer. Mr. David Billes had served on the Board for a total of 26 years and was a member of the Board's Audit and Social Responsibility Committees. We thank both Alfred and David for their dedicated service and significant contributions to the Corporation over the years.

To fill the vacancies, the Board appointed two new Directors. In February, Ms. Lilia C. Clemente was appointed a Director of the Corporation. Ms. Clemente is Chairman and Chief Executive Office of Clemente Capital, Inc., a New York-based investment management firm. In March, 1998, Mr. Graham W. Savage was appointed to the Board. Mr. Savage is a founder of Parkview Capital Partners Inc., a merchant bank.

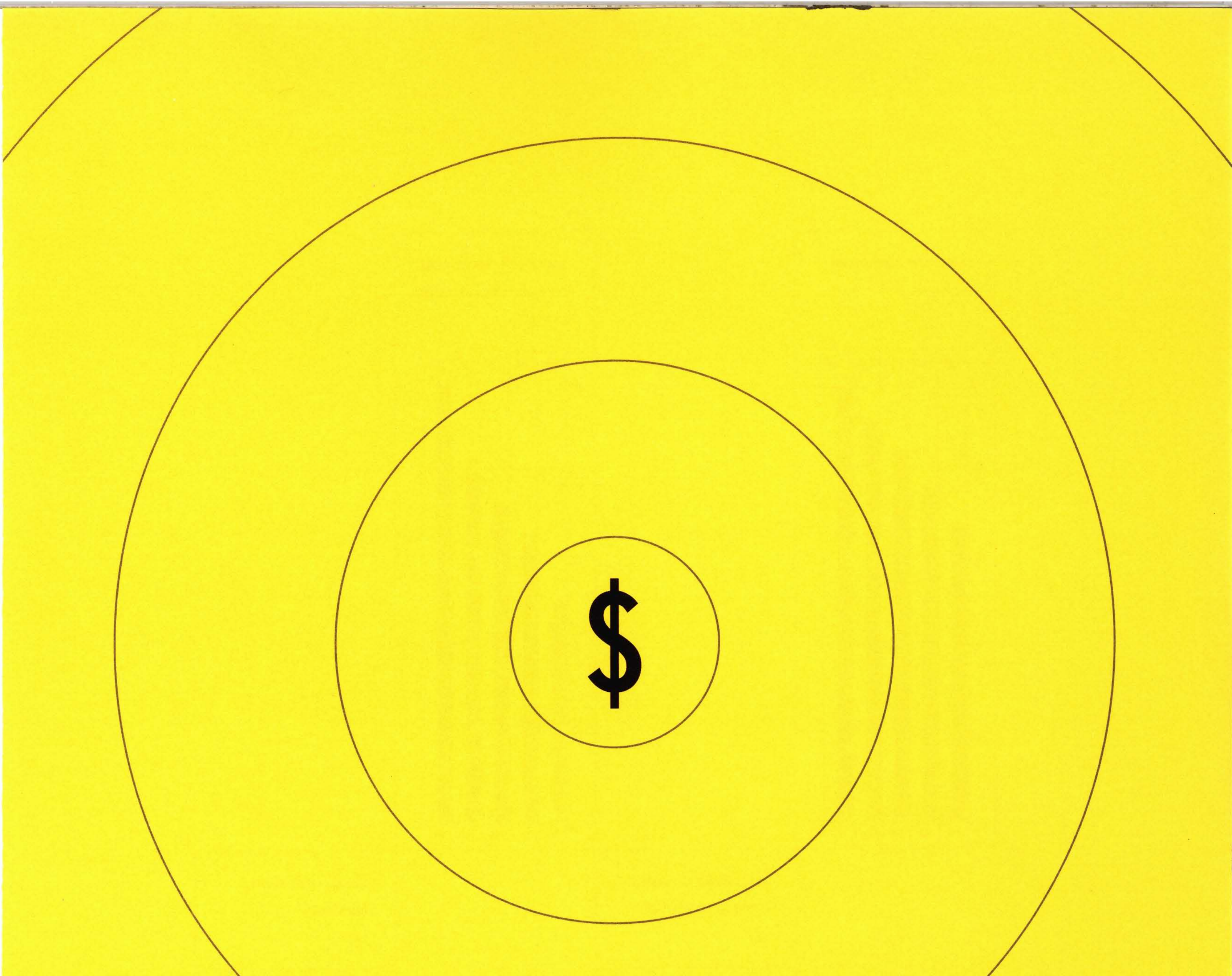
The Year Ahead

We expect that 1998 will be a year of more: more competition, more hard work, more innovation, more opportunities and more exhilaration in working together to achieve our vision. We will do our best to deliver more value to more customers and, with that as our first priority, deliver more growth in value for Canadian Tire shareholders.

GILBERT S. BENNETT
Chairman of the Board

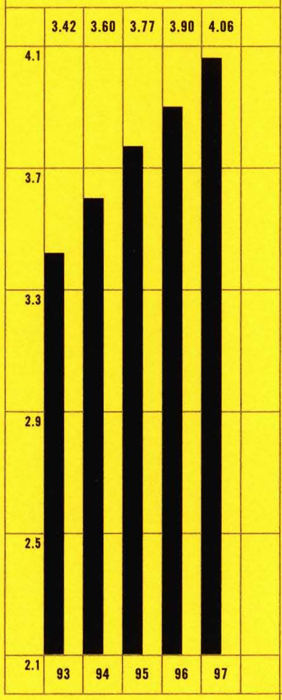
STEPHEN E. BACHAND
President and Chief Executive Officer

March 12, 1998



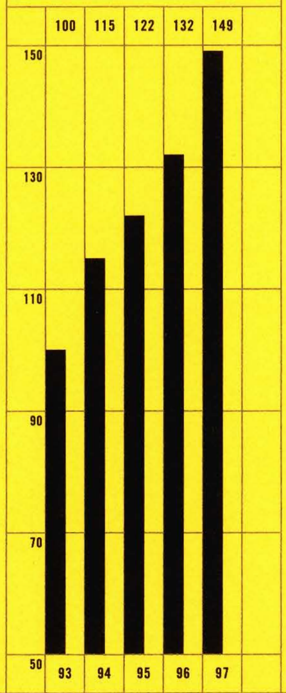
GROSS OPERATING REVENUE

($billions)



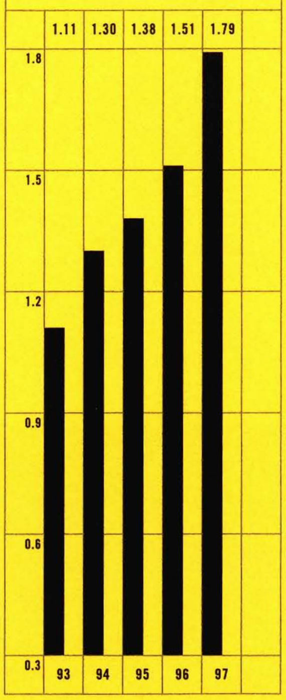
CONSOLIDATED NET EARNINGS FROM CONTINUING OPERATIONS

($millions)



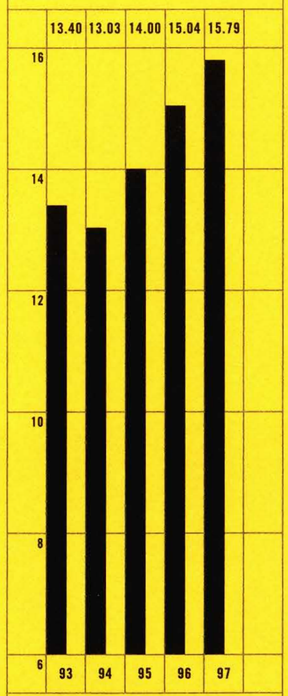
NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS

($)



SHAREHOLDERS' EQUITY PER SHARE*

($)



*Total shareholders' equity divided by actual number of shares outstanding

CONSOLIDATED

(Dollars in thousands except per share amounts)	1997 (53 weeks)	1996 (52 weeks)	Percent Change*
Gross operating revenue	$ 4,057,197	$ 3,902,537	4.0%
Earnings before income taxes	209,498	195,914	6.9
Income taxes	60,927	64,018	4.8
Net earnings	148,571	131,896	12.6
Cash generated from operations	236,692	205,880	15.0
Cash generated from operating activities	202,042	234,352	(13.8)
Dividends	33,244	34,652	(4.1)
PER SHARE			
Net earnings	$ 1.79	$ 1.51	18.0%
Cash generated from operations	2.85	2.36	20.8
Cash generated from operating activities	2.43	2.69	(9.7)
Dividends	0.40	0.40	–
Shareholders' equity	15.79	15.04	5.0

**Percent change calculated from unrounded amounts.*

BUSINESS UNITS

	CTR		Financial Services		Petroleum		Consolidated	
(Dollars in thousands)	1997	1996	1997	1996	1997	1996	1997	1996
Gross operating revenue	$ 3,180,987	$ 3,026,063	$ 279,643	$ 266,710	$ 596,567	$ 609,764	$4,057,197	$ 3,902,537
Operating earnings (loss)	161,161	150,337	42,975	48,642	5,362	(3,065)	209,498	195,914

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

OVERVIEW OF THE BUSINESS

Canadian Tire Corporation, Limited ("Canadian Tire" or the "Corporation") consists of three businesses. Canadian Tire Retail ("CTR") and the Associate Dealers are together Canada's leading hardgoods retailer, offering consumers approximately 85,000 stock-keeping units of automotive parts and accessories, sports and leisure products, and home products. CTR also manages the marketing and operations of Canadian Tire Petroleum ("Petroleum").

Canadian Tire Financial Services ("Financial Services") is engaged in financing and managing customer credit accounts that arise from the sale of goods and services in the 430 Associate Stores and Petroleum's 193 gasoline outlets. Financial Services also performs third-party transaction processing, operates a national emergency roadside service and markets a variety of insurance and telecommunications products to Canadian Tire customers.

Petroleum, the largest independent retailer of gasoline in Canada, markets petroleum and convenience products and supports CTR merchandise sales through special promotions and the issuance of Canadian Tire 'Money,' which is redeemable for goods at Associate Stores across Canada. During 1997, we began the conversion of Petroleum's operations to an agency basis in which qualified entrepreneurs operate Petroleum locations as independent operators with CTR's support.

Together, CTR, Financial Services and Petroleum offer Canadians a very competitive package of total value that includes conveniently located retail outlets with three specialty stores under one roof, a variety of payment options and competitively priced petroleum and convenience items. Canadian Tire is distinctive among Canadian retailers in offering such a unique range of goods and services.

Canadian Tire Associate Dealers make a major financial commitment to the success of the combined business. They operate their individual businesses in accordance with the Corporation's overall strategy and marketing programs.

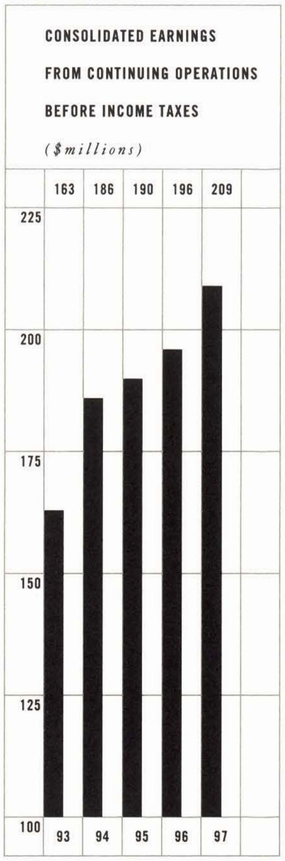
Associate Dealers provide employment to over 28,000 Canadians. They also serve the communities in which they live, giving generously of time and resources to a variety of local organizations. Involvement by Associate Dealers in the daily life of the communities they serve helps us forge stronger links with our customers across Canada.

Statement of Purpose Our Statement of Purpose forms the framework for all current and future plans of Canadian Tire. It begins with our vision for all of our businesses: "To be the best at what our customers value most." From this vision, we derived the CTR mission: "To be the first choice for Canadians in automotive, sports and leisure, and home products, providing total customer value through customer-driven service, focused assortments and competitive operations."

These three elements of total customer value are the foundation on which we develop Canadian Tire's strategy. *Customer-driven service* places the customer at the centre of the decisions and activities of the enterprise. *Focused assortments* not only define what Canadian Tire stands for in the minds of our customers but also determine the size and merchandising presentation in our Associate Stores. *Competitive operations* places a continuing emphasis on reducing the cost of supplying goods and services to customers, which permits us to offer more value through lower prices and added services. So, too, Financial Services offers what customers value most. Its mission is to create "customers for life" by providing a wide range of payment options and loyalty programs.

CONSOLIDATED RESULTS[1,2]

Consolidated gross operating revenue for the 53-week period ended January 3, 1998, increased 4.0 percent to $4.06 billion compared to $3.90 billion for a 52-week period ended December 28, 1996. Consolidated net earnings rose 12.6 percent to $148.6 million in 1997 compared to $131.9 million in 1996. Earnings per share were $1.79, an 18.0 percent increase over the $1.51 earned in the prior year.



Key Factors Affecting Net Earnings Aggressive merchandising by Associate Dealers, as well as increased consumer spending in general, offsets the impact of a highly competitive retail environment across Canada. Associate Dealer retail sales increased 6.4 percent in 1997. The performance of our new-format stores was a major factor in the sales increase. This contributed to a 5.1 percent increase in gross operating revenue for CTR. CTR operating earnings totaled $161.2 million, a 7.2 percent increase over the $150.3 million earned in 1996. Increased shipments to Dealers in 1997 were partially offset by planned increased expenses for information systems and higher interest costs related to capital expenditures for our new-format store building program.

Operating earnings in the Financial Services division fell 11.7 percent to $43.0 million in 1997. During the year, Financial Services made a substantial investment in the conversion of approximately 340,000 Canadian Tire retail cards to the new *Options* MasterCard,™ which provides increased value to cardholders. While the investment in the new card reduced operating earnings, the expenditure is expected to generate significant future revenue growth. The decline in Financial Services' operating earnings was also due to an increased provision for credit losses.

At Petroleum, expense controls and improved margins resulted in 1997 operating earnings of $5.4 million despite lower revenues. This was a significant improvement over Petroleum's operating loss of $3.1 million in 1996.

Depreciation and amortization of property and equipment also affected consolidated results. The 1997 total of $72.1 million was up 8.7 percent from the $66.3 million recorded in the prior year. We spent a total of $253.5 million on capital projects during 1997, up 14.8 percent from the $220.7 million spent during 1996. The increase was due primarily to expenditures on new-format stores by CTR.

Segmented information of key financial data for Canadian Tire's three business segments can be found in Note 13 to the Consolidated Financial Statements.

REVIEW OF OPERATIONS

This discussion of the Corporation's business units reviews their operational and financial performance in 1997 compared to 1996 and provides our outlook for 1998. In addition, we comment on Canadian Tire's sound financial condition and risk-management practices.

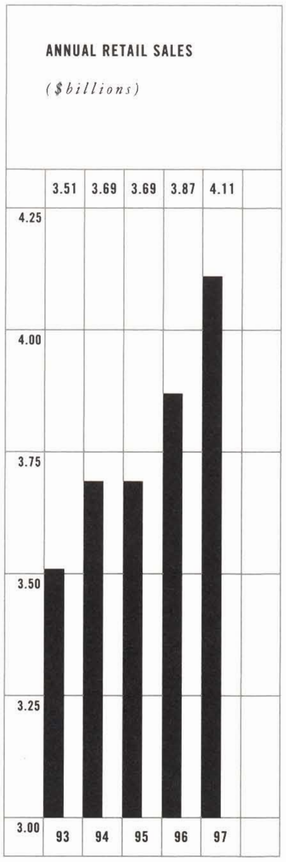
CANADIAN TIRE RETAIL

Canadian Tire Retail includes the operating results of Marketing, Supply Chain (formerly "Distribution and Logistics"), Real Estate and Dealer Relations.

CTR supports the Dealers with an infrastructure of services that include marketing, real estate, supply chain management, and financial and information systems. At year-end, there were 430 Associate Stores operated by 392 Associate Dealers.

[1] *All results reflect a 53-week period in 1997 compared to a 52-week period in 1996.*
[2] *Certain of the 1996 revenue and expenses were reclassified to conform to the 1997 presentation.*

CTR builds customer traffic in Associate Stores through weekly promotional flyers, seasonal catalogues and electronic "flyers" distributed over the Internet; through the extensive use of television, as well as radio, newspaper, magazine and Internet advertising; and through event sponsorship. We build customer loyalty through the issuance of Canadian Tire 'Money' at the point of sale to customers paying cash and offer *Options* points to customers using Canadian Tire credit cards. These loyalty programs are an integral part of the total value package CTR offers customers. In addition, the cross-marketing strategies of our Financial Services and Petroleum retailing operations encourage customers to make purchases at Associate Stores.



Gross operating revenue for CTR rose 5.1 percent to $3.18 billion in 1997 compared to gross operating revenue of $3.03 billion in 1996. A substantial portion of the increase related to increased shipments to new-format stores opened during the past year. Competitive pricing, aggressive marketing and merchandising by Associate Dealers resulted in a 6.4 percent increase in retail sales compared to a 4.8 percent increase in 1996. This increase was achieved in a marketplace dominated by aggressive competition for consumers' disposable income, the most notable trend being heavily advertised inventory clearances by certain department stores.

Sales on a comparable store basis rose 2.2 percent compared to a 0.5 percent increase in the prior year.

Of particular note was the retail sales performance of our new-format stores. In their first year of operation, these stores reported average sales increases of approximately 50 percent compared to the previous store in the same market. In addition, customer counts and average sales per customer both increased an average of 20 percent.

Higher revenue, while partially offset by higher interest and information technology expenses, boosted CTR's 1997 operating earnings to $161.2 million, a 7.2 percent increase over the $150.3 million earned in 1996.

Marketing

The day-to-day implementation of CTR's strategic plan to deliver what customers value most is a collaboration between CTR and the Associate Dealers. While this involves superior execution of the basics of hardgoods retailing, it also requires an ongoing dialogue with our customers to ensure we are delivering their needs.

Each year, CTR conducts extensive qualitative and quantitative research in one or more of its major product lines to identify variables such as customer expectations, competitive position, assortment mix, service issues and merchandising presentation. We use strategic test-marketing to verify the merchandising concepts arising from these research findings and follow tests with additional research to fine-tune the concept prior to a phased roll-out to Associate Stores. By listening to customers' concerns throughout this process, we increase the likelihood that the improvements we make will deliver increased sales at Associate Stores.

Customer-driven service. During 1997, we substantially improved customer service through better in-stock positions at Associate Stores across the country. This was accomplished by a substantial increase in service levels across the entire supply chain. We also began to see incremental improvements in in-store service arising from two ongoing initiatives sponsored by Dealers. The first was the expansion of customer-service training for in-store personnel, which involved approximately 3,000 employees from more than 290 stores during 1997; an important component of the training related to skill development to support the rollout of CTR's strategies for tire and auto parts. The second notable undertaking was customer research conducted at every Associate Store. These studies, which involve over 65,000 interviews, give individual Dealers specific data on their stores as well as regional benchmarks they can use to improve their customer service.

Focused assortments. CTR has three major initiatives under way to address the ability of Associate Stores to provide a shopping experience that customers value highly. The first is our new-format store development program, which is based on the expansion or replacement of existing stores or, in selected markets, the building of additional stores. These new-format stores are substantially larger than the majority of our current stores and enable CTR to offer a consistently broader, deeper and more competitive assortment of products. During 1997, CTR developed a fifth size of new-format store designed to meet the needs of smaller communities.

By the end of 1997, 103 new-format stores were open, with 11 projects under construction for 1998 openings. By year-end 1998 we plan to have 134 of these new stores in operation. Since 1994, we have committed a total of $517.7 million to this program. Overall, we are very pleased with the performance of these stores. Not only have they achieved sales increases in line with our expectations, they have also proven their ability to compete effectively against a diverse group of retailers and formats.

A second CTR initiative is to improve existing stores. Selected locations that are the same size as new-format stores are being upgraded with the assortment, merchandising, signage and exterior of our new-format stores. Ten such major projects were completed in 1997, with an additional 12 planned for 1998.

The third initiative is to refine our presentation by remerchandising certain existing Associate Stores with the interior look, layout and merchandise of new-format stores. Twenty stores were remerchandised in this manner during 1997 in markets where it is unlikely we will build a new store in the foreseeable future. We plan to complete 20 more of these projects during 1998. Experience to date indicates that Dealers can achieve a significant sales uplift from these improved and remerchandised stores.

Strategic test-marketing in major product lines continued to be a major Marketing initiative. During 1997, we generated strong sales increases with three different product and service enhancements in automotive assortments. CTR completed the testing phase and began a national roll-out of its auto parts "store within a store" concept, which includes an extensive assortment of brand-name products and customer service enhancements. A similar "tire store within a store" test offered customers brand-name tires and advice from certified tire specialists, in addition to installation. The concept was implemented in Associate Stores in Quebec and Ontario in the second half of 1997 and will be rolled out nationally in the coming year. A third initiative is *Auto PartSource,* a stand-alone store for brand-name auto parts designed to appeal to the "heavy do-it-yourself" market, as well as to professional installers. During 1998, we will build on the very positive response from customers by continuing to test the *Auto PartSource* concept.

CTR also completed successful tests in 1997 of refinements to sports and leisure and home entertainment categories, with these strategies to be implemented in new-format stores during 1998. New strategies derived from customer research in key home products lines and auto service will be tested during 1998. In addition, CTR intends to communicate more aggressively about the excellent combination of price and quality offered by its *Motomaster* and *Mastercraft* retail brands.

Competitive operations. Our objective is to offer Canadians a very attractive package of total value. In order to offset the revenue impact of lower prices and deliver on its advertising slogan, "Everyday low prices made better," CTR and its Competitive Operations Taskforce continued to focus on reducing costs. In Supply Chain, transportation expenses as a percentage of gross shipments fell for the fifth consecutive year, despite higher equipment and fuel costs. Distribution Centre operating expenses as a percentage of net shipments declined even while absorbing implementation costs for new processes and systems. An expense reduction also resulted from a successful test of improved in-store logistics which was coordinated in 1997 by a Supply Chain team. These improved logistics will be rolled out to participating Dealers during 1998.

CTR again lowered advertising costs as a percentage of retail sales to "best-in-class" standards. This focus on cost reduction will continue in the coming year as we balance our strategy of offering customers more value through weekly sales, Canadian Tire 'Money' and lower prices on thousands of products.

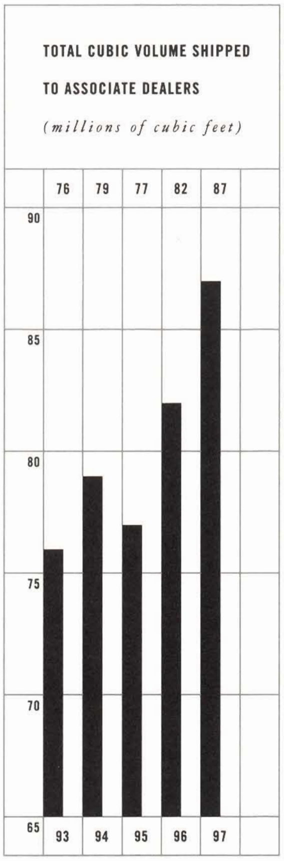
Petroleum operations. During 1997, we began the implementation of a strategic plan to improve the profitability of Petroleum. Operational responsibility for the division, whose financial results will continue to be reported separately, was assumed by CTR. This will enable Petroleum to take advantage of CTR's extensive infrastructure in marketing, advertising, purchasing and real estate, and thereby lower its costs of operation. Additional information and financial results are provided in the discussion of Petroleum operations on page 29.

Supply Chain

As a major retailer, Canadian Tire actively manages the flow of products from manufacturers through to customers in Associate Stores. In order to properly reflect the integrated nature of these efforts, we renamed our distribution, transportation and logistics functions "Supply Chain" in 1997.

Supply Chain is responsible for moving products from suppliers to Associate Stores with the best possible service and at the lowest possible cost. Within CTR, Supply Chain functions are tightly linked with those of Marketing, and together they coordinate most aspects of merchandise acquisition from suppliers, and product and information flow to and from Associate Dealers.

During 1997, Supply Chain began the implementation of a new forecasting and replenishment process with an information system that will provide vendors with weekly electronic updates of CTR's planned order flow over the following 26 weeks. When fully implemented, the system will enable Supply Chain to further improve its response time and inventory position.



The group's "Product When You Want It" program also resulted in increased inventory accuracy, reduced cycle times and improved warehouse management capability. The better quality information and expanded electronic commerce as well as tighter supplier compliance resulted in another year of substantial increases in on-time and complete deliveries by suppliers; service levels rose 431 basis points during 1997 on top of an excellent 1,013 basis-point improvement in the prior year. The sum of these Supply Chain initiatives helped increase service to Dealers by 539 basis points, the fifth consecutive year of better service.

Despite the costs to implement re-engineering strategies and new systems for future productivity, Distribution Centre operating expenses as a percentage of net shipments decreased in 1997. Transportation expenses as a percentage of gross shipments also declined.

During 1998, Supply Chain will continue to drive further increases in service levels from vendors and to Dealers while it focuses on shorter cycle times and cost reductions.

Real Estate

Canadian Tire Real Estate is responsible for the identification and acquisition of real estate for new or replacement Associate Stores and also coordinates the design, construction, property management, maintenance and administration of Canadian Tire stores.

Since 1994 Real Estate has been focused on the timely and cost-effective delivery of our new-format stores. It opened 36 of these stores during 1997 compared to 32 stores in 1996, bringing the number of new-format stores in operation at the end of 1997 to 103. Eleven projects were also under construction at year-end. We expect to open 31 new-format stores during 1998 for a total of 134. The majority of these projects are either expansions or replacements of existing stores. At year-end 1997, ten major improvement projects at existing stores had also been completed, with a further 12 projects scheduled for 1998. We continue to test the *Auto PartSource* concept opening three additional stores in 1997, bringing the total to four.

Capital costs for projects related to our new-format stores totaled $174.9 million in 1997 compared to $155.5 million in the prior year. We expect to invest $213.4 million in new facilities during 1998. Discussion on funding these expenditures and its implications can be found under "Funding Program" on page 31.

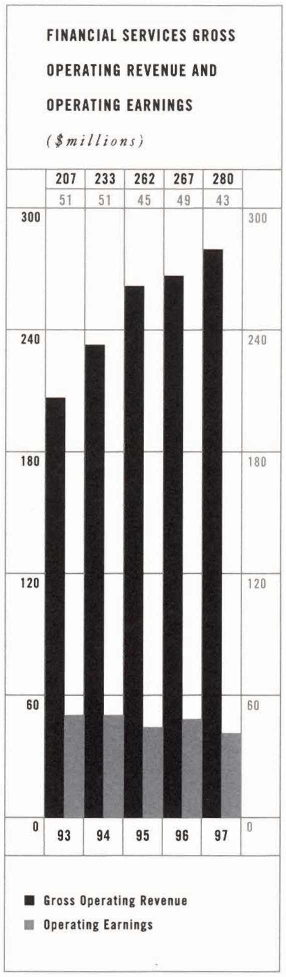
Dealer Relations

Dealer Relations selects and trains new Dealers for Associate Stores. The group advises Dealers in their efforts to develop and maintain high-quality business practices such as competitive merchandising, staff training and financial management. In addition, Dealer Relations monitors the operating performance of Associate Stores, assists with Dealer changeovers and provides customer-relations operations.

During 1997, Dealer Relations took responsibility for overseeing the transition of Petroleum operations from an employee-managed model to an agent-managed model. It will continue to manage Canadian Tire's relationship with Petroleum agents in the future. Additional information on this transition can be found in the discussion of Petroleum results on page 29.

Dealer Relations coordinates changeovers of stores from one Associate Dealer to another. Stores typically change hands when Dealers retire or are given the opportunity to run a larger store, often in another community. With the ongoing rollout of new-format stores, 78 Dealer changeovers were completed during 1997; 99 changeovers took place in the prior year. We welcome these changeovers, particularly in our new-format stores. Experience has shown us that experienced, aggressive merchants running better stores typically leads to a more compelling retail experience for customers and improved profitability for the enterprise.

An important ongoing responsibility for Dealer Relations is supporting Associate Dealers with training for themselves, their store managers and staff. These programs focus on in-store merchandising that supports CTR's strategies, financial planning for competitive operations and more effective ways of delivering customer service. Dealers are also encouraged to share information on retailing "best practices" and the results of their in-store surveys of customer service to help other Dealers improve their service.



There were numerous initiatives during 1997 between Dealers and the Corporation that are intended to improve efficiency and lower costs at stores. Our Information Technology group completed a multi-year project that converted all Associate Stores to a common technology platform offering broad functionality to Dealers. In a related project, the Information Technology team connected stores over a new, wide-area communications network. The combination of the new platform and network gives us a cost-effective, flexible means for timely communications and upgrades.

Numerous cost-reduction programs have been introduced in selected "test" stores. Once proven, these programs will be implemented across the Dealer network and will give individual Dealers additional financial flexibility for competitive pricing in local markets.

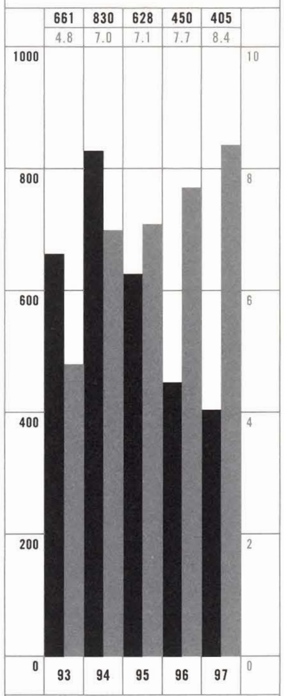
Outlook for Canadian Tire Retail

Increased consumer confidence, low interest rates and rising employment in most areas of the country contributed to increased retail sales during 1997. We expect these conditions to continue in 1998. Nevertheless, competition in all merchandise categories for consumers' disposable income is certain to remain intense, particularly as department stores and mass merchandisers continue to vie for market share with aggressive pricing and promotions.

As detailed in the previous discussions of CTR's operating groups, we have numerous strategic initiatives under way that will enhance CTR's unique strengths as a retailer and so its competitive position. Each of these initiatives is essential for Canadian Tire's long-term growth and profitability. In addition to these projects, a primary focus for CTR during 1998 will be to achieve increased growth in comparable-store sales in a very competitive retail environment. As part of our "Everyday low prices made better" positioning in the market, we will continue to refine and promote our total offering of low prices, more value and exceptional convenience. We will also seek to increase same-store sales by ensuring that Associate Stores deliver superior execution of the retailing fundamentals that our customers value most. At the same time, we will continue to manage margins carefully and reduce expenses where possible in the coming year so that CTR again improves its financial contribution.

Financial Services is engaged primarily in financing and managing customer credit accounts that arise from the sale of goods and services at Associate Stores and Petroleum outlets. Financial Services serves a broad geographic mix of cardholders, thereby diversifying its economic risk as a supplier of credit. In addition, Financial Services processes transactions that occur in our Associate Stores and Petroleum's gasoline outlets on behalf of major bank credit cards and has a revenue base from third-party transaction processing. Financial Services also operates a roadside emergency service for *Canadian Tire Auto Club* – and third-party clients under the name *Professional Dispatch Group®* – and markets a variety of insurance, telecommunications and financial products to Canadian Tire customers.

FINANCIAL SERVICES NET CHARGE ACCOUNT RECEIVABLES* AND CARDHOLDERS



■ Net Charge Account Receivables ($millions)
■ Cardholders (millions)

*1997 Net Charge Account Receivables exclude $573 million of securitized receivables (1996 – $470 million, 1995 – $300 million)

1997 Operating Highlights Financial Services' gross operating revenue increased 4.8 percent to $279.6 million in 1997 compared to revenue of $266.7 million in 1996. Higher revenues from *Canadian Tire Auto Club*, the *Options* MasterCard, long-distance products and third-party transaction processing represented the major portion of the increase.

Operating earnings were $43.0 million in 1997, an 11.7 percent decrease from the $48.6 million earned in 1996. The decline was attributable to two primary factors: a substantial investment in the conversion of Canadian Tire retail cards to the new *Options* MasterCard, which is expected to generate significant future revenue growth, and an increased provision for credit losses. Notably, the quality of the receivable portfolio improved as 1997 progressed, resulting in a lower provision for credit losses during the second half of the year.

It is Financial Services' mission to help ensure that Canadian Tire customers become "customers for life." One strategy to accomplish that goal is to offer a variety of value-enhancing payment options that are competitive with other credit and debit cards. Following a very successful test in 1996, Financial Services rolled out its *Options* MasterCard in 1997, signing approximately 340,000 customers. The new card provides users with *Options* loyalty points for all transactions. A second strategy is to harness the combined buying power of our customer base. The 1997 launch of Financial Services' long-distance savings program proved very popular and was profitable in its first year of operation. A third strategy to retain customers for life is to help make their lives easier or more secure. Effective marketing campaigns again generated substantial increases in membership and revenue from *Canadian Tire Auto Club* and insurance products such as *Warranty Plus*™ and *ChargeGard.*™

1998 Outlook Financial Services' primary focus during the coming year will be on projects that improve efficiency and reduce costs. With the move to a single new call centre completed in 1997, Financial Services will invest in training and technology upgrades that will not only move it closer to its strategic objective of providing Canadian Tire customers with world-class service but also generate substantial increases in productivity.

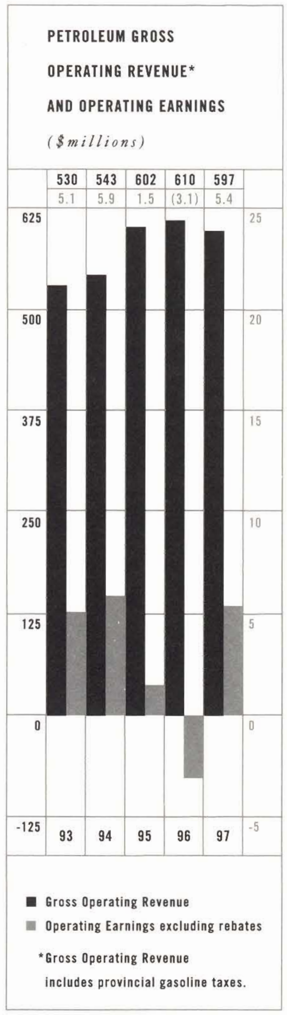
During 1998, the group will begin transferring most of its credit-card transaction processing to a major third-party processor under the terms of a multi-year contract signed in late 1997; this conversion is expected to take approximately 15 months to complete. The move to the new processing platform will give Financial Services numerous competitive advantages, including lower processing costs, enhanced risk management and the ability to easily customize new credit products.

Financial Services also intends to continue to enhance revenues during 1998. The group expects to increase the number of retail cardholders through aggressive marketing, to improve retention of existing cardholders with product enhancements, and to test a new loyalty program. The continuing expansion of *Canadian Tire Auto Club*, *Options* MasterCard and long-distance savings plans will also remain important priorities for revenue growth.

Canadian Tire Petroleum is the largest independent retailer of gasoline in Canada. It markets gasoline and related products and services such as quick oil changes, car washes and propane. The division also supports CTR through special promotions and the issuance of Canadian Tire 'Money.'

During 1997, Petroleum began to convert its 193 outlets from an employee-managed model to an agent-managed model; 48 conversions were finalized by year-end. We expect the remaining conversions to be completed during the first half of 1998.

Over the past decade, agent-managed sites have become the industry-standard method of running retail gasoline outlets in Canada. Agents operate as independent business people, reducing the expense of site-level support as well as head-office systems. With this change, Petroleum operations have been integrated into CTR's Marketing group in order to maximize cross-merchandising synergies between Petroleum outlets and Associate Stores. The agent network is being managed by Dealer Relations.



1997 Operating Highlights The profitability of the petroleum retailing industry in general improved during 1997 following a very challenging year in 1996. Petroleum's gross operating revenue was $596.6 million, a 2.2 percent decrease from gross operating revenue of $609.8 million in 1996. Site closures and an internal focus on restructuring the business were the primary reasons for the decline in revenues. Petroleum's operating earnings, however, posted a dramatic turnaround. Higher, more stable margins in the marketplace, continuing expense controls and restructuring of site-level and head-office costs resulted in operating earnings of $5.4 million compared to a 1996 operating loss of $3.1 million. Capital expenditures for 1997 totaled just $1.3 million as the division focused on site maintenance and restructuring of the business.

1998 Outlook Petroleum's primary goal in 1998 is to complete its restructuring program (agency conversions and integration to CTR) in order to position the division for renewed growth. During the year, this growth will be driven by an increased emphasis on gasoline cross-marketing programs with Associate Stores. In addition, a strategic review of Petroleum's network is on schedule to be completed during the first quarter of 1998.

From this, we expect to develop a plan for a multi-year program of capital investment to bring Petroleum sites up to the standard of Canadian Tire's new-format stores. Following extensive research with customers, Petroleum will also refine its presentation of convenience-type items. Sites will now offer a minimum assortment of items to meet the expectations of customers and increase the emphasis on cross-merchandising opportunities with the local Associate Store.

FINANCIAL CONDITION

A primary objective of Canadian Tire is to maintain consistently strong earnings and cash flows, as well as a strong capital structure. This is essential to ensure that the Corporation maintains its ability not only to fund future growth at competitive rates but also to continue to build long-term shareholder value. We review the Corporation's funding requirements on an ongoing basis.

CAPITAL STRUCTURE

Our objective in selecting appropriate funding alternatives is to manage Canadian Tire's capital structure in such a way as to diversify funding sources, minimize risk and optimize the Corporation's credit rating. Canadian Tire continues to rank as one of the highest-rated Canadian retailers and has ready access to debt markets at competitive interest rates. At year-end, the Corporation's capital structure was as follows:

Capital Structure

	1997	1996
Shareholders' equity	61.5 %	69.0 %
Short-term debt	17.2	2.8
Long-term debt*	19.9	27.1
Deferred taxes	1.4	1.1
	100.0 %	100.0 %

* *Includes current portion of long-term debt.*

Equity The year-end book value of Common and Class A Non-Voting Shares was $15.79 per share compared to $15.04 per share at the end of 1996. Total shareholders' equity remained constant year-over-year at $1,299 million.

During 1997, the Corporation issued 2.1 million Class A Non-Voting Shares under various corporate and Dealer employee profit-sharing programs as well as under the Corporation's stock-purchase, stock-option and dividend-reinvestment plans compared to 2.4 million Shares issued under these plans in 1996.

The issuance of Shares was offset by the purchase during 1997 of 6.3 million Class A Non-Voting Shares under the Corporation's Normal Course Issuer Bid Program ("Issuer Bid Program") on the Toronto and Montreal stock exchanges. During 1996, 4.6 million Shares were purchased under that year's Issuer Bid Program.

During 1998, the Corporation intends to purchase up to 3.4 million Class A Non-Voting Shares through its Issuer Bid Program to offset the expected dilutive effect on earnings per share of various employee benefit programs. A further 2.5 million Shares may be purchased through the Issuer Bid Program if, in our opinion, the purchases can be made on terms that will serve the best interests of the Corporation and its shareholders.

Shares Outstanding. At January 3, 1998, there were 78,791,271 Class A Non-Voting Shares and 3,430,750 Common Shares outstanding; this compares to 82,956,230 Class A Non-Voting Shares and 3,439,375 Common Shares outstanding at December 28, 1996.

Dividends. Dividends declared on Common and Class A Non-Voting Shares were $33.2 million in 1997 compared to $34.7 million in 1996. The annual dividend paid on both classes of shares remained the same at $0.40 per share.

Short-Term Debt In 1997, the Corporation had a commercial paper program with a $600 million authorized limit. At year-end, $362.9 million in commercial paper was outstanding compared to $53.5 million at December 28, 1996.

The Corporation also has committed lines of credit that are equal to or greater than the maximum projected amount of outstanding commercial paper balances; none of these lines have been drawn upon. Undrawn lines of credit remained in excess of $750 million at the end of 1997.

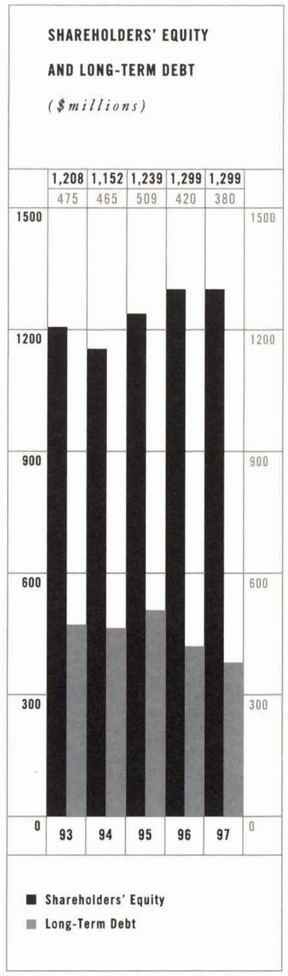
Credit ratings for the Corporation's commercial paper at year-end were "A-1+" from CBRS Inc. ("CBRS") and "R-1(low)" from Dominion Bond Rating Service ("DBRS").

Long-Term Debt In order to gain access to debt markets in a timely manner as required, Canadian Tire has filed a prospectus with provincial securities commissions for the issuance of $400 million of debt securities and debt warrants; $300 million of this limit has been allocated to the Medium-term Note program pursuant to a prospectus supplement. This program is evaluated every two years. The last renewal was completed in December 1996.

The Medium-term Note and Debenture programs had ratings at year-end of "A+(low)" from CBRS and "A" from DBRS.

On February 24, 1998, the Corporation issued $135 million of Medium-term Notes as detailed in Note 14 to the Consolidated Financial Statements.

Like most issuers, Canadian Tire must comply with certain covenants that are included in the Trust Indentures of certain debt instruments issued by the Corporation. These generally include a restriction on incurring any further indebtedness with an initial maturity beyond one year unless net tangible assets are at least 1.75 times greater than the amount of funded obligations (net tangible assets are defined as total assets less intangible assets and current liabilities, excluding the current portion of long-term debt). Certain financial tests must also be met for payment of dividends. In addition, there are certain operating tests and restrictions on cross-default provisions as well as the Corporation's ability to give security. Canadian Tire met all of these tests in 1997 and 1996.



FUNDING PROGRAM

Funding Requirements

The Corporation's capital expenditures, working capital needs, dividend payments and other financing needs, such as debt repayments and share purchases under the Issuer Bid Program, are funded from a combination of sources. In 1997, this pool of funds comprised $103 million from the Corporation's sale of charge account receivables, described below, and $202 million of cash generated from operating activities.

Capital Expenditures

Canadian Tire spent a total of $253.5 million on capital projects in 1997, a 14.8 percent increase over the $220.7 million spent in 1996. Real Estate capital projects totaled $197.9 million, substantially all of which was for construction of new-format Associate Stores; this was a 15.8 percent increase over the $170.8 million spent in 1996. Marketing spent $34.9 million, with the major portion of the expenditures allocated to Supply Chain projects and financial reporting systems.

Capital expenditures by Financial Services were $14.1 million compared to $7.6 million in 1996; 1997 expenditures were primarily for improved information technology and equipment for the division's new call centre. Capital projects by Petroleum totaled $1.3 million in 1997 compared to $6.9 million in the prior year as the group focused on maintaining its properties and controlling expenses.

1998 Capital Program

Canadian Tire's 1998 capital requirements, which are determined on a consolidated basis, are expected to total $382.7 million. Real Estate projects are planned at $267.1 million. Financial Services has allocated approximately $24.3 million to fund the growth of its portfolio of credit card charge account receivables. Petroleum plans to spend $10.0 million for site upgrades, maintenance and fulfillment of regulatory requirements. The balance of planned capital expenditures are for Marketing, Financial Services and the upgrade of the technology infrastructure across the Corporation.

Sources of Liquidity

The primary sources of Canadian Tire's liquidity include cash and short-term investments, sales of charge account receivables and other sources of funding such as the Corporation's commercial paper program and medium-term note program.

Cash and Short-term Investments At year-end, Canadian Tire's cash and short-term investments totaled $263.4 million, a 35.3 percent increase from the $194.7 million held at December 28, 1996. Short-term investments held at year-end 1997 included Canadian and United States government securities, and notes of other credit-worthy parties due within one year.

Cash generated from operating activities totaled $202.0 million; this was a 13.8 percent decrease from $234.4 million in 1996. The 1997 amount represents cash generated from operating activities of $2.43 per share versus $2.69 in the prior year.

Canadian Tire Financial Services Receivables The objective of our charge account receivables securitization program is to provide Financial Services, and the Corporation, with a cost-effective, alternative source of liquidity. We consider the securitization of charge account receivables to be an integral part of our funding program for future growth.

Financial Services owned $405 million of net charge account receivables at the end of 1997; this compares to $450 million held at the end of 1996. The decrease during 1997 was due to the sale of co-ownership interests of $103 million of charge account receivables to Canadian Tire Receivables Trust™ (the "Trust"), offset by the growth in the receivable portfolio. During 1998, we expect to raise funds from the sale of additional receivables.

Details of the outstanding asset-backed Notes issued by the Trust are listed in the table below. As the Trust is not controlled by the Corporation, its financial instruments have not been consolidated with those of Canadian Tire.

Canadian Tire Receivables Trust Asset-Backed Notes Outstanding

(Dollars in millions)	1997	1996
Series 1997-1 Commercial Paper Notes[1]	$ 103	$ –
7.48% Series 1995-1 Senior Notes[2]	198	198
7.83% Series 1995-2 Senior Notes[2]	99	99
7.10% Series 1996-1 Senior Notes[2]	160	160
7.94% Series 1995-1 Subordinated Notes[3]	2	2
8.46% Series 1995-2 Subordinated Notes[3]	1	1
7.71% Series 1996-1 Subordinated Notes[3]	2	2
Total	$ 565	$ 462

[1] *The notes will mature on a business day 364 days or less from the date of issuance.*

[2] *On December 1, 2000, December 1, 2002, and March 1, 1999, respectively, for the Series 1995-1, Series 1995-2, and Series 1996-1 notes, repayment of principal will commence, subject to earlier prepayment in certain events, from collections allocable to the Trust in the previous month. The final payment dates of June 1, 2001, June 1, 2003, and September 1, 1999, respectively, are estimated based upon certain assumptions regarding the performance of the charge account receivables pool and other factors.*

[3] *Repayment of the principal amount of the Subordinated Notes will not begin until all principal and interest owing under the related series of Senior Notes have been fully repaid.*

The success of this program is due primarily to the Trust's ability to obtain funds by issuing debt instruments of the highest credit rating. The Trust's asset-backed commercial paper program has a rating of "A-1+" from CBRS and "R-1(high)" from DBRS. The Senior Notes received a rating of "A++" from CBRS and "AAA" from DBRS. In all cases, these are the rating services' highest categories. The Subordinated Notes have a rating of "A+" from CBRS and "AA(low)" from DBRS.

Capital Assets Capital assets are another source of liquidity for Canadian Tire. Substantially all of the Corporation's land and buildings are unencumbered.

FINANCIAL RATIOS

Canadian Tire continues to have a strong balance sheet and financial ratios. These allow the Corporation to have relatively easy access to funding from financial markets. Long-term debt as a percentage of total capital fell to 19.9 percent from 27.1 percent in 1996, primarily reflecting increased use of commercial paper to meet our funding requirements. The increased use of commercial paper also resulted in a decrease in the current ratio. The current ratio at year-end was 1.2:1 compared to 1.6:1 at December 28, 1996. Interest coverage on a cash-flow basis, after adjusting earnings from operations for depreciation and amortization, was 5.6 times.

FUNDING COSTS[1]

The following table summarizes the Corporation's total funding costs, including the impact of Canadian Tire's risk management program, which is discussed below.

(Dollars in thousands)	1997	1996
Interest Expense[2]		
Long-term interest expense	$ 49,396	$ 53,130
Short-term interest expense	14,166	5,964
	$ 63,562	$ 59,094
Effective blended cost of debt	8.6%	9.1%

[1] *Funding costs shown on this table exclude those of the Trust.*
[2] *Interest expense is increased or decreased by the interest-rate differentials paid on interest-rate swap contracts.*

The effective average blended cost of debt decreased between 1996 and 1997 because commercial paper comprised a larger portion of total funding costs in 1997.

RISK MANAGEMENT

Canadian Tire is exposed to a number of risks in the normal course of its business that have the potential to affect the operating performance of the Corporation. These risks, and the actions taken to minimize them, are discussed below.

It is important to note that, in implementing financial strategies to reduce risk, Canadian Tire's Treasury department does not operate as a profit centre. Controls are in place to prevent and detect speculative activity.

Retail Competitive Risk While Canadian Tire competes against international, national and regional retailers in all major markets across Canada, there is no one organization or type of business that competes directly with all product lines available at Associate Stores. However, several of these competitors, such as department stores, mass merchandisers, home-improvement warehouse operators and specialty marketers are currently in one or more of the business segments in which Associate Stores compete.

CTR actively monitors competitive developments in its markets, particularly its performance relative to competitors. This analysis enables us to determine the degree of competitiveness within a market or business segment and take the necessary steps to protect our market share.

Canadian Tire also has numerous core strengths that reduce its competitive risk. Foremost is our network of independent Associate Dealers whose investment and commitment to their Associate Stores provides a significant competitive advantage and reduction in risk. In addition, a primary strength is the convenience of location of our Associate Stores. We estimate that, with 430 Associate Stores across Canada, approximately 90 percent of the Canadian population is within a 15-minute drive of at least one Associate Store. We are enhancing this advantage with the development of new-format stores and new-format "look" stores, as well as a number of additional stores in new markets. These new-format stores are proving to be very effective at competing with different types of retailers and formats in the same market.

Internal and independent consumer surveys indicate that customers have very high awareness of, and loyalty to, Canadian Tire; approximately 50 percent of adult Canadians shop at an Associate Store at least once a month. In addition, Associate Stores hold strong market-share positions in many of the product categories in which they do business. This is particularly evident in automotive and hardware lines and in selected seasonal and sporting goods categories.

These basic advantages are reinforced by CTR's competitive pricing, aggressive marketing and total value package offered to consumers. We conduct extensive consumer research each year to ensure that CTR's product offering and merchandising deliver what our customers value most in a hardgoods retailer. In addition, CTR regularly test-markets new merchandising concepts such as *Auto PartSource* to meet new needs, as well as to protect and build its markets.

Specific initiatives designed to enhance CTR's competitive position, and thus reduce the Corporation's retail competitive risk, are described in the CTR section earlier in this Discussion.

Environmental Risk Canadian Tire's environmental policy affirms our belief that environmental protection is an essential part of Canadian Tire's corporate mission. Our environmental programs are intended to be in the forefront of the retail industry in protecting the environment. In addition, our forward-looking procedures for the identification and mitigation of environmental risk, as well as the Corporation's record of accomplishment in this area, have enabled the Corporation to purchase environmental insurance coverage at very favourable premiums.

In 1997, we continued to ensure that management systems were in place to address environmental issues, policies and procedures. Quarterly and annual reports on environmental and health and safety issues, policies and procedures were submitted to the Canadian Tire Board of Directors and its Audit and Social Responsibility Committees.

We carry out regular assessments of facilities and procedures to ensure that Canadian Tire operations meet regulatory and corporate requirements. In addition, we have initiated many programs that set new standards of environmental management. These programs are discussed in more detail under "Environmental, Health and Safety Stewardship" on page 54.

Concentration Risk Canadian Tire, by the national nature of its operations, is relatively well diversified across Canada's regional economies. We believe this makes the Corporation less susceptible to adverse economic conditions in specific regions of the country.

With regard to credit privileges extended to Canadian Tire customers by Financial Services, the retail card base comprises nearly seven million holders across Canada. Approximately half reside in Ontario, with the balance distributed across Canada. Financial Services' Private Label customers are also dispersed across Canada. In addition, concentration risk is limited with regard to receivables due from Associate Dealers, whose businesses are geographically dispersed. The largest trade receivable balance owed to the Corporation by any one Associate Dealer is less than four percent of total Associate Dealer receivables.

Financial Products Risk Our policy is to identify and manage currency, interest-rate and commodity-price risk proactively and conservatively.

There are typically two parties to a financial transaction. The successful completion of the transaction, and thus the mitigation of risk, depends on the ability of both parties to meet their financial commitments under the contract. In the case of Canadian Tire, counterparty credit risk is considered to be negligible as we restrict counterparties we deal with to highly-rated financial institutions. A minimum rating of "A+" by CBRS and "AA" by DBRS is required.

Foreign-Exchange Risk Canadian Tire's exposure to foreign-exchange risk is limited primarily to the United States dollar. We limit the Corporation's hedging activity to transactions for purchases that are likely to be completed within a 180-day period.

Commodity Price Risk The operating performance of Petroleum is very sensitive to the pricing actions of major competitors in the retail gasoline market. During the past 18 months, Petroleum has reduced its operating cost structure to be competitive with the "best-in-class" gasoline retailers. This gives the division greater flexibility during periods of extreme competition. In addition, Petroleum has a very competitive contract with a major supplier for the acquisition of gasoline that helps offset the potential impact of commodity price fluctuations.

Interest Rate Risk This risk reflects the sensitivity of Canadian Tire's financial condition to movements in interest rates. The Corporation's exposure is limited to the impact of interest rate fluctuations on cash and short-term investments and commercial paper. The Corporation's net balance sheet interest rate sensitivity position in 1997 and 1996 was offset by interest rate swap contracts, as discussed in Note 12 to the Consolidated Financial Statements. As a result, Canadian Tire's exposure to interest rates is limited. A one percent change in interest rates would not materially affect the Corporation's earnings, cash flow or financial position; this is discussed in Note 12 to the Consolidated Financial Statements.

As described in Note 12, consolidated interest rate sensitivity was minimized at the end of 1997 and 1996 as all of the Corporation's long-term debt is issued at fixed rates and is thus not sensitive to interest rate movements. Further details are provided in the "Funding Costs" section on page 33.

Most of Financial Services' revenue is generated by the Canadian Tire retail credit card, which carries a fixed interest rate. Financial Services' funding requirements were substantially reduced during 1997 and 1996 due to the sale of charge account receivables through the securitization program described on page 32. The balance of the division's funding requirements in 1997 and 1996, however, was met with the issuance of floating-rate debt, which makes Financial Services' results somewhat sensitive to changes in interest rates.

We monitor market conditions and the impact of interest rate fluctuations on the Corporation's fixed/floating rate exposure on an ongoing basis.

Year 2000 Readiness Canadian Tire, like all major retailers, is heavily dependent upon technology for the ongoing operation of its business. A significant challenge to all businesses is the need to address the impact of the century change. Many information systems have been designed to identify years only by the last two digits rather than four. As a result, if not addressed, the arrival of the Year 2000 could cause business disruptions. The Corporation continues to take aggressive steps to make the necessary changes to its technology base to ensure efficient transition through the Year 2000. Additionally, the Corporation has an extensive program in place to assess the readiness of its external business partners.

Canadian Tire's Year 2000 Readiness Program is the Corporation's highest priority. Evaluation of all systems was completed in early 1997 and modifications are proceeding according to business criticality and risk.

A business criticality assessment of external business partners, both merchandise and non-merchandise, is also under way and will be completed by the end of 1998. Our External Partner Readiness programs will proceed using the same principles of business criticality and risk referred to above.

The Corporation plans to have completed remedial activities on all critical business systems in order to achieve Year 2000 readiness by the end of 1998. Final testing and full implementation is scheduled for completion by mid-1999.

Year 2000 program costs are being managed substantially within the established operating budgets of various functions within the Corporation. Certain non-Year 2000 projects were deferred until the Year 2000 Program is completed. This will enable the Corporation to mitigate the expense impact on future earnings and cash flow. Year 2000 Program costs have been accounted for in accordance with the recommendations of the Canadian Institute of Chartered Accountants.

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The management of Canadian Tire Corporation, Limited is responsible for the integrity of the accompanying Consolidated Financial Statements and all other information in the annual report. The financial statements have been prepared by management in accordance with generally accepted accounting principles, which recognize the necessity of relying on some best estimates and informed judgements. All financial information in the annual report is consistent with the Consolidated Financial Statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management depends on the Corporation's systems of internal accounting control. These systems are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Management meets the objectives of internal accounting control on a cost-effective basis through: the prudent selection and training of personnel, adoption and communication of appropriate policies, and employment of an internal audit program.

The Board of Directors oversees management's responsibilities for financial statements primarily through the activities of its Audit Committee, which is composed solely of Directors who are neither officers nor employees of the Corporation. This Committee meets with management and the Corporation's independent auditors, Deloitte & Touche, to review the financial statements and recommend approval by the Board of Directors. The Audit Committee is also responsible for making recommendations with respect to the appointment and remuneration of the Corporation's auditors. The Audit Committee also meets with the auditors, without the presence of management, to discuss the results of their audit, their opinion on internal accounting controls, and the quality of financial reporting.

The financial statements have been audited by Deloitte & Touche, whose appointment was ratified by shareholder vote at the annual shareholders' meeting. Their report is presented below.

Stephen E. Bachand
President and
Chief Executive Officer
March 12, 1998

Gerald S. Kishner
Executive Vice-President, Finance and Administration
and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders, Canadian Tire Corporation, Limited

We have audited the Consolidated Balance Sheets of Canadian Tire Corporation, Limited as at January 3, 1998 and December 28, 1996 and the Consolidated Statements of Earnings, Retained Earnings and Operating, Investing and Financing Activities for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Corporation as at January 3, 1998 and December 28, 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants
Toronto, Ontario
March 12, 1998

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended *(Dollars in thousands except per share amounts)*	January 3, 1998 (53 weeks)	December 28, 1996 (52 weeks)
GROSS OPERATING REVENUE	$ 4,057,197	$ 3,902,537
OPERATING EXPENSES		
Cost of merchandise sold and all expenses except for the undernoted items	3,685,787	3,557,801
Interest		
Long-term debt	49,396	53,130
Short-term debt	14,166	5,964
Depreciation and amortization	79,862	72,738
Employee profit sharing plans	18,488	16,990
TOTAL OPERATING EXPENSES	3,847,699	3,706,623
EARNINGS BEFORE INCOME TAXES	209,498	195,914
INCOME TAXES *(Note 7)*		
Current	52,825	58,300
Deferred	8,102	5,718
TOTAL INCOME TAXES	60,927	64,018
NET EARNINGS	$ 148,571	$ 131,896
NET EARNINGS PER SHARE	$ 1.79	$ 1.51
Weighted average number of Common and Class A Non-Voting Shares outstanding	83,139,384	87,099,589
RETAINED EARNINGS, BEGINNING OF YEAR	$ 1,058,663	$ 958,457
NET EARNINGS	148,571	131,896
DIVIDENDS	(33,244)	(34,652)
ISSUE OF CLASS A NON-VOTING SHARES *(Note 6)*	2,908	2,962
RETAINED EARNINGS, END OF YEAR	$ 1,176,898	$ 1,058,663

CONSOLIDATED STATEMENTS OF OPERATING, INVESTING AND FINANCING ACTIVITIES

For the years ended *(Dollars in thousands)*	January 3, 1998 (53 weeks)	December 28, 1996 (52 weeks)
CASH GENERATED FROM (USED FOR):		
OPERATING ACTIVITIES		
Net earnings	$ 148,571	$ 131,896
Items not affecting cash		
Depreciation and amortization of property and equipment	72,119	66,342
Deferred income taxes	8,102	5,718
Amortization of other assets	7,743	6,396
Loss (gain) on disposals of property and equipment	157	(4,472)
CASH GENERATED FROM OPERATIONS	236,692	205,880
CHANGES IN OTHER WORKING CAPITAL COMPONENTS	(34,650)	28,472
CASH GENERATED FROM OPERATING ACTIVITIES	202,042	234,352
INVESTING ACTIVITIES		
Additions to property and equipment	(253,488)	(220,728)
Long-term receivables and other assets	(6,963)	(10,492)
Charge account receivables	45,749	177,579
Disposals of property and equipment	7,934	14,610
	(206,768)	(39,031)
DIVIDENDS	(33,244)	(34,652)
FINANCING ACTIVITIES		
Commercial paper	309,421	(101,431)
Class A Non-Voting Share transactions	(113,909)	(38,463)
Repayment of long-term debt	(88,840)	(35,670)
	106,672	(175,564)
CASH GENERATED (USED) IN THE YEAR	68,702	(14,895)
CASH POSITION, BEGINNING OF YEAR	194,720	209,615
CASH POSITION, END OF YEAR	$ 263,422	$ 194,720

CONSOLIDATED BALANCE SHEETS

As at (Dollars in thousands)	January 3, 1998	December 28, 1996
ASSETS		
Current assets		
Cash and short-term investments	$ 263,422	$ 194,720
Accounts receivable	347,207	300,380
Charge account receivables *(Note 2)*	404,695	450,444
Merchandise inventories	409,058	382,813
Prepaid expenses and deposits	13,894	11,433
Total current assets	1,438,276	1,339,790
Long-term receivables and other assets *(Note 3)*	33,351	34,131
Property and equipment *(Note 4)*	1,403,413	1,230,135
Total assets	$ 2,875,040	$ 2,604,056
LIABILITIES		
Current liabilities		
Commercial paper	$ 362,905	$ 53,484
Accounts payable	513,341	448,496
Income taxes payable	62,977	73,697
Accrued liabilities	188,107	199,119
Current portion of long-term debt *(Note 5)*	40,000	88,840
Total current liabilities	1,167,330	863,636
Long-term debt *(Note 5)*	380,401	420,401
Deferred income taxes	28,734	20,632
Total liabilities	1,576,465	1,304,669
SHAREHOLDERS' EQUITY		
Share capital *(Note 6)*	117,910	234,727
Accumulated foreign currency translation adjustment	3,767	5,997
Retained earnings	1,176,898	1,058,663
Total shareholders' equity	1,298,575	1,299,387
Total liabilities and shareholders' equity	$ 2,875,040	$ 2,604,056

Approved by the Board

Gilbert S. Bennett
Director

Anthony F. Griffiths
Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Consolidated Financial Statements include the accounts of Canadian Tire Corporation, Limited and its subsidiaries, all of which are wholly owned.

Fiscal year

The fiscal year of the Corporation consists of a fifty-two or fifty-three week period ending on the Saturday closest to December 31. The fiscal year of certain subsidiaries ends on December 31.

Revenue recognition

The Corporation's shipments of merchandise to Associate Dealers (retail store owner-operators) are recorded as revenue when delivered.

Merchant fees on charge account receivables are taken into revenue at the time new receivables are recorded. Service charges are accrued each month on balances outstanding at each account's billing date. Membership revenue is recognized on a monthly basis over the term of the membership.

Cash and short-term investments

For purposes of the Consolidated Financial Statements, cash is defined as cash and short-term investments less bank indebtedness. Short-term investments held include Canadian and United States government securities and notes of other credit-worthy parties due within one year.

Merchandise inventories

Merchandise inventories are valued at the lower of cost and estimated net realizable value, with cost being determined on a first-in, first-out basis.

Property and equipment

Property and equipment are stated at cost. The cost of real estate includes all direct costs, financing costs on specific and general corporate debt relating to major projects, and certain pre-development costs. Depreciation is provided for using the declining balance method commencing in the month that the equipment or facilities are placed into service. Amortization of leasehold improvements is provided for on a straight-line basis over the terms of the respective leases. Purchased computer software, including direct implementation costs, is amortized on a straight-line basis over a period of up to five years.

Debt discount and other issue expenses

Debt discount and other issue expenses are included as other assets on the Consolidated Balance Sheets and are amortized over the term of the respective debt issues.

Deferred expenses

The Corporation capitalizes both direct and indirect costs with respect to ventures which are in the development stage. Capitalization of costs continues until formal operations have commenced, at which time the deferred costs are amortized over a three-year period. Should a venture be abandoned during the development stage, all capitalized costs will be immediately expensed.

The Corporation's Financial Services Division defers costs pertaining to the acquisition of new businesses. These costs are included as other assets on the Consolidated Balance Sheets and are amortized over the terms of the related contracts.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Translation of foreign currencies

The components of the Consolidated Statements of Earnings related to foreign subsidiaries are translated to Canadian dollars using average currency exchange rates in effect during the period and assets and liabilities are translated at the exchange rates in effect at the end of the accounting period. Gains and losses on translation are included in net earnings, except for the exchange gains or losses related to investments in self-sustaining foreign operations. Translation adjustments on self-sustaining foreign operations are included in a separate component of shareholders' equity.

Post-employment benefits other than pensions

The Corporation provides certain health care and life insurance benefits, but not pensions, for certain retired employees pursuant to Corporate policy. The Corporation estimates the liability for the benefits to be provided at the time an employee retires and accrues the total future estimated liability. The cost of these benefits in 1997 was $454,000 (1996 – $410,000).

Financial instruments

Interest rate swap contracts are used to hedge current and anticipated interest rate risks. Interest to be paid or received under such swap contracts is recognized over the life of the contracts as adjustments to interest expense. Unrealized gains or losses resulting from market movements are not recognized.

Foreign currency risks related to certain purchased goods and services are hedged. Any costs associated with these purchases are included in the Canadian dollar cost of these products.

Management's estimates

The preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

2. CHARGE ACCOUNT RECEIVABLES

During 1997, the Corporation sold $103 million of undivided co-ownership interests in a pool of charge account receivables to an independent trust (the "Trust"). No gain or loss has been recorded on these sales by the Corporation.

As at January 3, 1998, the Trust's undivided co-ownership interest in the pool of charge account receivables was $573 million (1996 – $470 million). Any income generated on the sold co-ownership interest in excess of the Trust's stipulated share of service charges is retained by the Corporation. The Trust's recourse to the Corporation is limited and is based on income earned on the receivables. As the Trust is not controlled by the Corporation, it has not been consolidated in these financial statements.

3. LONG-TERM RECEIVABLES AND OTHER ASSETS

(Dollars in thousands)	1997	1996
Other assets	$19,794	$ 16,475
Mortgages receivable	7,222	7,859
Loans receivable	6,335	5,697
Investments	–	4,100
	$ 33,351	$ 34,131

Loans receivable

The loans receivable include interest-free loans that have been provided to certain senior executives. These loans are to be repaid over a maximum period of 15 years from the date of the loan.

4. PROPERTY AND EQUIPMENT

	1997			1996			
(Dollars in thousands)	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value	Depreciation Amortization Rate/Term
Land	$ 365,322	$ –	$ 365,322	$ 311,123	$ –	$ 311,123	
Buildings	1,202,301	372,998	829,303	1,066,354	338,609	727,745	4%–10%
Fixtures and equipment	305,477	197,040	108,437	282,324	175,194	107,130	10%–33%
Leasehold improvements	60,395	26,845	33,550	49,767	23,782	25,985	Term of lease
Computer software	37,713	23,238	14,475	27,781	17,660	10,121	Up to 5 years
Construction in progress	52,326	–	52,326	48,031	–	48,031	
	$ 2,023,534	$ 620,121	$ 1,403,413	$ 1,785,380	$ 555,245	$ 1,230,135	

Included in property and equipment is property held for disposal with a cost of $69,917,000 (1996 – $23,129,000) and accumulated depreciation of $31,254,000 (1996 – $11,676,000). The Corporation capitalized interest of $1,845,000 (1996 – $2,650,000) for property and equipment under construction. The interest capitalized related to the Corporation's new-format store strategy.

5. LONG-TERM DEBT

(Dollars in thousands)	1997	1996
Obligation under mortgage payable	$ 401	$ 401
Unsecured debt		
Medium-term Notes at rates from 8.00% to 8.20% maturing at various dates to 2002	80,000	120,000
10.40% Series 1 Debentures, maturing January 14, 2000 (Series 1 Debentures)	150,000	150,000
12.10% Debentures, maturing May 10, 2010 (2010 Debentures)	150,000	150,000
Total – net of current portion	$ 380,401	$ 420,401

Series 1 Debentures

The Series 1 Debentures are redeemable, in whole or in part, at any time, at the greater of par and a formula price based upon interest rates at the time of redemption.

2010 Debentures

The 2010 Debentures are redeemable, in whole or in part, at any time, at the greater of par and a formula price based upon interest rates at the time of redemption. Commencing with the quarter ended October 1, 1994, and for each subsequent quarter, the Corporation may (subject to availability and pricing) be required to purchase up to 1.15% of the 2010 Debentures outstanding at the beginning of such quarter. To date, no such purchases have been made.

Debt covenants

The Corporation has entered into Trust Indentures on issuance of its long-term unsecured debt which impose certain restrictions on the Corporation. These include a restriction on incurring any further indebtedness with an initial maturity beyond one year unless net tangible assets are at least 1.75 times greater than the amount of funded obligations (net tangible assets are defined as total assets less intangible assets and current liabilities, excluding the current portion of long-term debt), a financial test that must be met before the payment of dividends, certain operating tests, and certain restrictions on the giving of security, as well as, cross-default provisions. All of the conditions were met during 1997 and 1996.

Repayment requirements

(Dollars in thousands)	1998	1999	2000	2001	2002	Thereafter	Total
Mortgage payable	$ –	$ 401	$ –	$ –	$ –	$ –	$ 401
Medium-term Notes	40,000	–	50,000	–	30,000	–	120,000
Series 1 Debentures	–	–	150,000	–	–	–	150,000
2010 Debentures	–	–	–	–	–	150,000	150,000
	$ 40,000	$ 401	$ 200,000	$ –	$ 30,000	$ 150,000	$ 420,401

6. SHARE CAPITAL

(Dollars in thousands)		1997	1996
Authorized			
3,430,750	Common Shares (1996 – 3,439,375)		
100,000,000	Class A Non-Voting Shares		
Issued			
3,430,750	Common Shares (1996 – 3,439,375)	$ 178	$ 178
88,242,777	Class A Non-Voting Shares (1996 – 88,234,152)	318,380	318,380
	Less 9,451,506 (1996 – 5,277,922) Class A Non-Voting Shares held as unissued shares, at cost	(200,648)	(83,831)
		$ 117,910	$ 234,727

Conditions of Class A Non-Voting Shares and Common Shares

The holders of Class A Non-Voting Shares are entitled to receive a preferential cumulative dividend at the rate of 1¢ per share per annum. After payment of a dividend on each of the Common Shares at the same rate, the holders of the Class A Non-Voting Shares and the Common Shares are entitled to further dividends declared and paid in each year in equal amounts per share. In the event of liquidation, dissolution or winding-up of the Corporation, the Class A Non-Voting Shares and Common Shares rank equally with each other on a share-for-share basis.

The holders of Class A Non-Voting Shares are entitled to receive notice of and to attend all meetings of the shareholders but, except as provided in the *Business Corporations Act, 1982* and as hereinafter noted, are not entitled to vote thereat. Holders of Class A Non-Voting Shares, voting separately as a class, are entitled to elect the greater of: *i.* three Directors or *ii.* one-fifth of the total number of the Corporation's Directors.

Common Shares can be converted, at any time, into Class A Non-Voting Shares on a share-for-share basis. The authorized number of Common Shares cannot be increased without the approval of the holders of Class A Non-Voting Shares. Neither the Class A Non-Voting Shares nor the Common Shares can be changed by way of subdivision, consolidation, reclassification, exchange or otherwise unless at the same time the other class of shares is also changed in the same manner and in the same proportion.

Should an offer to purchase Common Shares be made to all or substantially all of the holders of Common Shares (other than an offer to purchase both Class A Non-Voting Shares and Common Shares at the same price and on the same terms and conditions) and should a majority of the Common Shares then issued and outstanding be tendered and taken up pursuant to such offer, the Class A Non-Voting shares shall thereupon be entitled to one vote per share at all meetings of the shareholders.

The foregoing is a summary of certain of the conditions attached to the Class A Non-Voting Shares of the Corporation and reference should be made to the Corporation's articles for a full statement of such conditions.

As at January 3, 1998, the Corporation had dividends payable to Class A Non-Voting and Common shareholders of $8,553,000 ($8,640,000 as at December 28, 1996).

Issue and repurchase of Class A Non-Voting Shares

During 1997 and 1996, the following transactions with respect to Class A Non-Voting Shares occurred:

(Dollars in thousands)	1997		1996	
	Number	$	Number	$
Issued	2,126,416	44,831	2,444,341	39,779
Repurchased	6,300,000	158,740	4,580,000	78,242

From January 4, 1998, to March 12, 1998, the Corporation repurchased 600,200 and issued 374,933 Class A Non-Voting Shares for a net cost of $13,941,000.

Although all shares purchased by the Corporation pursuant to a Normal Course Issuer Bid are restored to the status of authorized and unissued shares, for accounting purposes shares so purchased are considered to be held in treasury and thereafter re-issued. During 1997, the excess of the re-issue price of these shares over the cost amount thereof totaled $2,908,000 (1996 – $2,962,000) which was added to retained earnings.

Stock options

The Corporation has granted options to certain employees for the purchase of Class A Non-Voting Shares, with vesting occurring on a graduated basis over a number of years. These options were granted at prices between $10.848 and $28.837, and expire between June 1998 and December 2007.

6. SHARE CAPITAL *(continued)*

Stock option transactions during 1997 and 1996 were as follows:

(Number of shares)	1997	1996
Outstanding at beginning of year	3,807,755	3,831,276
Granted	594,877	899,884
Exercised	(909,550)	(698,251)
Terminated	(260,557)	(225,154)
Outstanding at end of year	3,232,525	3,807,755

Since 1988 the Corporation has followed a no dilution policy. As a result, the exercise of stock options is not expected to dilute earnings per share and, accordingly, fully diluted earnings per share are not presented.

7. INCOME TAXES

(Dollars in thousands)	1997	1996
Income taxes based on a combined Canadian federal and provincial income tax rate of 43.9%	$ 91,969	$ 86,006
Adjustment to income taxes resulting from:		
Lower income tax rate on earnings of foreign subsidiaries	(34,232)	(24,274)
Large corporations tax	2,717	2,964
Non-taxable dividends	(75)	(160)
Other	548	(518)
	$ 60,927	$ 64,018

8. OPERATING LEASES

The Corporation is committed to minimum annual rentals (exclusive of taxes, insurance, and other occupancy charges) for equipment and properties under leases with termination dates extending to 2024. Under sublease arrangements with Associate Dealers, the majority of these properties are income-producing. The minimum annual rental payments required in each of the next five years and thereafter are approximately $52 million for each of the years 1998 to 2002 and approximately $237 million cumulatively from 2003 to 2024.

9. RELATED PARTY TRANSACTIONS

During 1997 one member (two members in 1996), of the Corporation's Board of Directors was a Canadian Tire Associate Dealer. The aggregate billings to this Dealer while he was a Director totaled less than one percent of the Corporation's gross operating revenue. All transactions with this Dealer and all other Dealers were in accordance with established Corporate policy applicable to all Dealers.

10. COMMITMENTS AND CONTINGENCIES

As at January 3, 1998, the Corporation had commitments of approximately $42 million for the acquisition of property and equipment and the expansion of retail store facilities.

The Corporation has committed to letters of credit and guarantees of letters of credit aggregating approximately $69 million. These commitments relate to the financing of its merchandise operations and construction projects.

The Corporation and certain of its subsidiaries are party to a number of legal proceedings. The Corporation believes that each such proceeding constitutes routine litigation incident to the business conducted by the Corporation and that the ultimate disposition of these matters will not have a material adverse effect on its consolidated earnings, cash flow or financial position.

11. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The purpose of the following note is to disclose the Corporation's exposure to off-balance sheet financial instruments. The Corporation believes that its exposure to credit and market risks for these instruments is negligible.

The Corporation occasionally enters into interest rate swap contracts with approved credit-worthy counterparties, to manage the Corporation's current and anticipated exposure to interest rate risks. The Corporation also enters into foreign exchange contracts, primarily in U.S. dollars, to hedge purchases of goods and services which are likely to be completed within a six-month period. As a consequence of these transactions, the Corporation reduces its exposure to interest rate and foreign exchange risks. The Corporation does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

In accordance with the Corporation's Accounting Policy, neither the notional principal amounts nor the current replacement value of these outstanding financial instruments is carried on the Consolidated Balance Sheets.

For the year ended January 3, 1998, interest expense included approximately $7,500,000 (1996 – $3,200,000) relating to interest rate swaps. Any unsettled interest differentials outstanding at year-end were accrued for and included in other assets or accrued liabilities.

Further information on outstanding financial instruments is as follows:

(Dollars in thousands)	Notional Amounts Maturing in: Less than 1 year	1 to 5 years	6 to 10[1] years	1997 Total	1996 Total	Current Credit Exposure 1997	1996
Interest rate swap contracts	$ –	$ 226,000	$ 500,000	$ 726,000	$ 526,000	$ 28,013	$ 29,876
Foreign exchange contracts[2]	$208,080	$ –	$ –	$ 208,080	$ 158,711	757	725
Total current credit exposure						$ 28,770	$ 30,601

[1] *Certain of these swaps may be cancelled by either party five years after their date of inception.*
[2] *May include both forward contracts and options.*

Current credit exposure is limited to the loss that would be incurred if all of the Corporation's counterparties were to default at the same time. It is the current replacement value of only those contracts which are in a gain position. The amounts related to interest rate swap contracts do not take into consideration agreements which permit offsetting.

12. FINANCIAL INSTRUMENTS

The purpose of this note is to disclose the Corporation's exposure to financial instruments.

Fair value of financial instruments

The estimated fair values of financial instruments as at January 3, 1998, and December 28, 1996, are based on relevant market prices and information available at that time. The fair value estimates below are not necessarily indicative of the amounts that the Corporation might receive or incur in actual market transactions. Furthermore, unless the Corporation pursued early settlement of any of these financial assets, liabilities or financial instruments, there would be no impact on earnings arising from the differences between book value and fair value. As a significant number of the Corporation's assets and liabilities, including merchandise inventories and property and equipment, do not meet the definition of financial instruments, the fair value estimates below do not reflect the fair value of the Corporation as a whole.

For financial instruments which are short-term in nature such as cash and short-term investments, accounts receivable, charge account receivables, commercial paper, accounts payable and the current portion of long-term debt, carrying value approximates fair value. The fair values of other financial instruments are as follows:

	1997		1996	
(Dollars in thousands)	Carrying or Notional Amount	Fair Value	Carrying or Notional Amount	Fair Value
FINANCIAL ASSETS AND LIABILITIES				
Long-term receivables and investments	$ 13,557	$ 14,081	$ 17,656	$ 17,221
Long-term debt	$ (380,401)	$ (474,637)	$ (420,401)	$ (513,922)
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS				
Interest rate swap contracts	$ 726,000	$ (9,115)	$ 526,000	$ (7,519)
Foreign exchange contracts	$ 208,080	$ 375	$ 158,711	$ 589

The fair value of long-term receivables and investments, and long-term debt and mortgage payable was estimated based on quoted market prices (when available) or discounted cash flows, using discount rates based on market interest rates and the Corporation's credit rating. As long-term debt coupon rates are higher than current market interest rates, the fair value of the Corporation's long-term debt exceeds its carrying value.

The fair value of interest rate swap contracts was estimated by comparing the appropriate yield curves to matching terms of maturity. The foreign exchange contracts were valued based on the differential between contract rates and year-end spot rates. For both interest rate swap and foreign exchange contracts, the fair values reflect the estimated amounts that the Corporation would receive or pay to terminate the contracts at the reporting date.

Interest rate sensitivity position

Interest rate risk reflects the sensitivity of the Corporation's financial condition to movements in interest rates. Interest rate exposure may produce favourable or unfavourable effects depending on the nature of the exposure, and the direction and volatility of interest rate fluctuations.

Interest rate exposure is affected by the interest rate sensitivity of the financial assets and liabilities. The table below identifies the Corporation's financial assets and liabilities which are sensitive to interest rate movements and those which are non-interest rate sensitive as they are either non-interest bearing or bear interest at fixed rates. Interest rate exposure is further impacted by the maturities or repricing dates of financial instruments including interest rate swap contracts. The seasonality of cash flow requirements causes the interest rate sensitivity to fluctuate over the course of the year.

	1997		1996	
(Dollars in thousands)	Interest Sensitive	Non-Interest Sensitive	Interest Sensitive	Non-Interest Sensitive
Cash and short-term investments	$ 263,422	$ –	$ 194,720	$ –
Charge account receivables	–	404,695	–	450,444
Commercial paper	(362,905)	–	(53,484)	–
Long-term debt (including current portion)	–	(420,401)	–	(509,241)
Net balance sheet interest rate sensitivity position	$ (99,483)	–	$ 141,236	–
Net balance sheet non-interest rate sensitivity position	–	$ (15,706)	–	$ (58,797)

The Corporation enters into interest rate contracts to manage its exposure to interest rate risk. As at January 3, 1998, the Corporation had entered into contracts which fixed interest rates on a net notional amount of $264 million of floating rate debt ($214 million as at December 28, 1996). These contracts hedged both the Corporation's net balance sheet interest rate sensitivity position and the interest rate exposure related to anticipated net funding requirements as at both January 3, 1998, and December 28, 1996. As a result, a one percent change in interest rates would not materially affect the Corporation's earnings, cash flow or financial position.

Concentration of credit risk

The Corporation's exposure to concentrations of credit risk is limited. Accounts receivable are primarily from Associate Dealers who individually comprise less than four percent of the total balance outstanding and are spread across Canada. Similarly, charge account receivables are generated by credit card customers, a large and geographically dispersed group. The maximum credit exposure due to interest rate swap contracts was approximately one percent of total assets for both 1997 and 1996.

13. SEGMENTED INFORMATION

The Corporation operates in three industry segments: Canadian Tire Retail (CTR), Financial Services and Petroleum. The following highlights key financial data for the operations of these segments:

	CTR		Financial Services		Petroleum		Consolidated	
(Dollars in thousands)	1997	1996	1997	1996	1997	1996	1997	1996
Gross operating revenue	$ 3,180,987	$ 3,026,063	$ 279,643	$ 266,710	$ 596,567	$ 609,764	$ 4,057,197	$ 3,902,537
Net earnings (loss)	$ 119,562	$ 105,216	$ 25,979	$ 28,412	$ 3,030	$ (1,732)	$ 148,571	$ 131,896
Capital expenditures	$ 238,038	$ 206,252	$ 14,118	$ 7,595	$ 1,332	$ 6,881	$ 253,488	$ 220,728
Property and equipment	$ 1,292,412	$ 1,116,779	$ 27,211	$ 22,357	$ 83,790	$ 90,999	$ 1,403,413	$ 1,230,135
Depreciation and amortization of property and equipment	$ 56,601	$ 51,166	$ 8,960	$ 7,980	$ 6,558	$ 7,196	$ 72,119	$ 66,342

In addition the following details key balance sheet and earnings information for the Financial Services segment:

Financial Services

(Dollars in thousands)	1997	1996
Charge account receivables (*Note 2*)	$ 454,251	$ 499,844
Less: Allowance for credit losses	49,556	49,400
Net charge account receivables	$ 404,695	$ 450,444
Net interest expense	$ 6,705	$ 10,991
Net provision/expense for credit losses	$ 77,433	$ 74,493

14. SUBSEQUENT EVENT

On February 24, 1998, the Corporation issued $135 million of unsecured Medium-term Notes which mature on February 24, 2003 and bear interest at 5.4%.

15. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

TEN-YEAR FINANCIAL REVIEW

(Dollars in thousands except per share amounts)	1997*	1996	1995
Consolidated Statements of Earnings			
Gross operating revenue	$ 4,057,197	$ 3,902,537	$ 3,771,304
Operating earnings before depreciation and applicable financing charges	345,179	320,930	319,174
Earnings from continuing operations before income taxes	209,498	195,914	189,622
Income taxes	60,927	64,018	67,872
Net earnings from continuing operations	148,571	131,896	121,750
Discontinued operations	–		
Earnings before extraordinary items	148,571	131,896	121,750
Extraordinary items	–		
Net earnings	148,571	131,896	121,750
Cash generated from operations	236,692	205,880	198,741
Cash generated from operating activities	202,042	234,352	67,988
Earnings retained and reinvested	115,240	96,978	86,557
Capital expenditures	253,488	220,728	195,045
Consolidated Balance Sheets			
Current assets	$ 1,438,276	$ 1,339,790	$ 1,558,584
Long-term receivables and other assets	33,351	34,131	30,035
Property and equipment	1,403,413	1,230,135	1,085,887
Total assets	2,875,040	2,604,056	2,674,506
Current liabilities	1,167,330	863,636	911,009
Long-term debt	380,401	420,401	509,241
Deferred income taxes	28,734	20,632	14,914
Shareholders' equity	1,298,575	1,299,387	1,239,342
Consolidated Per Share			
Net earnings from continuing operations	$ 1.79	$ 1.51	$ 1.38
Earnings before extraordinary items	1.79	1.51	1.38
Net earnings	1.79	1.51	1.38
Cash generated from operating activities	2.43	2.69	0.77
Dividends paid	0.40	0.40	0.40
Shareholders' equity	15.79	15.04	14.00
Financial Services			
Gross operating revenue	$ 279,643	$ 266,710	$ 262,473
Net earnings	25,979	28,412	23,709
Net charge account receivables	404,695	450,444	628,023
Statistics at Year-End			
Number of Associate Stores	430	426	424
Number of gasoline stations	193	197	199
Number of Class A Non-Voting shareholders	6,999	8,297	8,308
Number of Common shareholders	519	569	571

*53-week period

1994	1993	1992*	1991	1990	1989	1988
$ 3,603,966	$ 3,420,566	$ 3,199,974	$ 3,002,052	$ 3,091,214	$ 2,977,424	$ 2,657,893
305,575	281,660	249,835	297,955	311,652	307,562	280,587
185,615	162,980	131,062	219,889	246,109	254,306	238,740
70,846	62,596	44,622	87,832	101,743	104,690	108,939
114,769	100,384	86,440	132,057	144,366	149,616	129,801
(109,277)	(18,979)	(14,147)	(4,981)	–	–	(4,928)
5,492	81,405	72,293	127,076	144,366	149,616	124,873
–	–	–	–	–	–	862
5,492	81,405	72,293	127,076	144,366	149,616	125,735
156,667	151,773	166,234	179,961	185,025	174,576	153,911
118,067	242,639	148,380	214,478	231,882	254,750	159,041
(29,946)	45,129	36,417	90,981	109,942	122,426	104,768
90,567	42,362	87,603	177,826	249,698	142,059	93,873
$ 1,655,445	$ 1,388,091	$ 1,308,082	$ 1,225,266	$ 1,148,711	$ 1,106,817	$ 1,011,234
28,669	21,862	28,102	24,169	14,484	17,116	20,986
984,749	990,326	1,009,046	970,680	821,723	606,409	499,249
2,668,863	2,400,279	2,345,230	2,220,115	1,984,918	1,730,342	1,531,469
1,044,418	691,610	698,755	653,298	522,881	495,337	516,449
465,027	474,555	449,331	428,447	421,123	308,080	180,790
7,312	25,782	41,404	24,180	13,657	6,325	9,677
1,152,106	1,208,332	1,155,740	1,114,190	1,027,257	920,600	824,553
$ 1.30	$ 1.11	$ 0.96	$ 1.46	$ 1.60	$ 1.65	$ 1.42
0.06	0.90	0.80	1.41	1.60	1.65	1.37
0.06	0.90	0.80	1.41	1.60	1.65	1.38
1.34	2.68	1.65	2.38	2.57	2.81	1.75
0.40	0.40	0.40	0.40	0.38	0.30	0.24
13.03	13.40	12.87	12.40	11.44	10.23	9.09
$ 232,726	$ 206,834	$ 190,828	$ 173,583	$ 149,075	$ 122,554	$ 102,034
32,235	31,590	27,198	23,095	22,845	17,731	17,016
829,603	661,161	605,772	563,126	526,334	452,213	359,941
423	425	424	420	418	414	408
202	208	213	207	192	173	146
9,294	10,525	10,871	11,012	11,795	11,540	12,927
602	640	674	694	721	726	718

CANADIAN TIRE CORPORATION, LIMITED

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Corporate Director and Consultant

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3 SOCIAL RESPONSIBILITY COMMITTEE
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RALPH E. TROTT
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ANDREW T. WNEK
Vice-President and Controller

GLENN A. BARRETT
Assistant Treasurer

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ENVIRONMENTAL, HEALTH AND SAFETY STEWARDSHIP

Canadian Tire continued its environmental leadership in Canadian retailing during 1997. As part of our 75th anniversary celebrations, we launched the Canadian Tire Community Environmental Awards. Under this program, employees of Associate Stores across Canada can request financial support for non-profit projects that make a significant contribution to the environment in their local community. A panel of five advisors considers the requests and awards up to $1,000 to each of ten projects. Launched in April, ten Community Environmental Awards were presented during 1997. Among them were a tree planting and shoreline clean-up project in Burlington, Ontario; Kempenfelt Bay fish habitat restoration in Barrie, Ontario; promotion of the Yukon Recycling Club in Whitehorse, Yukon; and a park and river clean-up and restoration project in Dolbeau, Quebec.

Canadian Tire's Supply Chain team continued its efforts to divert waste that otherwise would have been sent to landfill. Eighty-three percent of all materials used at Supply Chain sites were recycled – including plastics, non-ferrous metals, corrugated cardboard, softwood pallets and fine paper – for a total of 2,688 tonnes. This ongoing effort to reduce and reuse earned our two Brampton, Ontario distribution centres the Region of Peel 1997 Award of Merit for Outstanding Industrial, Commercial and Institutional Waste Reduction Programs.

Canadian Tire's vehicle battery recycling program has addressed the environmental impact of scrap batteries since 1992. In each of the past two years, Canadian Tire, in partnership with our battery vendor, Exide Canada, have collected and recycled more than 19 million pounds of scrap vehicle batteries. During 1997, Canadian Tire Associate Stores across Canada also became collection sites for the national Ni-Cd battery recycling program launched by the Rechargeable Battery Recycling Corporation.

We are proud to play our part in caring for the environment in Canada, and prouder still when our efforts are recognized. The programs mentioned, as well as others for tire and used-oil recycling and support of a variety of grassroots projects, were instrumental in our winning the 1997 Canadian Direct Marketing Association's Integrated Environmental Programs Award.

Health and Safety

During 1997, we continued to roll out Canadian Tire's Environment, Health and Safety Management Systems program. We undertook due diligence, and health and safety training for senior managers and implemented a construction health and safety program in our Real Estate operations. Managers will also be aided by the installation of an environmental, health and safety software program that will enable us to audit our compliance with standards more effectively.

During the year, we also completed and launched Canadian Tire's Material Safety Data Sheet Faxback program. This free service enables employees or customers to request automated health and safety information on chemical products sold in Associate Stores.

Canadian Tire and the Associate Dealers take considerable pride in our deep connection with Canadians and our active participation in the life of the communities we serve. Together, we support many philanthropic activities including health care, education, sports, community welfare and culture. The Corporation has established an objective to commit one percent of pre-tax profits on a trailing three-year average to assist worthy causes in Canada.

As we have every year since its founding in 1993, we focused a great deal of our attention during 1997 on the Canadian Tire Child Protection Foundation. The Foundation is dedicated to helping kids live happier and healthier lives through education and awareness. The Foundation currently provides funding to six national programs that operate in conjunction with local community groups such as parents, police and fire departments. The programs focus on a wide variety of issues concerning the protection and safety of children – effective "streetproofing" in dealing with strangers, safe cycling, fire safety, traffic safety for young pedestrians and safety in, on and around water. During 1997, we funded a new initiative of the *Stay Alert...Stay Safe®* organization known as Child ID. The program is developing an extensive databank of information on children across Canada to assist police with the identification of missing children.

As the country's largest hardgoods retailer, with 430 Associate Stores across the country, Canadian Tire has a unique ability to directly impact the success of these important programs. Through our partnerships and programs we have successfully made a difference in the lives and safety of children from coast-to-coast.

The Ice Storm of 1998

The ice storm that blanketed eastern Ontario and Quebec during the first week of January 1998 left more than three million Canadians without power and in serious need of help.

Through all times of human hardship come positive stories. Canadian Tire helped lead the business effort in response to this devastating storm. Our organization mobilized a disaster recovery effort that saw more than 65 emergency shipments transported into the affected region. Working closely with emergency authorities, Canadian Tire donated firewood, kerosene, air mattresses, sleeping bags and flashlights. Our Associate Dealers in the region worked tirelessly in their effort to help make customers' lives easier. Canadian Tire even provided transportation assistance to the Canadian Armed Forces, pitching in to help distribute much needed items.

QUARTERLY INFORMATION

FISCAL 1997

(Dollars in thousands except per share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Gross operating revenue	$ 826,132	$ 1,092,196	$ 1,032,419	$ 1,106,450	$ 4,057,197
Operating expenses	789,871	1,038,239	968,310	1,051,279	3,847,699
Earnings before income taxes	36,261	53,957	64,109	55,171	209,498
Income taxes	10,559	16,084	19,577	14,707	60,927
Net earnings	$ 25,702	$ 37,873	$ 44,532	$ 40,464	$ 148,571
Net earnings per share	$ 0.30	$ 0.45	$ 0.54	$ 0.50	$ 1.79

SHAREHOLDER AND CORPORATE INFORMATION

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ANNUAL MEETING OF SHAREHOLDERS

ROYAL YORK HOTEL
Canadian Room
100 Front Street West
Toronto, Ontario
Thursday, May 7, 1998
at 10:00 A.M.

EXCHANGE LISTINGS

The Toronto Stock Exchange
The Montreal Exchange
Common Shares (CTR)
Class A Non-Voting Shares (CTR.A)

SOLICITORS

Cassels, Brock & Blackwell

AUDITORS

Deloitte & Touche
Chartered Accountants

BANKERS

Bank of Montreal
Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Toronto-Dominion Bank

REGISTRAR AND TRANSFER AGENT

MONTREAL TRUST COMPANY OF CANADA
Head Office
151 Front Street West, 8th Floor
Toronto, Ontario M5J 2N1
Telephone (416) 981-9633

To change your address, eliminate multiple mailings, transfer Canadian Tire shares, inquire about our Dividend Reinvestment Program or for other shareholder account inquiries, please contact the principal offices of Montreal Trust in Halifax, Montreal, Toronto, Winnipeg, Calgary or Vancouver.

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