

Attention Business/Financial Editors:

Canadian Tire second quarter net earnings up 14.1%

- Canadian Tire Retail (CTR) retail sales grow 4.2 percent
- Mark's Work Wearhouse retail sales up 20.1 percent
- Financial Services' receivables grow 19.8 percent
- Petroleum's gasoline sales volumes up 9.2 percent

TORONTO, Aug. 11 /CNW/ -

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Consolidated Highlights(1) (2) :	2005 2ND Quarter	2004 2ND Quarter	% Change
Retail sales	\$ 2.50 billion	\$ 2.34 billion	6.7%
Gross operating revenue	\$ 2.03 billion	\$ 1.93 billion	5.5%
Earnings before income taxes and minority interest	\$ 148.4 million	\$ 127.3 million	16.6%
Net earnings	\$ 92.2 million	\$ 80.8 million	14.1%
Net earnings excluding non-operating gains and losses	\$ 84.8 million	\$ 72.8 million	16.3%
Basic earnings per share	\$ 1.13	\$ 1.00	12.9%
Adjusted earnings per share excluding non-operating gains and losses	\$ 1.04	\$ 0.90	15.1%

(1) All dollar figures in this table are rounded.

(2) Certain figures for the prior year have been restated, as a result of implementing EIC-144 of the Canadian Institute of Chartered Accountants "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor", on a retroactive basis. As a result, net earnings for the 13 weeks ended July 3, 2004 decreased by \$2.0 million. See Note 14 of the Notes to the Consolidated Financial Statements for the period ended July 2, 2005 for further information.

Canadian Tire Corporation, Limited (CTR.NV, CTR) today reported second quarter net earnings of \$92.2 million, an increase of 14.1 percent compared to \$80.8 million in 2004. Excluding non-operating gains and losses, net earnings were \$84.8 million, an increase of 16.3 percent compared to \$72.8 million last year.

Basic earnings per share were up 12.9 percent in the second quarter to \$1.13 compared to \$1.00 for the previous year. Excluding non-operating gains and losses, adjusted earnings per share increased 15.1 percent to \$1.04 compared to \$0.90 for the same period last year.

"Healthy retail sales across our businesses and a concerted effort to manage expenses contributed to strong earnings growth for the quarter," said Wayne C. Sales, president and CEO. "Strong seasonal sales from Canadian Tire Retail and double-digit same store sales growth from Mark's defined our sales performance for the quarter. PartSource experienced double-digit comparable store sales growth with significant commercial sales increases during the quarter. Continued growth of the Canadian Tire MasterCard and personal loan portfolios contributed to a nearly 20 percent increase in the receivables base of Financial Services, while Petroleum experienced very strong gasoline volumes and non-gasoline sales, partially off-setting the impact of higher operating expenses related to the expansion of the gas bar network over the past year," added Sales.

Business Overview

CANADIAN TIRE RETAIL (CTR)

(\$ in millions)	Q2 2005	Q2 2004	Change	YTD 2005	YTD 2004	Change
Retail sales	\$ 1,961.2	\$ 1,882.3	4.2%	\$ 3,112.2	\$ 2,981.1	4.4%
Same store sales(1)						
(increase over prior year)	2.5%			2.7%		
Comparable store sales(1)						
(increase over prior year)	2.2%	2.2%		2.3%	2.6%	
Net shipments(2)						
(year-over-year % change)	1.3%	1.2%		1.4%	4.6%	
Earnings before income taxes and minority interest	\$ 92.2	\$ 81.5	13.2%	\$ 117.2	\$ 122.7	(4.5)%
Less adjustment for:						
Gain on disposals of property and equipment	\$ 3.3	\$ 4.0		\$ 4.2	\$ 7.8	
Loss on medium term note redemption				\$ (5.3)		
Adjusted earnings before income taxes and minority interest	\$ 88.9	\$ 77.5	14.6%	\$ 118.3	\$ 114.9	3.0%

- (1) Comparable store sales include sales from stores that have been open for more than 53 weeks and that have not been expanded by more than 25 percent in the last year. Same store sales include sales from stores that have been open for more than 53 weeks, including stores that have been expanded by more than 25 percent in the last year.
- (2) Net shipments are the total value of merchandise shipped to Canadian Tire and PartSource stores, and through our online store, less discounts and net of returns, recorded at the wholesale price charged to Associate Dealers and PartSource franchisees.

CTR's total retail sales grew to \$1.96 billion, an increase of 4.2 percent over the \$1.88 billion recorded the year prior. Same store sales increased by 2.5 percent and comparable store sales increased by 2.2 percent

during the quarter. Housewares, power tools and lawn and garden categories experienced the strongest growth. Products such as air conditioners and fans, associated with the hot and humid summer weather in many markets, also grew sales in the latter part of the quarter.

Shipments to stores continued to lag retail sales in the second quarter, as Associate Dealers continued to more closely match their inventory with consumer demand. As a result of ongoing inventory management practices, less seasonal inventory at both the corporate and store level is expected to carry over into 2006.

The first half of 2004 featured more store openings, expansion and retrofit activity - which typically contribute to higher product shipments - compared to the first half of 2005. CTR plans to add approximately 486,000 retail square feet in the last two quarters of the year - double the square footage for the comparable 2004 period. The positive shipment impact of adding incremental retail space may be partially offset by lower shipment requirements of existing stores as Associate Dealers continue to sell products from on-hand inventory. Over the long term, CTR expects that improved inventory management will have a positive impact for both the Company and Associate Dealers.

CTR's second quarter pre-tax earnings of \$92.2 million increased 13.2 percent from \$81.5 million a year ago. The earnings increase largely reflects the margin impact of higher shipments in the quarter, reduced net advertising expense, increased rental income and lower operating costs.

During the quarter, CTR opened four new-format stores, two of which were combination Canadian Tire-Mark's Work Wearhouse stores, and retrofitted an additional store to the Concept 20/20 format. At the end of the quarter, there were 458 stores in the CTR network, including 34 Concept 20/20 stores and nine combination Canadian Tire-Mark's Work Wearhouse stores.

PartSource's sales performance improved over the comparable 2004 period due primarily to contributions from stores opened in the past year and strong comparable store sales as a result of PartSource's successful focus on growing its commercial customer base. PartSource opened one new store in the second quarter.

CANADIAN TIRE PETROLEUM (Petroleum)

(\$ in millions)	Q2 2005	Q2 2004	Change	YTD 2005	YTD 2004	Change

Sales volume (millions of litres)	411.6	377.1	9.2%	794.4	731.4	8.6%
Retail sales \$	363.3	\$ 314.3	15.6%	\$ 676.2	\$ 580.6	16.5%
Earnings before income taxes \$	0.1	\$ 0.8	(82.3)%	\$ 1.7	\$ 0.9	84.6%

Less adjustment for: Loss on disposals of property and equipment \$	(0.1)	\$ (0.1)		\$ (0.2)	\$ (0.3)	

Adjusted earnings before income taxes \$	0.2	\$ 0.9	(80.3)%	\$ 1.9	\$ 1.2	51.4%

Petroleum's performance during the quarter was marked by sales growth in

both the gasoline and non-gasoline businesses. Gasoline sales volumes rose 9.2 percent during the quarter to 411.6 million litres from 377.1 million litres a year ago.

While no new Petroleum sites were opened during the quarter, the cumulative effect of the expansion of the gas bar network over the past year and the positive response to Petroleum's customer loyalty program contributed to the increase in total gasoline sales volumes. Non-gasoline sales continued to climb with car wash sales increasing 31.1 percent and convenience store sales up 13.5 percent from the second quarter of 2004.

Petroleum's pre-tax earnings contribution was \$0.1 million, an 82.3 percent decline over the comparable 2004 period. The modest profit was a result of higher operating expenses related to the expansion of the gas bar network over the past year and gasoline margins that were lower than expected, but up slightly year-over-year. In addition, Petroleum incurred environmental costs related to closed sites.

In 2005, Petroleum plans to open five gas bars, five convenience stores and five car washes. Plans to re-brand competitor sites have been adjusted and are now targeted in the range of 10-15 sites versus the original plan of 15-20 sites.

MARK'S WORK WEARHOUSE (Mark's)

(\$ in millions)	Q2 2005	Q2 2004	Change	YTD 2005	YTD 2004	Change

Retail sales						
(total system)	\$ 174.0	\$ 144.8	20.1%	\$ 310.2	\$ 252.1	23.0%
Same store sales(1)						
(increase over prior year)	16.4%	14.7%		19.5%	11.3%	
Earnings before income taxes	\$ 12.7	\$ 5.5	130.7%	\$ 16.9	\$ 4.5	274.0%

(1) Mark's same store sales exclude new stores, stores not open for the full period in each year and store closures.

Mark's posted another strong quarter, experiencing growth in all areas of its business, with retail sales totaling \$174.0 million, a 20.1 percent increase compared to \$144.8 million a year ago. A 51.6 percent increase in women's casual wear, a 40.3 percent jump in casual outerwear and a 27.1 percent increase in the sale of accessories boosted sales. The improved sales performance was supported by higher inventory in-stock positions, new category initiatives, cross promotions with other Canadian Tire business units and the "Clothes That Work"(TM) marketing strategy, as well as store replacements, expansions and conversions over the past few years.

For the quarter, Mark's pre-tax earnings contribution was \$12.7 million, a 130.7 percent increase over the \$5.5 million recorded for the same period last year. A 16.4 percent increase in same store sales and improved gross margins led to the growth in earnings.

During the quarter, Mark's opened three new stores, renovated two stores and relocated three stores. Included in this total were two combination Canadian Tire-Mark's Work Wearhouse stores that opened during the quarter. Mark's originally planned to open approximately 20 new stores in 2005. Due to delays in shopping centre construction, however, several of these new store projects are now expected to open in 2006. Accordingly, the 2005 target has now been lowered to approximately 10 stores.

CANADIAN TIRE FINANCIAL SERVICES (Financial Services)

(\$ in millions)	Q2 2005	Q2 2004	Change	YTD 2005	YTD 2004	Change
Total managed portfolio(1)				\$ 3,099.5	\$ 2,587.9	19.8%
Earnings before income taxes	\$ 43.4	\$ 39.5	9.6%	\$ 69.2	\$ 65.3	5.9%
Less adjustment for:						
Gain on sales of credit card receivables	\$ 8.5	\$ 8.8		\$ 6.8	\$ 7.6	
Adjusted earnings before income taxes	\$ 34.9	\$ 30.7	13.5%	\$ 62.4	\$ 57.7	8.2%

(1) Includes credit card receivables and personal loans.

Since the end of the second quarter of 2004, Financial Services' total managed portfolio of credit card and personal loan receivables grew by 19.8 percent, from \$2.6 billion to \$3.1 billion. The growth was due to continued increases in Canadian Tire MasterCard(R) average account balances, as well as further expansion of the personal loan portfolio. Year-over-year, the average balance per customer account, including credit card and personal term loan balances, grew from \$1,384 to \$1,661. Increasing the average balance per account is one of the most significant opportunities to grow Financial Services' earnings.

Canadian Tire's personal loan portfolio grew during the quarter and comprises 8.0 percent of the total managed portfolio as at the end of the period. No receivables were recorded for the comparable period as the personal loan portfolio was initially tested in the latter part of the second quarter of 2004 and fully launched in the third quarter of that year.

Financial Services' pre-tax earnings of \$43.4 million were up 9.6 percent from the second quarter of 2004. The improved results reflect an increase in average account balances, growth of the insurance business and improvement in the operating expense ratio, offset by a \$2.0 million investment to grow the personal loan portfolio.

Portfolio write-offs increased during the quarter but remained consistent with the first quarter rate and within the targeted range of 5 to 6 percent on a rolling 12-month basis. Periodic fluctuations within the target range occur due to economic influences such as job growth and bankruptcy rates.

FORWARD-LOOKING STATEMENTS

This disclosure includes statements that are forward-looking. Actual results may be substantially different because of the risks and uncertainties associated with Canadian Tire's business and the general economic environment. As well as the risks discussed in the MD&A in the 2004 Annual Report, there are other factors that could affect results, such as: changes in interest rates, tax rates and currency exchange rates; unseasonable weather patterns that affect sales of seasonal merchandise; changes in commodity prices that affect the profitability of the Petroleum division; conditions that affect the ability to acquire and develop real estate properties; the ability to attract

and retain quality employees, Associate Dealers, PartSource and Mark's Work Wearhouse franchisees and Petroleum agents; changes in the willingness of customers to shop at the Company's stores; and changes in customers' ability to repay their Canadian Tire credit card or personal loan balances.

CERTIFICATION OF RESULTS

The Chief Executive Officer and Chief Financial Officer have certified Canadian Tire's second quarter results in compliance with the requirements outlined in Multilateral Instrument 52-109 of the Canadian Securities Administrators.

REVIEW BY BOARD OF DIRECTORS

The Canadian Tire Board of Directors, on the recommendation of its Audit Committee, has approved the contents of this disclosure.

CONFERENCE CALL

Canadian Tire will conduct a conference call to discuss information included in this news release and related matters at 3:30 p.m. EST on Thursday, August 11, 2005. The conference call will be available simultaneously and in its entirety to all interested investors and the news media through a webcast at <http://investor.relations.canadiantire.ca>, and will be available through replay at this website for one week.

Canadian Tire Corporation, Limited (TSX: CTR.NV, CTR), Canada's most-shopped general merchandise retailer, operates more than 1,100 stores, gas bars and car washes in an inter-related network of businesses engaged in retail, financial services and petroleum. Canadian Tire Retail, with 458 stores operated by Associate Dealers across Canada offers a unique mix of products and services through three specialty categories in which the organization is the market leader - Automotive, Sports and Leisure, and Home Products. www.canadiantire.ca offers Canadians the opportunity to shop online. PartSource is an automotive parts specialty chain with 48 stores designed to meet the needs of purchasers of automotive parts - professional automotive installers and serious do-it-yourselfers. Canadian Tire Petroleum is one of the country's largest and most productive independent retailers of gasoline, operating 253 gas bars, which include 242 convenience stores and kiosks, and 62 car washes. Mark's Work Wearhouse is one of the country's leading apparel retailers operating 333 stores in Canada. Under the Clothes that Work(TM) banner, Mark's sells apparel and footwear in work, work-related, casual and active-wear categories, as well as health-care and business-to-business apparel. www.marks.com offers Canadians the opportunity to shop online. Canadian Tire Financial Services manages almost 3.8 million Canadian Tire MasterCard accounts and markets related financial products and services for retail and petroleum customers. More than 48,000 Canadians work across Canadian Tire's organization from coast-to-coast in the enterprise's retail, financial services, and petroleum businesses.

Management's discussion and analysis (MD&A)

i. Introduction

This MD&A includes Canadian Tire's operating and financial results for the second quarters of 2005 and 2004. This document should be read in conjunction with our Consolidated Financial Statements as well as our 2004 Annual Report, which is available on Canadian Tire's web site at <http://investor.relations.canadiantire.ca> and SEDAR's web site at www.sedar.com.

We, us, our, Company and Canadian Tire

In this document, we, us, our, Company and Canadian Tire refer to Canadian Tire Corporation, Limited and its business units and subsidiaries.

Review and approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on August 11, 2005.

Quarterly comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for the second quarter (13 weeks ended July 2, 2005) are against results for the second quarter of 2004 (13 weeks ended July 3, 2004).

Restated figures

Some figures in this MD&A were restated as required by EIC-144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor", that was issued by the Canadian Institute of Chartered Accountants (CICA) and implemented by us in 2004. See section 8.0 of this MD&A for a further explanation of these restatements.

Accounting estimates and assumptions

The preparation of Consolidated Financial Statements that conform with Canadian generally accepted accounting principles (GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. In our judgement, none of the estimates detailed in Note 1 of the Company's annual Consolidated Financial Statements for the year ended January 1, 2005 requires us to make assumptions about matters that are highly uncertain. The methodology used in establishing each estimate is based either on models that we have used on a consistent basis for a significant period of time or on the detailed nature of the calculations used to establish the estimates. For these reasons, none of the estimates is considered a critical accounting estimate.

Forward-looking statements

This MD&A includes statements that are forward-looking. Our actual results may be substantially different because of the risks and uncertainties associated with our business and the general economic environment.

As well as the risks discussed in section 8.0 of the MD&A in our 2004 Annual Report, there are other factors that could affect our results, such as:

- Changes in interest, currency exchange and tax rates;
- Unseasonable weather patterns that affect sales of seasonal merchandise;
- Changes in commodity prices that affect the profitability of our Petroleum division;
- Conditions that affect our ability to acquire and develop real estate properties;
- Our ability to attract and retain quality employees, Associate

- Dealers, PartSource and Mark's Work Wearhouse franchisees and Petroleum agents;
- Changes in the willingness of customers to shop at our stores; and
- Changes in our customers' ability to repay their Canadian Tire credit card or personal loan balances.

1.0 Our Company

1.1 Overview of the business

Canadian Tire Corporation, Limited is Canada's most-shopped general merchandise retailer and operates over 1,100 stores, gas bars and car washes in an inter-related network of businesses engaged in general merchandise and clothing retailing, petroleum retailing, automotive service and financial services.

The Company is made up of four main businesses.

Canadian Tire Retail (CTR) is Canada's leading hard goods retailer with a network of 458 Canadian Tire stores that are operated by Associate Dealers, who are independent business owners. Associate Dealers buy merchandise from us and sell it to consumers in Canadian Tire stores.

CTR also includes our web-based store and PartSource. PartSource is a chain of 48 specialty automotive hard parts stores that cater to serious "do-it-yourselfers" and, increasingly, professional installers of automotive parts. PartSource stores are operated by franchisees.

Mark's Work Wearhouse (Mark's) is one of Canada's leading apparel and footwear retailers, operating 333 stores (277 corporate and 56 franchise stores). Mark's operates under the banners "Mark's Work Wearhouse" and "Work World," and under the banner "L'Equipeur" in Quebec.

Canadian Tire Petroleum (Petroleum) is Canada's largest independent retailer of gasoline with a network of 253 gas bars, which include 242 convenience stores and kiosks, 62 car washes and a number of Pit Stops and propane stations. The convenience stores include two new "Q" store formats. The majority of Petroleum's sites are operated by agents.

Canadian Tire Financial Services (Financial Services) markets the Canadian Tire MasterCard, Canadian Tire retail credit card, Canadian Tire Commercial Link MasterCard, personal loans, insurance and warranty products and an emergency roadside assistance service called Canadian Tire Auto Club. Canadian Tire Bank, a wholly-owned subsidiary of Financial Services, is a federally regulated bank that manages and finances Canadian Tire's MasterCard and retail credit card portfolios, as well as the personal loan portfolio.

2.0 Our strategy

2.1 Our strategic objective

We measure our long-term success by our total return to shareholders. Our objective is to achieve total return to shareholders in the top quartile of North American retailers listed in the major consumer product indices of three stock exchanges:

- Toronto Stock Exchange (TSX);
- NASDAQ stock market (NASDAQ); and
- New York Stock Exchange (NYSE).

The following table shows Canadian Tire's total return to shareholders (TRS), as measured by the appreciation in Canadian Tire's Class A Non-Voting

Shares, plus dividends reinvested at the time of issue.

Fiscal Year	TRS	Ranking
2001	40.3%	Second quartile
2002	30.4%	Top quartile
2003	26.5%	Second quartile
2004	43.0%	Top quartile
Annualized 2001 to 2004	32.7%	Top quartile
Twelve months ended July 2, 2005	18.8%	Second quartile

2.2 Our financial aspirations

We have established five financial aspirations to help us achieve our TRS objective. The importance that we have placed on striving to achieve those aspirations influences the decisions that we make at the corporate and business unit level, and ensures that our entire organization is focussed on creating long-term shareholder value.

The table below shows our progress in meeting the financial aspirations of our 2001-2005 Strategic Plan and the financial aspirations for our 2005-2009 Strategic Plan.

Financial Aspirations	2001-2005 and 2005-2009 Strategic Plans	2001-2004 (1) performance
Comparable store sales (simple average of annual percentage growth, CTR stores only)	3% - 4%	2.5%
Gross operating revenue (compound annual growth rate)	at least 10% adjusted to 7%-9% for 2005-2009)	8.3%
EBITDA(2) and minority interest (compound annual growth rate)	10%-15%	11.6% (3)
Basic earnings per share (compound annual growth rate)	12%-15%	18.1% (3)
After-tax return on invested capital (annual simple average)	at least 10%	8.5% (3)

(1) Performance from the beginning of fiscal 2001 to the end of fiscal 2004.

(2) Earnings before interest, income tax, depreciation and amortization. See section 9.0 on non-GAAP measures.

(3) These figures have been restated as required due to the implementation in 2004 of the Canadian Institute of Chartered Accountants standards EIC-144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received by a Vendor" and Section 3110, "Asset Retirement Obligations," which are discussed in section 9.0 of the MD&A in our 2004 Annual Report.

2.3 Strategic Plans

This is the final year of our 2001-2005 Strategic Plan, which outlines strategic imperatives for our Company and shapes the initiatives of our businesses. The Plan serves as a roadmap for guiding our growth and lays a solid foundation for sustained growth.

Our 2001-2005 Plan has four imperatives:

- 1 - Strengthen and accelerate growth and performance in Canadian Tire Retail;
- 2 - Pursue unexploited growth in Petroleum, Financial Services and PartSource;
- 3 - Develop and explore new business opportunities; and
- 4 - Enhance financial flexibility.

In April 2005, we announced the details of our 2005-2009 Strategic Plan, which outlines the strategic imperatives for the next five years. Our 2001-2005 Strategic Plan and our 2005-2009 Strategic Plan overlap in one year, 2005.

Our 2005-2009 Strategic Plan builds on our progress over the last four years, refining our focus on the initiatives that will help us meet our financial aspirations. Our new Plan has five strategic imperatives:

- 1 - Grow sales and revenues;
- 2 - Improve our earnings performance;
- 3 - Embed a Customers for Life culture across our entire organization;
- 4 - Extend growth and performance beyond 2009; and,
- 5 - Enhance value creation through financial flexibility and maximization of the value of real estate assets.

Each of these imperatives is supported by specific initiatives to help ensure we meet our long term financial aspirations and strategic objectives.

Our performance in 2005 will be measured against the aspirations of our 2001-2005 and 2005-2009 Strategic Plans. Please refer to our 2004 Annual Report for more information about our 2005-2009 Strategic Plan.

3.0 Our performance

3.1 Consolidated results

Solid fundamental growth in most of Canadian Tire's operating businesses in the second quarter resulted in a 14.1 percent improvement in net earnings over the second quarter of 2004.

Consolidated financial results

(\$ in millions
except per

share amounts)	Q2 2005	Q2 2004	Change	2005 YTD	2004 YTD	Change

Retail						
sales(1)	\$ 2,498.5	\$ 2,341.4	6.7%	\$ 4,098.6	\$ 3,813.8	7.5%
Gross operating						
revenue	2,032.4	1,927.3	5.5%	3,551.2	3,342.2	6.3%
EBITDA(2) and						
minority						
interest	210.6	189.4	11.2%	335.7	316.9	5.9%
Earnings before						
income taxes						
and minority						

interest	148.4	127.3	16.6%	205.0	193.4	6.0%
Effective tax rate	36.7%	35.3%		36.0%	35.3%	
Net earnings	92.2	80.8	14.1%	127.5	121.7	4.8%
Basic earnings per share	\$ 1.13	\$ 1.00	12.9%	\$ 1.56	\$ 1.50	3.9%

(1) Represents retail sales at CTR, as well as Mark's corporate and franchise stores and Petroleum's sites.

(2) See section 9.0 for non-GAAP measures.

Highlights of our top-line performance in the second quarter, on a year-over-year basis, include the following:

- CTR's retail sales increased 4.2 percent and net shipments to Canadian Tire stores increased 1.3 percent;
- Mark's retail sales increased 20.1 percent;
- Petroleum's retail sales increased 15.6 percent and gasoline sales volume (litres) increased 9.2 percent;
- At the quarter end, Financial Services' total managed portfolio increased 19.8 percent, including gross personal loan receivables which grew to \$249 million.

Growth in gross operating revenue due to strong sales at Mark's and Petroleum and increases in gross receivables at Financial Services

Consolidated gross operating revenue increased in the second quarter and year-to-date due to strong sales at Mark's and Petroleum, as well as higher gross receivables from Financial Services' credit card and personal loan portfolios. Shipments to Canadian Tire stores were up only modestly in the first and second quarters, primarily due to the timing of store openings, expansions and retrofits, in addition to a concerted effort by the Company and the Associate Dealers to match shipments to seasonal demand and minimize seasonal inventory carryover.

Strong earnings growth in the second quarter fuelled by solid revenue gains and improved operating margins

Consolidated pre-tax earnings increased in the second quarter due to strong sales and earnings in CTR, Mark's and Financial Services. Solid earnings contributions from these divisions were offset by lower year-over-year earnings from Petroleum, which were impacted by higher operating costs related to the expansion of the network over the past year, coupled with higher environmental clean-up costs.

A higher effective tax rate in the second quarter negatively impacted consolidated net earnings. The tax rate increased to 36.7 percent from 35.3 percent in the second quarter of the prior year, primarily related to changes in the Ontario budget which raised the tax rate on income earned by our Financial Services business. In addition, lower non-taxable gains on surplus real estate, combined with lower income from CTR's Far East sourcing operations from the prior year, had a negative effect on our effective tax rate.

Year-to-date consolidated pre-tax earnings increased year-over-year as a result of higher operating revenues and overall cost containment efforts. Certain operating and non-operating factors, that were described in detail in our first quarter report, had a dampening effect on the Company's earnings. In addition, a higher effective tax rate, that was caused by the factors described in the preceding paragraph, had a negative effect on year-over-year consolidated net earnings.

A comprehensive discussion of the factors that impacted our business segment results is included in Section 3.2 of this MD&A.

Impact of non-operating items

The following tables show our consolidated earnings on a pre-tax and after-tax basis, excluding gains and losses from the sales of credit card receivables, the disposals of property and equipment and the impact of the early redemption of the May 2006 medium term notes.

Adjusted consolidated earnings before income taxes and minority interest

(\$ in millions)	Q2 2005	Q2 2004	Change	2005 YTD	2004 YTD	Change
Earnings before income taxes and minority interest	\$ 148.4	\$ 127.3	16.6%	\$ 205.0	\$ 193.4	6.0%
Less pre-tax adjustment for:						
Gain on sales of credit card receivables(1)	8.5	8.8		6.8	7.6	
Gain on disposals of property and equipment(2)	3.2	3.5		3.5	7.2	
Loss on medium term notes redemption	-	-		(5.3)	-	

Adjusted earnings before income taxes and minority interest(3)	\$ 136.7	\$ 115.0	18.9%	\$ 200.0	\$ 178.6	12.0%
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(1) See section 3.2.4 on Financial Services' performance.

(2) See section 3.2.1 for CTR's performance and section 3.2.3 for Petroleum's performance.

(3) See section 9.0 on non-GAAP measures.

Adjusted consolidated net earnings

(\$ in millions except per share amounts)	Q2 2005	Q2 2004	Change	2005 YTD	2004 YTD	Change
Net earnings	\$ 92.2	\$ 80.8	14.1%	\$ 127.5	\$ 121.7	4.8%
Less after-tax adjustment for:						
Gain on sales of credit card receivables(1)	5.4	5.7		4.3	4.9	
Gain on disposals of property						

and equip- ment(2)	2.0	2.3		2.2	4.7
Loss on medium term notes redemption	-	-		(3.4)	-

Adjusted net earnings(3)	\$ 84.8	\$ 72.8	16.3%	\$ 124.4	\$ 112.1 10.9%

Basic earnings per share	\$ 1.13	\$ 1.00	12.9%	\$ 1.56	\$ 1.50 3.9%
Adjusted basic earnings per share(3)	1.04	0.90	15.1%	1.52	1.39 10.0%

(1) See section 3.2.4 on Financial Services' performance.

(2) See section 3.2.1 for CTR's performance and section 3.2.3 for Petroleum's performance.

(3) See section 9.0 on non-GAAP measures.

Seasonal impact

We usually experience stronger revenues and earnings in the second and fourth quarters of each year because of the seasonal nature of our merchandise and the timing of marketing programs at CTR and Mark's. The following table shows our financial performance by quarter for the last two years.

Consolidated quarterly results

(\$ in millions except per share amounts)	Q2 2005	Q1 2005	Q4 2004	Q3 2004

Gross operating revenue	\$2,032.4	\$1,518.8	\$2,095.9	\$1,715.5
Net earnings	92.2	35.3	100.4	69.4
Basic earnings per share	1.13	0.43	1.24	0.86
Diluted earnings per share	1.11	0.43	1.22	0.84

(\$ in millions except per share amounts)	Q2 2004	Q1 2004	Q4 2003	Q3 2003

Gross operating revenue	\$1,927.3	\$1,414.9	\$1,907.3	\$1,561.7
Net earnings	80.8	40.9	86.0	59.2
Basic earnings per share	1.00	0.51	1.06	0.73
Diluted earnings per share	0.98	0.50	1.05	0.72

3.2 Business segment performance

3.2.1 Canadian Tire Retail

3.2.1.1 Strategic Plan update and 2005 outlook

The following outlines CTR's progress on the initiatives of our 2001-2005 and our 2005-2009 Strategic Plans. These initiatives are explained in detail in our 2004 Annual Report.

----- Canadian Tire Retail

 Strategic Plan

2001- 2005	2005- 2009	Initiative	Strategic Plan Update	2005 Current Outlook
+	+	New-format/ Concept 20/20 store expansion	In the second quarter of 2005, CTR: - Opened four new-format stores, two of which were combination Canadian Tire - Mark's Work Warehouse stores. In addition, one store was retrofitted from an existing new format store to the 20/20 concept. At the end of the second quarter, there were 458 Canadian Tire stores in the CTR network, including 34 Concept 20/20 stores and nine combination Canadian Tire-Mark's Work Warehouse stores.	CTR plans to open a total of 19 stores in 2005. CTR also plans to retrofit 10 to 12 existing new-format stores to the C20/20format.
+		Completing CustomerLink	The final components of the CustomerLink program are being implemented.	The CustomerLink program is targeted for completion by the end of 2005.
	+	Expansion of Calgary distribution centre	CTR continued the 440,000 square-foot expansion of its Calgary distribution centre.	CTR expects to complete the expansion by 2006, increasing the distribution centre's capacity to support growth through 2009.
-	-	PartSource network expansion	PartSource opened one new store in the second quarter.	PartSource plans to open up to 10 stores in 2005, primarily in the Greater Toronto Area. PartSource is in the process of developing a corporate store model and plans to pilot a corporate store in 2006.

Maximizing the value of our real estate portfolio is a key aspect of our 2005-2009 Strategic Plan. Management is currently evaluating a variety of options to unlock the value of certain of our properties, including the sale and lease-back of our distribution centres and sales of individual store properties. Some of these transactions may be finalized in the last half of the year. We will provide an update on these transactions as they are completed.

3.2.1.2 Key performance indicators

The following are three key measures of CTR's sales productivity:

- Total, comparable and same store sales growth;
- Average retail sales per store; and
- Average sales per square foot of retail space.

CTR retail, comparable and same store sales(1)

(year-over-year percentage change)	Q2 2005	Q2 2004	2005 YTD	2004 YTD
Total retail sales	4.2%	5.1%	4.4%	5.1%
Comparable store sales(2)	2.2%	2.2%	2.3%	2.6%
Same store sales(3)	2.5%	N/A	2.7%	N/A

- (1) Includes sales from Canadian Tire stores, PartSource stores, sales from CTR's online web store and the labour portion of CTR's auto service sales.
- (2) Comparable store sales include sales from stores that have been open for more than 53 weeks and that have not been expanded by more than 25 percent in the last year.
- (3) Same store sales include sales from stores that have been open for more than 53 weeks, including stores that have been expanded by more than 25 percent in the last year.

Same store sales

With the large number of store expansions completed in the last year and those planned for the future, the same store sales metric has been included in this MD&A to enhance our disclosure.

Higher retail sales due to strong marketing programs, new store openings and Concept 20/20 retrofits

New-format stores, including the rollout of our new Concept 20/20 store design and layout, as well as compelling marketing and advertising programs, such as our flyer program and demonstration-style television commercials, continued to play a key role in driving sales at Canadian Tire stores.

Sales in the housewares, home comfort appliances, power tools and gardening tools categories showed the strongest growth in the second quarter. Sales in the automotive parts category declined due to continued weakness in the automotive aftermarket in Canada.

Initial sales from new Concept 20/20 stores continue to meet our expectations. As of the end of the second quarter, there were 34 Concept 20/20 stores in the market. CTR is planning to vigorously continue the rollout of the Concept 20/20 program across our network of stores. CTR plans to retrofit

between 10 and 12 stores in 2005 and approximately 160 stores between 2006 and 2009.

PartSource enjoyed a double digit increase in retail sales in the second quarter, from a combination of new store openings and strong comparable store sales growth. PartSource's growth was supported by a focus on building the commercial customer base.

Average retail sales per Canadian Tire store(1), (2)

(\$ in millions)	For the 12 months ended, July 2, 2005	For the 12 months ended, July 3, 2004	For the 12 months ended, June 28, 2003
Traditional stores	\$ 8.4	\$ 8.2	\$ 8.3
New-format stores	15.8	15.7	15.0

- (1) Retail sales are shown on a 52-week basis in each year and exclude sales from PartSource stores, CTR's online web store and the labour portion of CTR's auto service sales.
- (2) Only includes stores that have been open for a minimum of two years as of the beginning of the year.

Sales at new-format stores are higher than at traditional stores. New-format stores are larger, have a more convenient layout and offer a broader selection of merchandise. The average dollar amount of each retail sale at new-format stores continues to increase and is significantly higher than at comparable traditional stores.

CTR store count

	Q2 2005	2004	2003	2002	2001
New-format stores	336	327	309	290	270
Concept 20/20 stores (included in new-format store count above)	34	25	4	-	-
Traditional stores	122	130	143	161	180
Total new-format stores and traditional stores	458	457	452	451	450
PartSource stores	48	47	39	33	30

Average sales per square foot of Canadian Tire retail space(1), (2)

	For the 12 months ended, July 2, 2005	For the 12 months ended, July 3, 2004	For the 12 months ended, June 28, 2003
Retail square footage (millions of square feet)	14.4	13.9	13.2
Traditional stores	\$ 514	\$ 511	\$ 500
New-format stores	440	434	419

- (1) Retail sales are shown on a 52-week basis in each year and exclude sales from PartSource stores, CTR's online web store and the labour portion of CTR's auto service sales.
- (2) Retail space does not include warehouse, garden centre and auto service areas.

Average sales per square foot of retail space in the larger new-format stores are lower than our traditional stores. New-format stores are designed

to utilize the additional space to display more merchandise, accommodate wider aisles and include more compelling product displays to create a more enjoyable shopping experience.

3.2.1.3 CTR's financial results

(\$ in millions)	Q2 2005	Q2 2004	Change	2005 YTD	2004 YTD	Change
Retail sales	\$ 1,961.2	\$ 1,882.3	4.2%	\$ 3,112.2	\$ 2,981.1	4.4%
Net shipments (year-over-year % change)	1.3%	1.2%		1.4%	4.6%	
Gross operating revenue	\$ 1,386.4	\$ 1,367.0	1.4%	\$ 2,355.2	\$ 2,319.3	1.5%
EBITDA(1) and minority interest	147.6	135.0	9.3%	233.6	229.4	1.8%
Earnings before income taxes and minority interest	92.2	81.5	13.2%	117.2	122.7	(4.5%)
Less adjustment for:						
Gain on disposals of property and equipment	3.3	4.0		4.2	7.8	
Loss on medium term notes redemption	-	-		(5.3)	-	
Adjusted earnings before income taxes and minority interest(1)	\$ 88.9	\$ 77.5	14.6%	\$ 118.3	\$ 114.9	3.0%

(1) See section 9.0 on non-GAAP measures.

3.2.1.4 Explanation of CTR's financial results

Soft shipments contributed to a moderate rise in gross operating revenue. A moderate increase in net shipments led to higher gross operating revenue in the second quarter. Shipments to stores continued to lag retail sales in the second quarter as Associate Dealers continue to more closely match their inventory with consumer demand. As a result of ongoing inventory management practices, less seasonal inventory at both the corporate and store level is expected to carryover into 2006.

Product shipments are driven by inventory requirements for existing stores and inventory required to fill new, expanded or retrofitted stores. As shown in the following table, CTR expects to add approximately 486,000 square feet of retail space in the third and fourth quarters, compared to 248,000 square feet added during the same periods in 2004. The positive shipment impact of adding incremental retail space may be partially offset by lower

shipment requirements of existing stores as Associate Dealers continue to sell products from on-hand inventory. Over the long term, CTR expects that improved inventory management will have a positive impact for both the Company and the Associate Dealers.

2005 Schedule of new store openings, store retrofits and expansions

	Estimated incremental square footage by quarter			New-format store openings(1)			Concept 20/20 retrofits/ store expansions		
	2005	2004	Change	2005	2004	Change	2005	2004	Change
Q1	95,000	62,000	33,000	5	3	2	-	-	-
Q2	127,000	347,000	(220,000)	4	8	(4)	1	8	(7)
Q3(2)	75,000	50,000	25,000	2	1	1	-	-	-
Q4(2)	411,000	198,000	213,000	8	6	2	10	1	9
	708,000	657,000	51,000	19	18	1	11	9	2

(1) Includes combination Canadian Tire-Mark's Work Wearhouse stores.

(2) 2005 figures for the third and fourth quarters are based on planned store openings and may change.

Second quarter earnings supported by higher shipments

In addition to the margin impact of higher shipments in the quarter, earnings before tax and minority interest increased due to the following factors:

- Reduced net advertising expense (\$3.0 million);
- Increased rental income from Associate Dealers resulting from stronger retail sales (\$2.1 million); and
- A reduction in operating costs.

These factors were partially offset by:

- Increased depreciation from the CustomerLink project (\$1.9 million);
- The negative impact from a change in the interpretation of the lease accounting standards (\$0.9 million); and
- The impact (\$0.9 million year-over-year) of a change in the accounting for vendor rebates (EIC 144).

On a year-to-date basis the positive margin impact from higher shipments and the benefit of reduced operating costs were offset, in part, by the following factors:

- CustomerLink depreciation charges higher than in the prior year (\$3.8 million);
- The negative impact from a change in the interpretation of lease accounting standards (\$1.9 million);
- Lower gains from the disposal of surplus property than in the prior year-to-date (\$3.6 million);
- The \$5.3 million net cost in the first quarter of the early redemption of the May 2006 medium term notes; and
- The impact (\$3.7 million year-over-year) of a change in accounting for vendor rebates (EIC 144).

3.2.2 Mark's Work Wearhouse

3.2.2.1 Strategic Plan update and 2005 outlook

The following outlines Mark's progress on the initiatives of our 2001-

2005 and 2005-2009 Strategic Plans. These initiatives are explained in detail in our 2004 Annual Report.

Mark's Work Wearhouse

Strategic Plan

2001- 2005	2005- 2009	Initiative	Update	2005 Current Outlook
+	+	Network expansion and store expansions	In the second quarter, Mark's: - Opened three new stores; - Renovated two stores and relocated - Closed two stores At the end of the second quarter, Mark's total store count was 333, totaling 2.5 million in retail square feet.	Mark's originally planned to open up to 21 new stores in 2005, however, a number have been deferred until 2006 due to real estate availability. The revised target for new store openings for 2005 is 9-10 stores. Mark's plans to renovate or relocate 27-28 corporate stores in 2005.
+	+	Category growth	In the second quarter: - Women's casual wear sales increased 51.6 percent; - Health care apparel sales increased 28.1 percent; and - Business to business sales increased 17.0 percent	Mark's plans to increase sales in women's casual wear, business-to-business and health care apparel by 15 percent in 2005 and is currently running well ahead of that pace.

3.2.2.2 Key performance indicators

The following are key performance indicators for Mark's:

- Retail and same store sales growth;
- Average sales per corporate store; and
- Average sales per square foot of retail space.

Mark's retail and same store sales(1)

(\$ year-over-year percentage change)	Q2 2005	Q2 2004	2005 YTD	2004 YTD
Total retail sales	20.1%	19.4%	23.0%	15.8%

Same store sales	16.4%	14.7%	19.5%	11.3%
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(1) Mark's same store sales excludes new stores, stores not open for the full period in each year and store closures.

Higher total retail sales in major product categories and in all provinces

Mark's delivered another strong quarter of total retail sales in all provinces across Canada. The largest sales increases occurred in:

- Women's casual wear, 51.6 percent;
- Casual outerwear, 40.3 percent;
- Accessories, 27.1 percent.

Sales were driven by higher inventory in-stock positions, category initiatives, ongoing implementation of Mark's "Clothes That Work" marketing strategy, cross-promotions with other Canadian Tire business units and store replacements, expansions and conversions over the past few years. The increasing popularity of Mark's innovative products, such as stain-resistant clothing, metal-free safety footwear and socks for diabetics, again contributed to Mark's overall sales performance in the second quarter.

Average corporate store sales(1), (2)

	For the 12 months ended, July 2, 2005	For the 12 months ended, July 3, 2004	For the 12 months ended, June 28, 2003
Sales per store (\$ thousands) (3)	\$2,233	\$1,954	\$1,967
Sales per square foot (\$) (4)	292	258	246

(1) Calculated using a rolling 12-month basis.

(2) Dockers stores that were closed in 2002 are not included

(3) Average sales per corporate store include corporate stores that have been open for 12 months or more.

(4) Sales per square foot include sales from corporate stores. We have prorated square footage for corporate stores that have been open for less than 12 months.

Mark's corporate sales productivity measures-sales per store and sales per square foot- have increased since Mark's was acquired in 2002. The increase in sales productivity was due to:

- Higher inventory in-stock position in 2004 and 2005;
- Effective marketing and advertising programs designed to increase customer visits and raise awareness of Mark's brands; and
- The conversion of Work World stores to Mark's Work Wearhouse stores, the majority of which were completed in 2003.

3.2.2.3 Mark's financial results

(\$ in millions)	Q2 2005	Q2 2004	Change	2005 YTD	2004 YTD	Change
Retail sales(1)	\$ 174.0	\$ 144.8	20.1%	\$ 310.2	\$ 252.1	23.0%
Gross operating revenue(2)	145.3	119.8	21.3%	260.1	209.4	24.3%
EBITDA(3)	16.7	9.7	71.3%	24.8	12.7	94.3%
Earnings before						

income taxes	12.7	5.5	130.7%	16.9	4.5 274.0%
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- (1) Includes retail sales from corporate and franchise stores.
(2) Gross operating revenue includes retail sales at corporate stores only.
(3) See section 9.0 on non-GAAP measures.

3.2.2.4 Explanation of Mark's financial results

Higher sales drove Mark's increase in pre-tax earnings

The significant improvement in Mark's pre-tax earnings in the second quarter was due to a double-digit increase in same store sales and improved gross margin. Mark's gross margin rate improved by 260 basis points from the second quarter of 2004 primarily due to ongoing global sourcing initiatives and improved inventory shrinkage. Mark's robust top line growth was supported by increased investments in staff, advertising and occupancy costs. Even with these additional investments, Mark's total expenses, as a percentage of gross operating revenue, improved by 160 basis points in the quarter. Mark's strong performance was slightly offset by a \$0.5 million impact in the quarter (\$1.1 million year-to-date) resulting from the change in the interpretation of lease accounting standards.

On a year-to-date basis, a similar improvement to Mark's pre-tax earnings was also attributable to the factors noted above.

3.2.3 Canadian Tire Petroleum

3.2.3.1 Strategic Plan update and 2005 outlook

The following outlines Petroleum's progress on the initiatives of our 2001-2005 and 2005-2009 Strategic Plans. These initiatives are explained in detail in our 2004 Annual Report.

Canadian Tire Petroleum

Strategic Plan

2001- 2005	2005- 2009	Initiative	Update	2005 Current Outlook
+	+	Network expansion/ re-branding	In the second quarter, Petroleum closed one gas bar. Petroleum did not re-brand any sites in the second quarter. At the end of the second quarter, Petroleum had 253 gas bars, including 36 re-branded sites.	Petroleum plans to open five new gas bars and re-brand 10 to 15 sites in 2005.
+	+	Growth of gasoline sales volume (litres)	Gasoline sales volume (litres) increased 9.2 percent in the second quarter and is up 8.6 percent year-to-date.	Petroleum plans to increase gasoline sales volume by up to 10 percent in 2005.
+	+	Non-gas	Convenience store	Convenience store

business growth - convenience stores	sales increased 13.5 percent in the second quarter and are up 14.4 percent year-to-date.	sales are targeted to grow up to 15 percent in 2005, including re- branded convenience stores.
	Petroleum did not open any convenience stores during the quarter. At the end of the second quarter, Petroleum had 242 convenience stores, two of which are Q convenience stores.	Petroleum plans to add five convenience stores in 2005.
		Petroleum continues to monitor the progress of the Q store concept and expects to pilot an additional store in early 2006 in the Toronto urban market.

+ +	Non-gas business growth - car washes	Car wash sales grew 31.1 percent in the are up 33.6 percent year-to-date.	Car wash sales are targeted to grow approximately 30 percent in 2005.
		Petroleum did not open or close any car wash sites in the second quarter.	Petroleum plans to add five car washes in 2005.
		At the end of the second quarter, Petroleum had 62 car washes.	

Due to the continued volatility of gasoline margins in the petroleum business, management will be implementing changes to the financial terms of the existing agency arrangement between the Company and the agents who operate the Petroleum sites. In addition, management continues to evaluate capital investments for Petroleum, focusing on high-return projects.

3.2.3.2 Key performance indicators

Gasoline sales volume is a key top-line performance indicator for Petroleum, as measured by the number of gasoline litres sold. Wholesale and retail prices of gasoline also have a significant impact on Petroleum's earnings. From period to period, we expect wholesale and retail gasoline prices to fluctuate widely.

Gasoline sales volume

	Q2 2005	Q2 2004	Change	2005 YTD	2004 YTD	Change
Sales volume (millions of litres)	411.6	377.1	9.2%	794.4	731.4	8.6%

Gasoline volume increased due to new site openings, the rebranding program and strong comparable site sales growth

The cumulative effect of Petroleum's expansion plan over the past year, including the rebranding of a number of competitors' sites and a strong response to our customer loyalty program, contributed to the increase in total gasoline sales volume in the second quarter. Gasoline volume at comparable sites increased by 5.5 percent in the period.

3.2.3.3 Petroleum's financial results

(\$ in millions)	Q2 2005	Q2 2004	Change	2005 YTD	2004 YTD	Change
Retail sales	\$ 363.3	\$ 314.3	15.6%	\$ 676.2	\$ 580.6	16.5%
Gross operating revenue	333.1	288.3	15.6%	619.3	532.2	16.4%
EBITDA(1)	3.6	4.0	(7.4%)	8.5	7.1	19.4%
Earnings before income taxes	0.1	0.8	(82.3%)	1.7	0.9	84.6%
Less adjustment for:						
Loss on disposals of property and equipment	(0.1)	(0.1)		(0.2)	(0.3)	
Adjusted earnings before income taxes(1)	\$ 0.2	\$ 0.9	(80.3%)	\$ 1.9	\$ 1.2	51.4%

(1) See section 9.0 on non-GAAP measures.

3.2.3.4 Explanation of Petroleum's financial results

Increase in gross operating revenue due to higher gasoline volume and non- gas sales

The following factors were the main contributors to Petroleum's increase in gross operating revenue in the period:

- Higher gasoline prices at the pump;
- Higher sales volume; and
- Increases in sales from our convenience stores and car washes.

Lower second quarter pre-tax earnings due to gas margin volatility, higher operating expenses and environmental costs

Higher operating costs due to network expansion over the past year offset the impact of volume gains. Gasoline margins were up slightly year over year but were lower than expected. In addition, Petroleum incurred incremental environmental monitoring and clean up costs during the quarter of \$1.2 million. The strong performance from the car wash and convenience store segments partially offset the net impact of the above-noted factors.

On a year-to-date basis, Petroleum's pre-tax earnings increased 84.6 percent due to increased volume, slightly higher margin which was attributable to a new supply contract with Imperial Oil, signed in the first quarter of 2005, and higher non-gas sales, offset, in part, by the higher operating and environmental costs referred to above.

3.2.4 Financial Services

3.2.4.1 Strategic Plan update and 2005 outlook

The following outlines Financial Services' progress on the initiatives of our 2001-2005 and 2005-2009 Strategic Plans. These initiatives are explained in detail in our 2004 Annual Report.

----- Canadian Tire Financial Services -----

Strategic Plan -----

2001- 2005	2005- 2009	Initiative	Update	2005 Current Outlook
+	+	Grow credit card receivables	Total managed credit card receivables increased 10.1 percent year-over-year, to \$2.9 billion at the end of the second quarter. Credit card receivables are driven by the number of accounts that carry a balance, and by the average balance per account.	Financial Services plans to increase the total managed portfolio of credit card receivables to \$3.1 billion by the end of 2005.
+	+	Increase revenues from Insurance premiums and warranty products	Revenues from insurance premiums and warranty products increased 10.9 percent during the first half of 2005.	Financial Services plans to increase revenues on insurance and warranty products by up to seven percent in 2005.
+	+	Develop Personal Financial Services	Financial Services achieved its target level of personal loan receivables during the second quarter. As of June 30, 2005, the portfolio is comprised of over 30,000 accounts with total managed receivables of \$249 million.	Financial Services plans to generate personal loan receivables of \$250 million in 2005.
+	+	Reduce operating expense ratio(1)	The operating expense ratio declined to 8.9 percent for the 12-month period ended July 2, 2005, compared to 9.7 percent for the 12-month period ended July 3, 2004.	Financial Services plans to continue to reduce its operating expense ratio in 2005.
+	+	Maintain	The return on total	Financial Services

return on total managed portfolio between 4.5-5.0 percent	managed portfolio was 4.7 percent for the 12-month period ended July 2, 2005.	plans to maintain its return on total managed portfolio in the range of 4.5 percent to 5.0 percent, excluding gains on the sales of credit card receivables.
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(1) Operating expenses as a percentage of Gross Average Receivables (GAR)

3.2.4.2 Key performance indicators

The following are key indicators of Financial Services' performance:

- Size of the total managed portfolio;
- Profitability of the portfolio; and
- Quality of the portfolio.

Total managed portfolio

Financial Services' total managed portfolio of credit card receivables and personal loans

(\$ in millions,
except where
noted)

	Q2 2005	Q2 2004	Change	2005 YTD	2004 YTD	Change

Average number of accounts with a balance (thousands)	1,780	1,780	-	1,766	1,779	(0.7%)
Average account balance (\$)	\$ 1,661	\$ 1,384	20.1%	\$ 1,635	\$ 1,367	19.6%
Gross average receivables (GAR)	2,957.3	2,462.6	20.1%	2,887.2	2,431.4	18.7%
Total managed portfolio (end of period)				3,099.5	2,587.9	19.8%
Net managed portfolio (end of period)				3,069.5	2,559.0	19.9%

Canadian Tire's MasterCard receivables grew in the quarter due to increases in average account balances. The Canadian Tire MasterCard is now the second largest MasterCard franchise in Canada, as measured by card purchase volume. Canadian Tire's personal loan portfolio grew during the quarter and comprises eight percent of the total managed portfolio as at the end of the period. No personal loan receivables were recorded for the comparable period as the personal loan portfolio was initially tested in the latter part of the second quarter of 2004 and fully launched in the third quarter of 2004.

The average number of accounts with a balance was flat year-over-year due to account growth being offset by the sale of Canadian Tire's commercial MasterCard account portfolio to BMO Bank of Montreal, announced on June 28, 2004. Financial Services, in conjunction with BMO Bank of Montreal, markets the Commercial Link MasterCard while the receivables are owned and managed by BMO Bank of Montreal.

Portfolio profitability

Financial Services' profitability measures are tracked as a percentage of gross average receivables, shown in the table below.

Profitability of total managed portfolio(1)

	Q2 2005	Q2 2004	Q2 2003
Total revenue as a % of GAR(2)	26.13%	26.95%	27.74%
Gross margin as a % of GAR(2)	13.57%	14.62%	15.71%
Operating expenses as a % of GAR(2)	8.91%	9.72%	10.83%
Return on average total managed portfolio(2), (3)	4.66%	4.90%	4.88%

- (1) Figures are calculated on a rolling 12-month basis and include the total managed portfolio of credit card receivables and personal loans.
(2) Excludes gains on sales of credit card receivables.
(3) Return is calculated as earnings before taxes as a percentage of GAR.

Financial Services' gross margin as a percentage of gross average receivables is expected to continue to decline with the introduction of lower priced credit cards and personal loans. We expect that the lower gross margin rate will be largely offset through continued reductions in our operating expense ratio. In 2005, Financial Services plans to maintain the pre-tax return on its total managed portfolio in the target range of 4.5 to 5.0 percent.

Portfolio quality

	Q2 2005	Q2 2004	Q2 2003
Net write-off rate (rolling 12-month basis)	5.96%	5.80%	5.53%
Account balances less than 30 days overdue at end of period	96.63%	96.39%	96.00%

As at the end of the second quarter, Financial Services' net write-off rate, calculated on a 12 month rolling basis, was higher than a year ago, but is consistent with the first quarter 12 month rolling rate. Financial Services continues to improve its collections and credit management practices which should enable it to sustain its write-off rates in the target range of 5.0 to 6.0 percent in 2005. Periodic fluctuations within the target range occur due to economic influences such as job growth and bankruptcy rates.

3.2.4.3 Financial Services' financial results

(\$ in millions)	Q2 2005	Q2 2004	Change	YTD 2005	YTD 2004	Change
Gross operating revenue	\$170.2	\$154.3	10.3%	\$321.4	\$285.6	12.5%
EBITDA(1)	50.2	45.5	10.3%	81.5	76.7	6.3%
Earnings before income taxes	43.4	39.5	9.6%	69.2	65.3	5.9%
Less adjustment for:						
Gain on sales of credit card receivables	8.5	8.8		6.8	7.6	

Adjusted earnings before income taxes(1)	\$ 34.9	\$ 30.7	13.5%	\$ 62.4	\$ 57.7	8.2%
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(1) See section 9.0 on non-GAAP measures.

3.2.4.4 Explanation of Financial Services' financial results

Gross operating revenue increased due to growth in the total managed portfolio of receivables

Increases in credit card receivables, resulting from higher average account balances contributed to the increase in Financial Services' gross operating revenue, both in the second quarter and for the year-t-date. The growth of the personal loan portfolio, which was introduced in June 2004, as well as higher revenues from insurance and warranty products, also contributed to the rise in gross operating revenue.

Earnings growth was impacted by further investment in personal loans

Financial Services' pre-tax earnings increased in the second quarter primarily due to increased average account balance, growth of the insurance business and improvement in the operating expense ratio. Financial Services' earnings were impacted by an investment of an additional \$2.0 million (including advertising and provisions for future losses) during the quarter to grow the personal loan portfolio.

On a year-to-date basis Financial Services' pre-tax earnings also increased due to the increases in the average account balances and improvements in the operating expense ratio and were also impacted by incremental investments to build the personal loan portfolio. A total of \$6.0 million has been invested year-to-date to grow the portfolio to its current level of \$249 million.

4.0 Capital structure and financing

4.1 Capital structure

Improving our financial flexibility is one of our long-term goals and one of the imperatives of our new Strategic Plan.

We regularly review our funding plan and capital structure to ensure that we have sufficient funding options to provide us with the financial flexibility to implement the growth initiatives and meet the targets of our Strategic Plan.

As at the dates indicated our capital structure was as follows:

Capital structure

(composition of total structure)	At July 2, 2005	At July 3, 2004	At January 1, 2005
Shareholders' equity	60.3%	56.6%	60.2%
Minority interest	7.6%	8.0%	8.0%
Long-term debt(1)	29.6%	33.1%	29.1%
Other long-term liabilities	1.4%	1.4%	1.5%
Future income taxes	1.1%	0.9%	1.2%
	100.0%	100.0%	100.0%

(1) Long-term debt includes current portion.

Equity

The book value of Common and Class A Non-Voting Shares at the end of the quarter was \$29.14 per share compared to \$26.15 at the end of the second quarter of 2004.

We have a policy of repurchasing Class A Non-Voting Shares to offset the dilutive effects of shares issued to fulfill the Company's obligations under various employee profit sharing, stock option and share purchase plans and the dividend reinvestment plan. In the long term, these purchases are expected to offset the issuance of new shares.

On February 10, 2005, we announced our intention to initiate a normal course issuer bid (NCIB) to purchase up to 1.8 million of the issued and outstanding Class A Non-Voting Shares over the 12-month period ending February 18, 2006.

An NCIB is a bid by a listed company to buy back its own shares on a stock exchange, subject to certain rules that protect investors, but without complying with all of the requirements applicable to issuer bids because the bid is made for a number of shares that is below a prescribed threshold. No shares have been purchased to date in 2005 under the NCIB.

Shares Outstanding

	At July 2, 2005	At July 3, 2004

Class A Non-Voting Shares (CTR.NV)		
Shares outstanding at beginning of year	77,699,631	77,337,718
Shares issued under plans(1)	968,160	1,114,089
Shares purchased under NCIB	-	(680,700)

Shares outstanding at end of period	78,667,791	77,771,107
Common Shares (CTR)		
Shares outstanding at beginning and end of period	3,423,366	3,423,366

(1) We issue shares under stock purchase, stock option, dividend reinvestment and various employee profit-sharing plans.

Dividends

Dividends of \$11.8 million were declared on Common and Class A Non-Voting Shares in the second quarter compared with \$10.1 million in the second quarter of 2004. The increase in dividends declared reflected the Board of Directors' decision on February 10, 2005 to increase the annual dividend rate by 16 percent from \$0.50 per share to \$0.58 per share. The first quarterly dividend at the new rate was declared on March 10, 2005 in the amount of \$0.145 per share payable on June 1, 2005 to shareholders of record as of April 29, 2005.

Short-term debt

We have a program in place that allows us to issue commercial paper up to an authorized limit of \$800 million. We had no commercial paper outstanding at July 2, 2005, January 1, 2005 or July 3, 2004.

Credit ratings for the Company's commercial paper are "R-1(low)" from Dominion Bond Rating Service Limited (DBRS) and "A-1(low)" from Standard & Poor's (S&P).

At July 2, 2005, we had \$570 million in committed lines of credit, unchanged from January 1, 2005 and compared to \$610 million at July 3, 2004. None of the committed lines were drawn upon at the end of any of these periods.

Long-term debt

To allow for timely access to debt markets, we filed a shelf prospectus with provincial and territorial securities commissions on March 14, 2005 for

the issuance of up to \$750 million of medium term notes (MTNs).

On April 1, 2005, we redeemed \$225 million of MTNs with an annual interest rate of 7.05 percent that were due on May 18, 2006. The early redemption, at a net cost of \$5.3 million, was undertaken due to favourable market conditions and to reduce the amount of debt refinancing that would have otherwise occurred in 2006.

On May 20, 2005, we issued \$300 million of MTNs under the shelf prospectus. The MTNs have an annual interest rate of 4.95 percent and mature on June 1, 2015.

As of the end of the second quarter of 2005, long-term debt included \$6.5 million of capital leases.

The Company's long-term debt is currently rated "A(low)" by DBRS and "BBB+" by S&P.

4.2 Funding program

Funding requirements

We fund our capital expenditures, working capital needs, dividend payments and other financing needs, such as debt repayments and share purchases under the normal course issuer bid, from a combination of sources.

In the second quarter of 2005, the primary sources of funding were:

- \$54 million of cash on hand at the beginning of the period.
- \$338 million of cash generated from operations.
- \$300 million from issuing long term debt.
- \$200 million in gross proceeds from the sale of credit card receivables.

2005 Capital program

Canadian Tire's capital expenditures totaled \$65 million in the second quarter, a 36 percent decrease from the \$100 million spent in the same quarter of 2004.

Capital expenditures during the quarter included:

- \$33 million for real estate projects, including \$30 million associated with the roll out of CTR's new-format stores;
- \$8 million for the expansion of CTR's Calgary, Alberta distribution centre;
- \$2 million for CTR's CustomerLink program;
- \$4 million for Mark's;
- \$4 million for Petroleum gas bars and car washes;
- \$2 million for Financial Services; and
- \$12 million for other purposes.

We expect to have a total of approximately \$380 million in capital expenditures for the year 2005.

Working capital

As part of our financial flexibility imperative, reducing our working capital continues to be a long-term priority. The table below shows the change in the value of our working capital components for the company at the end of the second quarters of 2005 and 2004.

Comparable working capital components

(\$ in millions)	At July 2, 2005	At July 3, 2004	Increase/ (decrease) in working capital
Accounts receivable	\$ 416.3	\$ 330.3	\$ 86.0

Merchandise inventories	734.7	711.3	23.4
Prepaid expenses and deposits	51.6	44.1	7.5
Income taxes payable	(29.6)	(31.5)	1.9
Accounts payable and other	(979.2)	(940.9)	(38.3)

			\$ 80.5

The most significant change in working capital components was an increase in accounts receivable that was due to an increase in CTR's promotional and placing shipments in the later part of the second quarter and an increase in CTR's accounts receivable for vendor support. The increase in accounts payable reflects the normal trade payables related to the increase in merchandise inventories.

Cash and cash equivalents

At July 2, 2005, we held \$172 million of cash or cash equivalents compared to \$802 million at January 1, 2005 and \$316 million at July 3, 2004. This change reflects the seasonal fluctuations in cash balances, particularly at year-end when cash balances are high. During the second quarter of 2005, we used cash primarily for the following:

- The payment of trade payables for merchandise purchased prior to the end of the first quarter;
- \$295 million to fund further growth in credit card receivables and personal loans;
- \$337 million to repay commercial paper issued in the first quarter; and
- \$65 million for the addition of property and equipment.

Credit card receivables

Our credit card receivables securitization program is designed to provide a cost-effective, alternative source of funding for Financial Services.

Net managed credit card receivables

(\$ in millions)	At July 2, 2005	At July 3, 2004	At January 1, 2005
Securitized	\$2,274.1	\$1,905.1	\$2,209.3
Unsecuritized	552.3	653.9	579.9
	-----	-----	-----
Net managed credit card receivables	\$2,826.4	\$2,559.0	\$2,789.2
	-----	-----	-----

Net managed credit card receivables continued to increase over the last twelve months as customers' use of the Canadian Tire MasterCard grew. At the end of the second quarter of 2005, net managed credit card receivables were 10.5 percent higher than at the end of the second quarter of 2004 and increased by 1.3 percent from the end of the 2004.

We expect the growth in the number and average balances of Canadian Tire MasterCard credit card accounts to lead to an increase in total credit card receivables in 2005. Financial Services expects to continue to fund most of this increase from the sale of co-ownership interests in credit card receivables to Glacier Credit Card Trust (GCCT). The success of the securitization program is mainly due to GCCT's ability to obtain funds from third parties by issuing debt instruments with high credit ratings. As of July 2, 2005, GCCT had the following ratings:

- A rating of R-1(high) from DBRS for the asset-backed commercial paper program;
- Ratings of AAA by DBRS and S&P for the asset-backed senior notes; and

- Ratings of A to A(high) from DBRS and A to AA from S&P for the asset-backed subordinated notes.

Following provisions of the Canadian Institute of Chartered Accountants (CICA)'s Accounting Guideline 12 (AcG-12), "Transfers of Receivables", which came into effect on July 1, 2001, we record the transfers of co-ownership interests in credit card receivables to GCCT as sales. The proceeds of the sales are deemed to be the cash we receive, plus the estimated fair value of our portion of the service charges that will be paid on the receivables, less our servicing liability. We estimate fair value by discounting our expected future cash flows from the receivables sold. We record a gain or loss on the date of the sale in the amount that the estimated fair value of the proceeds we receive differs from the carrying value of our ownership share in receivables sold. We record gains or losses from sales made before July 1, 2001 when we receive the service charges. As at July 2, 2005, all receivables sold are accounted for under AcG-12.

For the 13 weeks ended July 2, 2005, we recognized a pre-tax gain of \$8.5 million (July 3, 2004 - \$8.8 million gain) on such securitization transactions.

Personal loans

The personal loan portfolio tested in 2004 and launched in 2005 grew to \$243.1 million in net managed receivables as of July 2, 2005 from \$64.0 million as of January 1, 2005. Canadian Tire Bank offers personal loans on a selective basis to qualified Canadian Tire Options MasterCard holders for terms of three to five years.

4.3 Financial ratios

We have ready access to funding from the financial markets because of our relatively strong balance sheet and healthy financial ratios.

We have a long-standing policy of keeping our ratio of long-term debt to total capitalization below 50 percent. This ratio was lower at the end of the second quarter than it was a year earlier mainly because debt repayments were greater than debt issuance and there was an increase of \$237 million in retained earnings.

The following table shows the changes in financial ratios over the past year.

	At July 2, 2005	At July 3, 2004
Ratio of long-term debt to total capitalization(1)	29.6%	33.1%
Ratio of current assets to current liabilities	1.6:1	1.8:1
Interest coverage(2)	6.8 times	5.9 times

(1) Long-term debt includes current portion.

(2) We calculate interest coverage on a rolling 12-month basis using earnings before interest, income taxes and minority interest.

5.0 Off Balance Sheet Arrangements

We have four off balance sheet arrangements, which are described below.

Glacier Credit Card Trust (GCCT) was formed to buy our credit card receivables and issues debt to third party investors to fund its credit card receivables purchases. Refer to MD&A Section 6.2 of the 2004 Annual Report for additional information on Glacier Credit Card Trust.

A financing program has been established to provide an efficient and cost effective way for Associate Dealers to access the majority of the financing

they require for their store operations. Refer to MD&A Section 7.2 of the 2004 Annual Report for additional information on this program.

We provide debt guarantees for the bank debt of some Associate Dealers and PartSource franchisees. Refer to MD&A Section 7.3 of the 2004 Annual Report for additional information on these guarantees.

We use derivative financial instruments to manage our exposure to changes in interest rates and foreign currency exchange rates, and to hedge certain future stock-based compensation expenses. Refer to MD&A Section 7.4 of the 2004 Annual Report for additional information on derivative financial instruments.

6.0 Risks

In 2003, we introduced an enterprise risk management framework (ERM) that sets out principles, processes and tools for evaluating, prioritizing and managing risk effectively and consistently across the organization. The ERM framework is described in detail in section 8.0 of the MD&A in our 2004 Annual Report.

7.0 Contractual obligations

Contractual obligations due by period

(\$ in millions)	Total	In the remaining six months of 2005	In years 2006 - 2007	In years 2008 - 2009	After 2009
Long-term debt	\$1,168.2	\$ 0.5	\$ 201.8	\$ 151.0	\$ 814.9
Capital lease obligations	6.5	2.4	3.9	0.2	-
Operating leases	1,147.7	75.9	265.3	220.1	586.4
Purchase obligations	6,056.2	1,097.3	2,088.0	1,960.9	910.0
Other obligations	72.3	61.6	6.7	3.9	0.1
Total contractual obligations	\$8,450.9	\$1,237.7	\$2,565.7	\$2,336.1	\$2,311.4

8.0 Changes in Accounting Policies

8.1 Vendor rebates restatement

Effective July 4, 2004, we retroactively implemented the accounting policy issued by the Canadian Institute of Chartered Accountants (CICA) in EIC-144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor", and restated the Consolidated Financial Statements for 2004 and prior periods. Vendor rebates are payments CTR receives from suppliers to support advertising and marketing programs that promote products CTR buys from these suppliers. This policy provides guidance on how a customer (including a reseller) of a vendor's products should account for rebates it receives from the vendor.

As a result of the implementation of EIC-144, earnings before income taxes and minority interest for the second quarter of 2004 decreased by \$3.1 million to \$127.3 million and for the 26 weeks ended July 3, 2004 were increased by \$5.7 million to \$193.4 million. In the second quarter of 2005, earnings before income taxes and minority interest were \$4.0 million lower and in the 26 weeks ended July 2, 2005 were \$2.0 million higher as a result of EIC-144.

8.2 Amendment to EIC-144

In January 2005, the CICA amended EIC-144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" (EIC-144). The amendment clarifies when and how to recognize those vendor rebates that are payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified period of time. EIC-144 now requires companies to recognize those rebates that are at the vendor's discretion when the vendor either pays the rebates or becomes obligated to pay them. For binding agreements, EIC-144 now requires that vendor rebates be recognized when and to the extent that they are probable and reasonably estimable.

Effective April 3, 2005, we retroactively implemented the amended policy EIC-144. As there was no material impact from implementing the amendment, no restatements were made to the Consolidated Financial Statements for prior periods.

8.3 Consolidation of variable interest entities

In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities", (AcG-15). This guideline was amended in September 2004 to harmonize with the related U.S. accounting standard, which had been revised in December 2003. AcG-15 requires companies to include certain variable interest entities in their annual or interim consolidated financial statements beginning on or after November 1, 2004.

In the fourth quarter of 2004, we made structural changes to the arrangements involving the independent trusts described in sections 6.2, 7.1 (GCCT) and 7.2 (Trust Financing for Associate Dealers) of the MD&A in our 2004 Annual Report. Consequently, we were not required to include the financial results of the trusts in our Consolidated Financial Statements for the period ended July 2, 2005.

A number of the corporations owned and operated by independent Associate Dealers and Mark's Work Wearhouse and PartSource franchisees are variable interest entities. Although a few of these corporations required some subordinated financial support from us during the quarter, none of these corporations have been included in our Consolidated Financial Statements as the impact of consolidating these corporations was not significant.

9.0 Non-GAAP measures

The following measures included in this MD&A do not have a standardized meaning under Canadian generally accepted accounting principles (GAAP):

- EBITDA (earnings before interest, income taxes, depreciation and amortization) and minority interest;
- All references made to adjusted earnings; and
- Same store and comparable store sales

EBITDA and minority interest

With the exception of Financial Services, we consider EBITDA and minority interest to be an effective measure of the contribution of each of our businesses to our profitability on an operational basis, before allocating the cost of income taxes and capital investments. EBITDA and minority interest is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of the success of any business.

A reconciliation of EBITDA and minority interest to the most comparable GAAP measure (earnings before income taxes and minority interest) is provided as follows:

Reconciliation of EBITDA to GAAP measures(1)

2005

2004

(\$ in millions)	Q2 2005	Q2 2004	YTD	YTD
EBITDA and minority interest				
CTR	\$ 147.6	\$ 135.0	\$ 233.6	\$ 229.4
Financial Services	50.2	45.5	81.5	76.7
Petroleum	3.6	4.0	8.5	7.1
Mark's	16.7	9.7	24.8	12.7
Eliminations	(7.5)	(4.8)	(12.7)	(9.0)
Total EBITDA and minority interest	\$ 210.6	\$ 189.4	\$ 335.7	\$ 316.9
Less: Depreciation and amortization expense				
CTR	\$ 34.6	\$ 32.5	\$ 68.7	\$ 63.7
Financial Services	3.3	3.7	6.5	7.3
Petroleum	3.5	3.2	6.8	6.2
Mark's	3.4	3.5	6.8	6.9
Total depreciation and amortization expense	\$ 44.8	\$ 42.9	\$ 88.8	\$ 84.1
Interest expense				
CTR	\$ 20.8	\$ 21.0	\$ 47.7	\$ 43.0
Financial Services	3.5	2.3	5.8	4.1
Mark's	0.6	0.7	1.1	1.3
Eliminations	(7.5)	(4.8)	(12.7)	(9.0)
Total interest expense	\$ 17.4	\$ 19.2	\$ 41.9	\$ 39.4
Earnings before income taxes and minority interest				
CTR	\$ 92.2	\$ 81.5	\$ 117.2	\$ 122.7
Financial Services	43.4	39.5	69.2	65.3
Petroleum	0.1	0.8	1.7	0.9
Mark's	12.7	5.5	16.9	4.5
Total earnings before income taxes and minority interest	\$ 148.4	\$ 127.3	\$ 205.0	\$ 193.4

(1) Differences may occur due to rounding.

References to adjusted earnings

In several places in this MD&A, we refer to adjusted pre-tax and after-tax earnings before the impact of non-operating items. Historically, non-operating items have included gains and losses on the sales of credit card receivables and dispositions of surplus property and equipment. The timing and amount of gains and losses from these items is not consistent from quarter to quarter. In the first quarter of 2005, non-operating items also included the \$5.3 million net charge for the redemption of MTNs, which was included in CTR's long-term debt interest expense.

We believe the adjusted figures allow for a clearer assessment of earnings for each of our businesses, and provide a more meaningful measure of our consolidated and segmented operating results.

Same store and comparable store sales

Same store sales includes sales from stores that have been open for more than a year, including stores that have been expanded by more than 25 percent in the last year.

For a definition of comparable store sales, please refer to the Glossary of Terms in the 2004 Annual Report.

2005 SECOND QUARTER
INTERIM REPORT FINANCIALS

Consolidated Statements of Earnings and Retained Earnings (Unaudited)

(Dollars in millions except per share amounts)	13 weeks ended,		26 weeks ended,	
	July 2, 2005	July 3, 2004	July 2, 2005	July 3, 2004
		(Restated - Note 14)		(Restated - Note 14)
Gross operating revenue	\$ 2,032.4	\$ 1,927.3	\$ 3,551.2	\$ 3,342.2
Operating expenses				
Cost of merchandise sold and all other operating expenses except for the undernoted items	1,813.5	1,729.6	3,204.2	3,013.6
Interest				
Long-term debt (Note 4)	15.7	19.1	39.2	39.0
Short-term debt	1.7	0.1	2.7	0.4
Depreciation and amortization	44.8	42.9	88.8	84.1
Employee profit sharing plan	8.3	8.3	11.3	11.7
Total operating expenses	1,884.0	1,800.0	3,346.2	3,148.8
Earnings before income taxes and minority interest	148.4	127.3	205.0	193.4
Income taxes				
Current	52.7	43.3	70.5	65.2
Future	1.7	1.6	3.3	3.0
Total income taxes	54.4	44.9	73.8	68.2
Net earnings before minority interest	94.0	82.4	131.2	125.2
Minority interest (Note 10)	1.8	1.6	3.7	3.5
Net earnings	\$ 92.2	\$ 80.8	\$ 127.5	\$ 121.7

Basic earnings per share	\$	1.13	\$	1.00	\$	1.56	\$	1.50
Diluted earnings per share (Note 6)	\$	1.11	\$	0.98	\$	1.54	\$	1.48
Weighted average number of Common and Class A Non-Voting Shares outstanding		81,792,444		80,906,600		81,547,277		80,888,633
Retained earnings, beginning of period as previously reported					\$	1,546.9	\$	1,331.3
Adoption of new accounting standards (Note 14)						-		(13.3)
Retained earnings, beginning of period, as restated						1,546.9		1,318.0
Net earnings						127.5		121.7
Dividends						(23.7)		(20.2)
Repurchase of Class A Non-Voting Shares (Note 7)						(1.2)		(6.8)
Retained earnings, end of period					\$	1,649.5	\$	1,412.7

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)	13 weeks ended, July 2, 2005		26 weeks ended, July 3, 2004	
	(Restated - Note 14)		(Restated - Note 14)	
Cash generated from (used for):				
Operating activities				
Net earnings	\$	92.2	\$	80.8
Items not affecting cash				
Net provision for credit card receivables and personal loans		48.9		45.4
Depreciation and amortization of property and equipment		43.9		41.7
Future income taxes		1.7		1.6
Amortization of other assets		1.4		2.6

Other	(0.6)	(2.6)	(0.1)	0.6
Gain on disposals of property and equipment	(3.2)	(3.5)	(3.5)	(7.2)
Gain on sales of credit card receivables and personal loans (Note 3)	(8.5)	(8.8)	(6.8)	(7.6)
Cash generated from operations	175.8	157.2	317.0	284.2
Changes in other working capital components	162.1	149.3	(661.6)	(471.8)
Cash generated from (used for) operating activities	337.9	306.5	(344.6)	(187.6)
Investing activities				
Investment in credit card receivables and personal loans	(295.0)	(261.6)	(317.5)	(210.9)
Additions to property and equipment	(64.6)	(100.2)	(143.0)	(158.1)
Long-term receivables and other assets	(3.0)	(5.1)	(1.5)	(3.2)
Purchases of franchise stores	(0.5)	(0.5)	(0.5)	(0.5)
Asset retirement obligations	0.2	(0.6)	-	(1.0)
Proceeds on disposition of property and equipment	5.1	11.0	8.8	14.7
Cash used for investing activities	(357.8)	(357.0)	(453.7)	(359.0)
Financing activities				
Issuance of long-term debt	300.0	0.9	315.6	201.0
Securitization of credit card receivables and personal loans	166.3	140.5	66.4	39.2
Class A Non-Voting Share transactions (Note 7)	22.3	10.5	36.8	5.4
Commercial paper	(337.0)	-	-	-
Dividends	(11.8)	(10.1)	(22.0)	(18.2)
Repayment of long-term debt (Note 4)	(1.7)	(89.4)	(228.3)	(91.5)
Cash generated from financing activities	138.1	52.4	168.5	135.9
Cash generated (used)				

in the period	118.2	1.9	(629.8)	(410.7)
Cash and cash equivalents, beginning of period	54.2	314.0	802.2	726.6
Cash and cash equivalents, end of period	\$ 172.4	\$ 315.9	\$ 172.4	\$ 315.9

Consolidated Balance Sheets (Unaudited)

(Dollars in millions) As at	July 2, 2005	July 3, 2004	January 1, 2005
	(Restated - Note 14)		
Current assets			
Cash and cash equivalents	\$ 172.4	\$ 315.9	\$ 802.2
Accounts receivable	416.3	330.3	370.7
Credit card receivables and personal loans (Note 3)	603.6	653.9	592.4
Merchandise inventories	734.7	711.3	620.6
Prepaid expenses and deposits	51.6	44.1	24.1
Total current assets	1,978.6	2,055.5	2,410.0
Long-term receivables and other assets (Note 3)	267.9	68.6	129.7
Goodwill	41.9	41.0	41.7
Intangible assets	52.4	52.0	52.0
Property and equipment	2,636.0	2,503.5	2,585.2
Total assets	\$ 4,976.8	\$ 4,720.6	\$ 5,218.6

LIABILITIES

Current liabilities			
Accounts payable and other	\$ 979.2	\$ 940.9	\$ 1,437.6
Income taxes payable	29.6	31.5	44.2
Current portion of long-term debt	205.1	156.2	5.6
Total current liabilities	1,213.9	1,128.6	1,487.4
Long-term debt (Note 4)	969.6	1,084.0	1,081.8
Future income taxes	45.9	33.9	42.6
Other long-term liabilities	55.5	51.3	55.6
Total liabilities	2,284.9	2,297.8	2,667.4
Minority interest (Note 10)	300.0	300.0	300.0
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	747.0	712.7	709.0
Contributed surplus	1.3	1.1	1.3
Accumulated foreign currency			

translation adjustment	(5.9)	(3.7)	(6.0)
Retained earnings	1,649.5	1,412.7	1,546.9
Total shareholders' equity	2,391.9	2,122.8	2,251.2
Total liabilities, minority interest and shareholders' equity	\$ 4,976.8	\$ 4,720.6	\$ 5,218.6

Notes to the Consolidated Financial Statements (Unaudited) ---

1. These unaudited interim consolidated financial statements (the "financial statements") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of Canadian Tire Corporation, Limited and its subsidiaries and partnership (the "Company"). These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements, and accordingly, the financial statements should be read in conjunction with the most recently prepared annual financial statements for the 52 weeks ended January 1, 2005.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used when accounting for items such as impairment of assets, employee benefits, product warranties, inventory provisions, amortization, uncollectible credit card receivables and personal loans, environmental reserves, asset retirement obligations and the liability for the Company's loyalty programs.

2. These financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements for the 52 weeks ended January 1, 2005, except for the following:

Consolidation of variable interest entities

Effective January 2, 2005, the Company implemented the Canadian Institute of Chartered Accountants' ("CICA") Accounting Guideline 15 ("AcG-15") "Consolidation of Variable Interest Entities", which is effective for years beginning on or after November 1, 2004. A variable interest entity ("VIE") is any type of legal structure not controlled by voting equity, but rather by contractual or other financial arrangements. AcG-15 requires a VIE to be consolidated by the primary beneficiary, who is the party that will absorb the majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both.

Upon implementation of AcG-15, the Company reviewed all legal structures in which the Company has a potential financial interest including Associate Dealer corporations, Petroleum Agent

corporations, PartSource and Mark's Work Wearhouse ("Mark's") franchisee corporations, financing trusts referred to in Notes 2 and 14 to the 2004 annual Consolidated Financial Statements and external suppliers. The Company has identified that some of the corporations owned and operated by Associate Dealers and Mark's and PartSource franchisees are VIEs.

The Company enters into various forms of agreements with independent owner-operators of Canadian Tire Associate Stores (Associate Dealers) and franchisees of Mark's and PartSource stores.

The Company's agreement with each Associate Dealer generally permits the Associate Dealer to own and operate the retail business of a Canadian Tire Associate Store under the Canadian Tire trademark. The Company has a policy to offer new Associate Dealers smaller Canadian Tire Associate Stores and, based upon successful operation of their Canadian Tire Associate Stores, to offer Associate Dealers larger locations from time to time pursuant to the Associate Dealer mobility system. When eligible, Associate Dealers may obtain financing through a structure involving independent trusts to facilitate the purchase of core-level inventory and fixed assets. These trusts are administered by independent major Canadian banks. Associate Dealers may also obtain financing through traditional financial institutions. The Company monitors the financial condition of its Associate Dealers and provides for estimated losses when appropriate.

The Company's agreements with each Mark's and PartSource franchisee also permit the franchisees to own and operate retail businesses under their respective trademark. Franchisees obtain financing through traditional financial institutions. The Company monitors the financial condition of its franchisees and provides for estimated losses when appropriate.

The Company is the primary beneficiary of a small number of these corporations. These VIEs have not been consolidated in these financial statements, as the impact was not significant.

Amendment to EIC-144

In January 2005, the CICA amended EIC-144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" (EIC-144). The amendment clarifies when and how to recognize those vendor rebates that are payable only if the customer completes a specified cumulative level of purchases or remains a customer for a specified period of time. EIC-144 now requires companies to recognize those rebates that are at the vendor's discretion when the vendor either pays the rebates or becomes obligated to pay them. For binding agreements, EIC-144 now requires that vendor rebates be recognized to the extent that they are probable and reasonably estimable.

Effective April 3, 2005, the Company retroactively implemented the amended policy EIC-144. As there was no material impact from implementing the amendment, no restatements were made to the Consolidated Financial Statements for prior periods.

3. Credit Card Receivables and Personal Loans

The Company has sold undivided co-ownership interests in a pool of credit card receivables (the "Receivables") to an independent trust, Glacier Credit Card Trust ("GCCT"), in transactions known as securitizations. Securitizations transfer to GCCT ownership interests

in the Receivables previously wholly owned by the Company. The securitizations provide GCCT with (i) ownership of a share of the service charges generated by the pool up to a stipulated amount, and (ii) ownership of a share of the principal payments generated by the pool, both computed on a monthly basis. The Company retains any income in excess of GCCT's share of service charges on the Receivables. In these transactions, the Company also assumes responsibility for servicing the Receivables for which it will not receive any direct compensation. GCCT's recourse to the Company is generally limited to its income earned on the Receivables, although unexpected sizeable losses could also result in a reduction in the value of the co-ownership interest retained by the Company.

As the Company does not control GCCT, it has not been consolidated in these financial statements. The Company has reflected the transfer of the co-ownership interest to GCCT as a sale in accordance with AcG-12 "Transfers of Receivables", which became effective on July 1, 2001. In accordance with this Guideline, the proceeds of the sale to GCCT were deemed to be the cash received from GCCT plus the estimated fair value of the Company's retained interest in the service charges of the pool, net of the servicing obligation assumed. The excess or deficiencies of the estimated fair value of the proceeds over the carrying value of the interests in Receivables sold is reflected in these financial statements as a gain or loss on the date of disposition, respectively. For the 13 weeks ended July 2, 2005, a pre-tax gain of \$8.5 million was recognized by the Company on the securitization of the Receivables (2004 - \$8.8 million pre-tax gain). For the 26 weeks ended July 2, 2005, the Company recognized a pre-tax gain of \$6.8 million (2004 - \$7.6 million pre-tax gain).

For transfers of Receivables occurring after July 1, 2001, the Company has computed the estimated fair values of its retained interest by discounting the expected future cash flows from the retained interest.

Quantitative information about securitized receivables managed by the Company is as follows:

(Dollars in millions)			Average balances		
Total principal amount of receivables as at			for the 26 weeks ended		
	July 2, 2005	July 3, 2004	January 1, 2005	July 2, 2005	July 3, 2004
Total net managed credit card portfolio	\$2,826.4	\$2,559.0	\$2,789.2	\$2,699.7	\$2,400.6
Credit card receivables sold(1)	(2,274.1)	(1,905.1)	(2,209.3)	(2,135.9)	(1,789.7)
Credit card receivables held	\$ 552.3	\$ 653.9	\$ 579.9	\$ 563.8	\$ 610.9
Personal loans (net) (2)	243.1	-	64.0		
Total	795.4	653.9	643.9		
Less: long-term					

portion of personal loans (3)	191.8	-	51.5
	-----	-----	-----
Credit card receivables and current portion of personal loans	\$ 603.6	\$ 653.9	\$ 592.4
	-----	-----	-----
	-----	-----	-----

- (1) Includes receivables sold pre and post adoption of AcG12 "Transfers of Receivables" on July 1, 2001. As at July 2, 2005, all receivables sold are post adoption of AcG12.
- (2) Personal loans are provided to qualified existing credit cardholders for terms of three to five years. Personal loans have fixed monthly payments, however the personal loans can be repaid at any time without penalty.
- (3) The long-term portion of personal loans is included in "Long-term receivables and other assets".

Net credit losses for the 13 weeks ended July 2, 2005 were \$45.3 million (2004 - \$37.9 million). Net credit losses for the 26 weeks ended July 2, 2005, were \$89.2 million (2004 - \$72.0 million). Net credit losses are charge-offs net of recoveries and are based on the total managed portfolio of credit card receivables and personal loans.

4. Long-Term Debt

On April 1, 2005, the Company completed redemption of \$225.0 million of medium term notes, which were to mature on May 18, 2006, and bore interest at 7.05 percent. As a result of this redemption, the Company paid a contractual make-whole amount, amortized the remaining balance of related issuance costs and realized a gain from unwinding the related swaps. The net amount of \$5.3 million was included in long-term debt interest expense during the first quarter of 2005.

On May 20, 2005, the Company completed an issuance of \$300.0 million of medium term notes, which mature on June 1, 2015, and bear interest at 4.95 percent.

5. Employee Future Benefits

The net employee future benefit expense for the 13 week and 26 week periods ended July 2, 2005 was \$1.3 million (2004 - \$1.2 million) and \$2.6 million (2004 - \$2.1 million), respectively.

6. Diluted Earnings Per Share

The reconciliation of the number of shares used in the diluted earnings per share calculation is as follows:

	26 weeks ended July 2, 2005	26 weeks ended July 3, 2004
	-----	-----
Average number of shares for basic earnings per share calculations	81,547,277	80,888,633
Dilutive options	1,250,963	1,570,399
	-----	-----
Average number of shares for diluted earnings per share calculations	82,798,240	82,459,032

7. Share Capital

(Dollars in millions)	July 2, 2005	July 3, 2004	January 1, 2005
Authorized			
3,423,366 Common Shares 100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares (July 3, 2004 - 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
78,667,791 Class A Non-Voting Shares (July 3, 2004 - 77,771,107)	746.8	712.5	708.8
	\$ 747.0	\$ 712.7	\$ 709.0

The Company reissues and repurchases Class A Non-Voting Shares. Reissued shares are recorded using the proceeds received. The net excess of the repurchase price over the issue price is allocated to retained earnings.

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

(Dollars in millions)	26 weeks ended July 2, 2005		26 weeks ended July 3, 2004	
	Number	\$	Number	\$
Shares outstanding at the beginning of the period	77,699,631	708.8	77,337,718	700.3
Issued	968,160	36.8	1,114,089	36.3
Repurchased	-	-	(680,700)	(30.9)
Excess of repurchase price over issue price	-	1.2	-	6.8
Shares outstanding at the end of the period	78,667,791	746.8	77,771,107	712.5

8. Stock-based Compensation Plan

In addition to the stock-based compensation plans described in the most recent annual audited financial statements for the year ended January 1, 2005, the following plan was established during the 26 weeks ended July 2, 2005:

Performance Driven Share Unit Plan

The Company has granted performance driven share units (PDSUs) to certain employees. Each PDSU entitles the participant to receive a

cash payment in an amount equal to the weighted average closing price of Class A Non-Voting shares traded on the Toronto Stock Exchange for the 20-day period prior to and including the last day of the period for which the applicable performance criteria are measured. Compensation expense related to PDSUs is accrued over the term of the performance period based on the expected total compensation to be paid out at the end of the performance period. The compensation expense recorded for PDSUs for the 13 week and 26 week periods ended July 2, 2005 was \$1.2 million and \$1.5 million, respectively.

9. Pro forma Stock Option Disclosure

Effective December 29, 2002, the Company elected early adoption, on a prospective basis, of the recommendations issued by the Canadian Institute of Chartered Accountants relating to stock-based compensation. In accordance with the standard, stock options granted after adoption of the standard are measured on grant date using a fair value based method and are expensed over the vesting period.

Had the fair value based method been used to expense stock options granted between December 30, 2001 and December 28, 2002, the Company's net earnings would have decreased to the pro forma amounts indicated below:

(Dollars in millions except per share figures)	13 weeks ended July 2, 2005	13 weeks ended July 3, 2004	26 weeks ended July 2, 2005	26 weeks ended July 3, 2004
	-----	-----	-----	-----
		(Restated - Note 14)		(Restated - Note 14)
Net Earnings:				
As reported	\$ 92.2	\$ 80.8	\$ 127.5	\$ 121.7
Pro forma	\$ 91.9	\$ 80.5	\$ 126.9	\$ 121.0
Basic Earnings per Share:				
As reported	\$ 1.13	\$ 1.00	\$ 1.56	\$ 1.50
Pro forma	\$ 1.12	\$ 0.99	\$ 1.56	\$ 1.50
Diluted Earnings per Share:				
As reported	\$ 1.11	\$ 0.98	\$ 1.54	\$ 1.48
Pro forma	\$ 1.11	\$ 0.98	\$ 1.53	\$ 1.47

10. Minority Interest

In November 2001, the Company formed a limited partnership for the purpose of raising \$300 million of capital in relation to a portfolio of its retail properties. The Company is the general partner in this partnership. A third party investor group invested \$300 million in the partnership for a limited partnership interest with preferential rights to distribution of income and capital. The limited partnership interest is entitled to a cumulative, quarterly preferred distribution on its capital account (approximately 3.84% for the 26 weeks ended July 2, 2005) and the partnership intends to follow a full distribution policy. The partnership invested in the retail properties by way of a note and equity in an entity that owns the portfolio of properties. The partnership has an indefinite life, but could be liquidated in certain circumstances including shortfalls in cash flows generated by the retail properties. The assets and

liabilities, results of operations and cash flows of the partnership are included in the financial statements of the Company. The preferred interest is treated as minority interest on the Consolidated Balance Sheets and in the Consolidated Statements of Earnings. The Company has not recognized a gain or loss on the formation of the partnership.

11. Segmented Information - Income Statement

	13 weeks ended July 2, 2005	13 weeks ended July 3, 2004	26 weeks ended July 2, 2005	26 weeks ended July 3, 2004
	(Restated - Note 14)		(Restated - Note 14)	
Gross operating revenue(1)				
CTR	\$ 1,386.4	\$ 1,367.0	\$ 2,355.2	\$ 2,319.3
Financial Services	170.2	154.3	321.4	285.6
Petroleum	333.1	288.3	619.3	532.2
Mark's	145.3	119.8	260.1	209.4
Eliminations	(2.6)	(2.1)	(4.8)	(4.3)
Total gross operating revenue	\$ 2,032.4	\$ 1,927.3	\$ 3,551.2	\$ 3,342.2
Earnings before income taxes and minority interest				
CTR	\$ 92.2	\$ 81.5	\$ 117.2	\$ 122.7
Financial Services	43.4	39.5	69.2	65.3
Petroleum	0.1	0.8	1.7	0.9
Mark's	12.7	5.5	16.9	4.5
Total earnings before income taxes and minority interest	\$ 148.4	\$ 127.3	\$ 205.0	\$ 193.4
Income taxes	54.4	44.9	73.8	68.2
Minority interest	1.8	1.6	3.7	3.5
Net earnings	\$ 92.2	\$ 80.8	\$ 127.5	\$ 121.7
Interest expense				
CTR	\$ 20.8	\$ 21.0	\$ 47.7	\$ 43.0
Financial Services	3.5	2.3	5.8	4.1
Petroleum	-	-	-	-
Mark's	0.6	0.7	1.1	1.3
Eliminations	(7.5)	(4.8)	(12.7)	(9.0)
Total interest expense	\$ 17.4	\$ 19.2	\$ 41.9	\$ 39.4
Depreciation and amortization expense				
CTR	\$ 34.6	\$ 32.5	\$ 68.7	\$ 63.7

Financial Services	3.3	3.7	6.5	7.3
Petroleum	3.5	3.2	6.8	6.2
Mark's	3.4	3.5	6.8	6.9
Total depreciation and amortization expense	\$ 44.8	\$ 42.9	\$ 88.8	\$ 84.1

(1) Gross operating revenue includes dividend and interest income.

Segmented Information - Total Assets

(Dollars in millions)	As at July 2, 2005	As at July 3, 2004	As at January 1, 2005
	(Restated - Note 14)		
CTR	\$ 3,773.9	\$ 3,587.3	\$ 3,960.7
Financial Services	1,331.0	1,124.8	1,178.0
Petroleum	212.8	196.0	509.8
Mark's	315.6	231.1	332.5
Eliminations	(656.5)	(418.6)	(762.4)
Total	\$ 4,976.8	\$ 4,720.6	\$ 5,218.6

12. Supplementary cash flow information

The Company paid income taxes during the 13 weeks ended July 2, 2005 amounting to \$38.5 million (2004 - \$36.9 million) and made interest payments of \$20.2 million (2004 - \$30.9 million). For the 26 weeks ended July 2, 2005, the Corporation paid income taxes amounting to \$82.9 million (2004 - \$127.0 million) and made interest payments of \$45.5 million (2004 - \$38.8 million).

13. Legal matters

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

14. Comparative Figures

Effective July 4, 2004, the Company implemented, on a retroactive basis, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants' Abstract 144 "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor". The impact of the retroactive implementation on previously reported net earnings for the 13 week period ended July 3, 2004 was a decrease of \$2.0 million, or \$0.02 per share. The impact of the retroactive implementation on previously reported net earnings for

the 26 week period ended July 3, 2004 was an increase of \$3.7 million, or \$0.05 per share. The cumulative impact on previously reported balances as at July 3, 2004 is as follows:

(Dollars in millions)

	As at July 3, 2004

Retained earnings	\$ (9.6)
Accounts receivable	17.6
Merchandise inventories	(18.4)
Accounts payable and other	13.5
Income taxes payable	2.4
Future income taxes	(7.1)

In addition, certain of the prior period's figures have been reclassified to conform to the current presentation.

Interest Coverage Exhibit to the Consolidated Financial Statements

The Company's long-term interest requirements for the 52 weeks ended July 2, 2005, after annualizing interest on long-term debt issued and retired during this period, amounted to \$69.4 million. The Company's earnings before interest on long-term debt, income taxes and minority interest for the 52 weeks then ended were \$549.5 million, which is 7.9 times the Company's long-term interest requirements for this period.

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