

Attention Business/Financial Editors:

Canadian Tire second quarter net earnings rise 12% to \$103.3 million

Improved shipments and sales at Canadian Tire Retail, strong sales and earnings growth at Mark's Work Wearhouse and receivables growth at Financial Services drive 18.6% increase in adjusted net earnings

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Consolidated Highlights(1) :	2006 2nd Quarter	2005 2nd Quarter	Change
Retail sales	\$2.70 billion	\$2.50 billion	7.9%
Gross operating revenue(2)	\$2.25 billion	\$2.02 billion	11.2%
Earnings before income taxes and minority interest	\$161.5 million	\$148.4 million	8.8%
Net earnings	\$103.3 million	\$92.2 million	12.0%
Net earnings excluding non-operating gains and losses	\$100.6 million	\$84.8 million	18.6%
Basic earnings per share	\$1.27	\$1.13	12.2%
Adjusted basic earnings per share excluding non-operating gains and losses	\$1.23	\$1.04	18.9%

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

(2) Gross operating revenue numbers have been restated for the adoption of EIC-156, "Accounting by a Vendor for Consideration given to a Customer".

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TORONTO, Aug. 10 /CNW/ - Canadian Tire Corporation, Limited (CTC, CTC.a) today reported second quarter net earnings of \$103.3 million, an increase of 12.0 percent compared to \$92.2 million in the second quarter of 2005.

Excluding non-operating gains and losses, net earnings were \$100.6 million, an increase of 18.6 percent compared to \$84.8 million last year.

Basic earnings per share were \$1.27, an increase of 12.2 percent compared to \$1.13 for the previous year. Excluding non-operating gains and losses, adjusted basic earnings per share increased 18.9 percent to \$1.23 compared to \$1.04 for the same period last year.

"Our earnings performance this quarter reflects sales momentum in each of our businesses. Customer response to key initiatives such as the new Concept 20/20 stores, the expansion of women's wear at Mark's and the new Gas Advantage MasterCard continues to be strong. Our team is diligently executing our business strategy and is making progress on leveraging our brand across our inter-related network of businesses," said Tom Gauld, president and CEO.

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Business Overview

CANADIAN TIRE RETAIL (CTR)

(\$ in millions)	Q2 2006	Q2 2005	Change	YTD 2006	YTD 2005	Change
Retail sales	\$2,064.4	\$1,961.2	5.3%	\$3,269.5	\$3,112.2	5.1%
Same store sales(1)						
(% increase over prior year)	3.3%	2.5%		3.2%	2.7%	
Net shipments(2)						
(year-over-year)						

% change)	10.0%	1.9%		5.9%	2.1%	
Earnings before income taxes and minority interest	\$97.9	\$92.2	6.2%	\$136.4	\$117.2	16.4%

Less adjustment for:						
Gain on disposals of property and equipment	\$1.3	\$3.3		\$4.7	\$4.2	
Loss on medium term notes redemption	-	-		-	\$(5.3)	

Adjusted earnings before income taxes and minority interest	\$96.6	\$88.9	8.6%	\$131.7	\$118.3	11.3%

- (1) 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 web store, less discounts and net of returns, recorded at the wholesale price charged to Associate Dealers and PartSource franchisees. The year-over-year percentage change for net shipments have been adjusted for "EIC-156" as required by the CICA.

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CTR's second quarter retail sales grew to \$2.06 billion from \$1.96 billion, an increase of 5.3 percent from the year prior. Same store sales increased 3.3 percent, with the largest contributors to sales increases being the auto custom, backyard living and lawn and garden categories. As expected, same store sales for the quarter at the stores in the process of being converted to the Concept 20/20 format, were negatively impacted by construction and merchandising activity. Excluding stores under conversion, same store sales would have increased 3.8 percent in the quarter.

CTR's second quarter pre-tax earnings of \$97.9 million increased 6.2 percent compared to \$92.2 million a year ago. After adjusting for the gain on disposals of property and equipment, pre-tax earnings increased 8.6 percent during the quarter to \$96.6 million from \$88.9 million in the previous year. Excluding the gain on disposals of property and equipment and a \$3.7 million net impact, year-over-year, related to a note repayment associated with a real-estate limited partnership (in which the Company was a general partner), CTR's adjusted pre-tax earnings would have been \$97.2 million compared to \$85.8 million, a 13.3 percent increase.

During the quarter, CTR opened two new stores and retrofitted 34 stores. In addition, the Company announced that construction of a 1.5 million square foot distribution centre in Coteau-du-Lac, Quebec, on the outskirts of Montreal, will begin in the Fall of 2006 to support Canadian Tire Retail's continued growth in Eastern Canada.

PartSource recorded double-digit sales growth in the second quarter on the continued strength of commercial sales and the cumulative effect of recent store openings and acquisitions. PartSource opened one new store during the quarter bringing the total network to 59 locations.

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CANADIAN TIRE PETROLEUM (Petroleum)

(\$ in millions)	Q2 2006	Q2 2005	Change	YTD 2006	YTD 2005	Change

Sales volume (millions of litres)	418.0	411.6	1.5%	802.8	794.4	1.1%

Retail sales	\$430.3	\$363.3	18.4%	\$784.3	\$676.2	16.0%
Earnings (loss) before income taxes	\$(1.2)	\$0.1	(963.5)%	\$0.5	\$1.7	(72.6)%

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

Adjusted earnings (loss) before income taxes	\$(1.0)	\$0.2	(616.9)%	\$0.8	\$1.9	(60.2)%

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High gasoline prices in the quarter had the effect of suppressing gasoline sales volumes, resulting in a marginal increase to 418.0 million litres from 411.6 million litres a year ago. Non-gasoline sales increased, led by a 14.0 percent rise in convenience store sales.

The growth in gasoline and non-gasoline sales was insufficient to offset continued tight gasoline margins and planned higher operating costs associated with the expansion of the Petroleum network. As a result, Petroleum posted a loss of \$1.2 million during the quarter as compared to a 2005 pre-tax earnings contribution of \$0.1 million in the second quarter. Adjusted earnings also declined during the quarter with Petroleum reporting a loss of \$1.0 million as compared to a profit of \$0.2 million one year ago.

Petroleum closed two gas bars and two convenience stores during the quarter. The division will open a new Q convenience store and gas bar in Mississauga, Ontario at the end of August 2006.

Among its strategic initiatives, Petroleum continues to focus on growing greater customer loyalty and driving sales and earnings across the enterprise. Petroleum plays a key role in driving business to CTR through the issuance of Canadian Tire 'Money' (TM) to customers purchasing gas who then redeem it at CTR stores. Financial Services also benefits from its association with Petroleum through significant receivables on all Canadian Tire MasterCard, including the Gas Advantage Card. CTR customers who have a Canadian Tire MasterCard and fill up at Petroleum are the Company's most loyal and profitable customers.

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MARK'S WORK WEARHOUSE (Mark's)

(\$ in millions)	Q2 2006	Q2 2005	Change	YTD 2006	YTD 2005	Change

Total retail sales	\$201.9	\$174.0	16.0%	\$353.6	\$310.2	14.0%
Same store sales(1) (% increase over prior year)	15.2%	16.4%		13.0%	19.5%	
Earnings before income taxes	\$20.3	\$12.7	60.1%	\$28.7	\$16.9	69.8%

(1) Mark's same store sales exclude new stores, stores not open for the full period in each year and store closures.						
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Mark's second quarter retail sales grew to \$201.9 million from \$174.0 million, an increase of 16.0 percent from the same period in the year prior. Same store sales rose 15.2 percent in the quarter, with the highest percentage growth in women's woven shirts, women's accessories and women's sweaters. Sales, which were particularly strong in the Prairie provinces and British Columbia, were driven by the ongoing implementation of Mark's "Clothes

That Work" marketing and merchandising strategy.

For the quarter, Mark's pre-tax earnings contribution was \$20.3 million, a 60.1 percent increase over the \$12.7 million recorded for the same period last year. The significant growth in earnings was attributable to the 15.2 percent increase in same store sales and improved expense rates as a percentage of sales.

Mark's continued its expansion activity in the quarter, closing three and expanding six stores. Increased retail square footage supports Mark's category growth objectives particularly in the high potential categories of women's wear, business to business and health care apparel which are projected to drive sales growth in these categories in excess of 15 percent for 2006.

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CANADIAN TIRE FINANCIAL SERVICES (Financial Services)

(\$ in millions)	Q2 2006	Q2 2005	Change	YTD 2006	YTD 2005	Change
Total managed portfolio end of period				\$3,429.3	\$3,099.5	10.6%
Earnings before income taxes	\$44.5	\$43.4	2.7%	\$73.9	\$69.2	6.8%
Less adjustment for:						
Gain on redemption of shares	\$6.9	-		\$6.9	-	
Gain (loss) on sales of loans receivable	\$(3.4)	\$8.5		\$(16.1)	\$6.8	
Loss on disposals of property and equipment	\$(0.2)	\$(0.1)		\$(0.3)	\$(0.3)	
Adjusted earnings before income taxes	\$41.2	\$35.0	17.8%	\$83.4	\$62.7	33.1%

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Financial Services' total managed portfolio of loans receivable was \$3.4 billion at the end of the second quarter, a 10.6 percent increase over the \$3.1 billion portfolio at the end of the comparable 2005 period. The expansion of the total managed portfolio is attributed to continued growth in the number of accounts carrying a balance and a 10.1 percent increase in the average account balance to \$1,829 at the end of the second quarter of 2006 from \$1,661 in 2005. Portfolio growth also benefited from the successful rollout of the new Gas Advantage card in Ontario and expansion of the personal loan portfolio.

Financial Services' pre-tax earnings of \$44.5 million increased 2.7 percent from the \$43.4 million recorded in the second quarter of 2005, reflecting higher revenue and an improvement in the operating expense ratio. Adjusting for an \$11.9 million securitization variance year-over-year and a gain of \$6.9 million for the redemption of MasterCard shares, earnings before income taxes increased 17.8 percent to \$41.2 million from \$35.0 million for the comparable 2005 period. Financial Services earned the MasterCard shares based on its historical credit card performance and was entitled to the share redemption payment when MasterCard became a public company in the second quarter of 2006.

Net write-off rates were 5.95 percent, remaining within the targeted range of five to six percent on a rolling 12-month basis.

Financial Services' retail banking initiative remains on schedule and the division expects to pilot new banking products and services to select markets during the last quarter of 2006. The division's earnings growth over the last half of the year will be impacted by expenses of approximately \$10.2 million

to support the retail banking initiative, the majority of which will be incurred in the fourth quarter. The retail banking investment has been incorporated in the Company's 2006 capital plan and earnings guidance.

EARNINGS GUIDANCE UPDATE

Based on the Company's performance in the first half of the year, which is slightly ahead of expectations, Canadian Tire management has raised its guidance for 2006 and now forecasts that earnings per share will be in the range of \$4.25 to \$4.40, excluding non-operating items, as compared to the previously forecasted range of \$4.20 to \$4.35, excluding non-operating items.

FORWARD-LOOKING STATEMENTS

This disclosure contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with Canadian Tire's business and the general economic environment. Risks and uncertainties are disclosed in other public filings by the Company, such as Management's Discussion and Analysis in the 2005 Annual Report and include, but are not limited to: changes in interest, currency exchange and tax rates; the ability of Canadian Tire to attract and retain quality employees, Associate Dealers, Petroleum agents and PartSource and Mark's Work Wearhouse store operators and franchisees; and the willingness of customers to shop at the Company's stores or access financial products and services.

Risk factors associated with the assumptions that underlie Canadian Tire's forecasted performance in 2006, as outlined previously, and that have the potential to affect the operating performance and results of the Company's divisions include:

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- expansion activity planned for Mark's, PartSource, Petroleum and CTR, including the associated supply chain infrastructure, could be affected by the Company's ability to acquire and develop, or lease, suitable real estate properties, obtain municipal and other required government approvals, and the availability of construction material and labour;
- unseasonable weather patterns could affect the sales of seasonal merchandise at CTR and Mark's, particularly in the fourth quarter which historically is these divisions' largest selling period;
- adverse environmental occurrences could have the ability to damage the Company's reputation or threaten its licenses to operate, particularly in the Petroleum division;
- changes in commodity prices could affect the profitability of Petroleum, CTR and Mark's;
- the earnings of Financial Services could be affected by customers' inability to repay their Canadian Tire credit card or personal loan balances; and
- failure to comply with applicable laws and regulations could result in sanctions and financial penalties by regulatory bodies that could impact our earnings and reputation. Areas of compliance include environment, health and safety, competition law, transportation of dangerous goods, customs and excise and regulations governing financial institutions.

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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 3:00 p.m. EST on Thursday, August 10, 2006. 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 month.

Canadian Tire Corporation, Limited (TSX: CTC, CTC.a), 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 464 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 59 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 262 gas bars, 248 convenience stores and kiosks, and 73 car washes. Mark's Work Warehouse is one of the country's leading apparel retailers operating 330 stores in Canada. Under the Clothes that Work(TM) marketing strategy, 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 over 4 million Canadian Tire MasterCard accounts and markets related financial products and services for retail and petroleum customers. Canadians can also access Financial Services online at www.ctfs.com. Over 50,000 Canadians work across Canadian Tire's organization from coast-to-coast in the enterprise's retail, financial services, and petroleum businesses.

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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 2006 and 2005. This document should be read in conjunction with our Consolidated Financial Statements as well as our 2005 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 10, 2006.

Quarterly comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for the second quarter (13 weeks ended July 1, 2006) are against results for the second quarter of 2005 (13 weeks ended July 2, 2005).

Restated figures

Some figures in this MD&A were restated as required by EIC-156, "Accounting by a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)", that was issued by the Canadian Institute of Chartered Accountants (CICA) and implemented by us in Q1 2006. See section

8.3 of this MD&A for a further explanation of these restatements.

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

Share listing symbol

Effective May 8, 2006, Canadian Tire Corporation, Limited changed its share symbols on the Toronto Stock Exchange (TSX) from CTR to CTC for its Common Shares and from CTR.NV to CTC.A for its Class A Non-Voting Shares. The changes coincided with the TSX's discontinuation of symbol extensions. The decision to change symbols reflects the availability of the CTC root symbol which had previously been unavailable to Canadian Tire and its more appropriate reflection of the breadth of Canadian Tire's business.

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 our annual Consolidated Financial Statements for the year ended December 31, 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" as defined in Form 51-102F1 published by the Ontario Securities Commission.

Forward-looking statements

This MD&A contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with Canadian Tire's business and the general economic environment. In addition to the principal risks identified in section 6 of this MD&A and discussed in detail in section 9 of our 2005 Annual Report, there are other external factors that could affect our results. These include, but are not limited to: changes in interest rates, currency exchange rates and tax rates; the ability of Canadian Tire to attract and retain quality employees, Associate Dealers, Petroleum agents and PartSource and Mark's Work Wearhouse store operators and franchisees; and the willingness of customers to shop at our stores or acquire our financial products and services.

Other specific risk factors that may cause actual results or events to differ materially from those forecasted in this MD&A include, but are not limited to:

- expansion activity planned for Mark's Work Wearhouse (Mark's), PartSource, Canadian Tire Petroleum (Petroleum) and Canadian Tire Retail's (CTR) stores as well as the associated supply chain infrastructure could be affected by the Company's ability to acquire and develop real estate properties, obtain municipal and other required government approvals, access construction labour and lease suitable properties;
- unseasonable weather patterns could affect the sales of seasonal merchandise at CTR and Mark's, particularly in the second and fourth quarters which historically are these divisions' largest selling periods;
- adverse environmental occurrences could damage the Company's reputation or threaten its licenses to operate, particularly in the Petroleum division;
- changes in commodity prices could affect the profitability of Petroleum, CTR and Mark's; and

- the earnings of Canadian Tire Financial Services (Financial Services) could be affected by customers' inability to repay their Canadian Tire credit card or personal loan balances.
- failure to comply with applicable laws and regulations could result in sanctions and financial penalties by regulatory bodies that could impact our earnings and reputation. Areas of compliance include environmental, health and safety, competition law, transportation of dangerous goods, customs and excise and regulations governing financial institutions

We cannot provide any assurance that forecasted financial or operational performance will actually be achieved, or if it is, that it will result in an increase in the price of Canadian Tire shares.

1.0 Our Company

1.1 Overview of the business

Canadian Tire has been in business since 1922 and has evolved into a growing network of inter-related businesses. The Company operates over 1,100 stores, gas bars and car washes engaged in general merchandise, petroleum and clothing retailing, automotive services and financial services.

The Company carries on four main businesses.

Canadian Tire Retail is Canada's leading hard goods retailer with a network of 464 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 online shopping channel and PartSource. PartSource is a chain of 59 specialty automotive hard parts stores that cater to serious "do-it-yourselfers" and professional installers of automotive parts. PartSource stores are operated primarily by franchisees.

Mark's Work Wearhouse is one of Canada's leading apparel and footwear retailers, operating 330 stores (277 corporate and 53 franchise stores). Mark's operates under the banners "L'Equipeur" in Quebec and "Mark's Work Wearhouse" and "Work World" in other parts of the country. In addition, Mark's conducts a business-to-business operation under the "Imagewear by Mark's Work Wearhouse" brand.

Canadian Tire Petroleum is Canada's largest independent retailer of gasoline with a network of 262 gas bars, 248 convenience stores and kiosks, 73 car washes, 13 Pit Stops and 80 sites with propane stations. The convenience stores include two Q store formats that were piloted in 2005. Substantially all of Petroleum's sites are operated by agents.

Canadian Tire Financial Services markets the Canadian Tire MasterCard(R), 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 Roadside Assistance". 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 overall strategic objective

In order to leverage our core capabilities and build a platform for sustainable, profitable business growth, we develop a company-wide long-term strategic plan. In the spring of 2005 we embarked upon a new Strategic Plan, the 2005-2009 Strategic Plan, that will guide our efforts through to the end of 2009. The 2005-2009 Strategic Plan builds on our progress over the last

five years, refining our focus on the initiatives that will help us to meet our financial aspirations. Information regarding our progress to date against our 2005-2009 Strategic Plan initiatives is highlighted in the business segment information found in section 3.2.

We measure our long-term success by our total return to shareholders (TRS). 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 TRS, as measured by the appreciation in Canadian Tire's Class A Non-Voting Shares, plus dividends.

Fiscal Period	TRS	Ranking
2001	40.3%	Second quartile
2002	30.4%	Top quartile
2003	26.5%	Second quartile
2004	43.0%	Top quartile
2005	24.7%	Top quartile
Annualized 2001 to 2005	31.0%	Top quartile

Top-quartile TRS is the overall objective of our 2005-2009 Strategic Plan. In order to continue to achieve this objective, we have established five financial aspirations that are outlined below and that guide our growth plans and our ability to deliver above-average long-term performance.

While we believe that establishing and striving to achieve our financial aspirations is important in order to meet our objective of top-quartile TRS, we cannot provide assurance that future financial results or performance will result in top-quartile TRS. For a comprehensive discussion on the risks associated with our businesses, refer to section 9 of the MD&A in our 2005 Annual Report.

2.2 Our financial aspirations

The table below outlines our 2005 to 2009 financial aspirations incorporated in our 2005-2009 Strategic Plan.

Financial Aspirations	2005-2009 Strategic Plan
Comparable store sales (simple average of annual percentage growth, CTR stores only)	3% to 4%
Gross operating revenue (compound annual growth rate)	7% to 9%
EBITDA(1) and minority interest (compound annual growth rate)	10% to 15%
Basic earnings per share (compound annual growth rate)	12% to 15%
After-tax return on invested capital (annual simple average)	10%

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

2.3 Strategic plan

Our 2005-2009 Strategic Plan builds on our progress over the previous five years, refining our focus on the initiatives that will help us meet our financial aspirations and 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 the imperatives is supported by specific initiatives to help us meet our long-term financial aspirations and strategic objectives. The status of these specific initiatives is outlined within each business unit report in section 3.2 below.

3.0 Our performance

3.1 Consolidated results

Solid top line growth in all of Canadian Tire's operating businesses in the second quarter of 2006 contributed to a 12.0 percent improvement in net earnings over the second quarter of 2005.

Consolidated financial results

(\$ in millions except per share amounts)	Q2 2006	Q2 2005	Change	YTD 2006	YTD 2005	Change
Retail sales (1)	\$2,696.6	\$2,498.5	7.9%	\$4,407.4	\$4,098.6	7.5%
Gross operating revenue (2)	2,247.6	2,020.6	11.2%	3,819.7	3,528.7	8.2%
EBITDA (3) and minority interest	229.8	210.6	9.1%	373.5	335.7	11.2%
Earnings before income taxes and minority interest	161.5	148.4	8.8%	239.5	205.0	16.8%
Effective tax rate	36.0%	36.7%		36.0%	36.0%	
Net earnings	103.3	92.2	12.0%	150.9	127.5	18.3%
Basic earnings per share	\$ 1.27	\$ 1.13	12.2%	\$ 1.85	\$ 1.56	18.3%

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

(2) GOR numbers have been restated for the impact of EIC-156 as described in Section 8.3 below

(3) 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 5.3 percent;
- Mark's retail sales increased 16.0 percent;
- Petroleum's total retail sales increased 18.4 percent with gasoline sales volume (litres) increasing a modest 1.5 percent but non-gasoline sales increasing 9.2 percent; and
- Financial Services' total managed portfolio increased 10.6 percent.

Strong growth in gross operating revenue across all business segments
Consolidated gross operating revenue increased in the second quarter due

to higher gross receivables at Financial Services and strong sales at CTR, Mark's and Petroleum.

Strong earnings growth in the second quarter fuelled by solid revenue gains and improved operating margins, partially offset by the net effect of non-operating items.

Consolidated pre-tax earnings increased significantly in the second quarter due to strong sales and earnings in Mark's, receivables growth in Financial Services' and improved sales and operating margins in CTR. Earnings growth over the prior year was augmented by a \$6.9 million gain on the redemption of MasterCard shares (shares that were earned by CTFS based on historical performance as a member of MasterCard). These factors were partially offset by non operating items such as a securitization loss on the portfolio of loans receivable of \$3.4 million (compared with a gain of \$8.5 million in the same quarter of the previous year) and lower gains from the disposal of property and equipment than in the previous year.

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 the gain on the redemption of an investment in MasterCard, gains and losses from the sales of loans receivable, the disposals of property and equipment and the impact of the early redemption of the May 2006 medium term notes in the first quarter of 2005.

Adjusted consolidated earnings before income taxes and minority interest

(\$ in millions)	Q2 2006	Q2 2005	Change	YTD 2006	YTD 2005	Change

Earnings before income taxes and minority interest	\$ 161.5	\$ 148.4	8.8%	\$ 239.5	\$ 205.0	16.8%
Less pre-tax adjustment for:						
Gain on redemption of investment(1)	6.9	-		6.9	-	
Gain (loss) on sales of loans receivable(1)	(3.4)	8.5		(16.1)	6.8	
Gain on disposals of property and equipment(2)	0.9	3.2		4.0	3.5	
Loss on medium term notes Redemption(3)	-	-		-	(5.3)	

Adjusted earnings before income taxes and minority interest(4)	\$ 157.1	\$ 136.7	14.9%	\$ 244.7	\$ 200.0	22.3%

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

(2) See section 3.2.1 for CTR's performance, section 3.2.2 for Mark's performance, section 3.2.3 for Petroleum's performance and section 3.2.4 for Financial Service's performance.

(3) See section 3.2.1 for CTR's performance.

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

Adjusted consolidated net earnings

(\$ in millions
except per

share amounts)	Q2 2006	Q2 2005	Change	YTD 2006	YTD 2005	Change
Net earnings	\$ 103.3	\$ 92.2	12.0%	\$ 150.9	\$ 127.5	18.3%
Less after-tax adjustment for:						
Gain on redemption of investment	4.4	-		4.4	-	
Gain (loss) on sales of loans receivable(1)	(2.2)	5.4		(10.3)	4.3	
Gain on disposals of property and equipment	0.5	2.0		2.5	2.2	
Loss on medium term notes redemption	-	-		-	(3.4)	
Adjusted net earnings(2)	\$ 100.6	\$ 84.8	18.6%	\$ 154.3	\$ 124.4	24.0%
Basic earnings per share	\$ 1.27	\$ 1.13	12.2%	\$ 1.85	\$ 1.56	18.3%
Adjusted basic earnings per share(2)	\$ 1.23	\$ 1.04	18.9%	\$ 1.89	\$ 1.52	24.0%

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

(2) 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 2006	Q1 2006	Q4 2005	Q3 2005
Gross operating revenue(1)	\$2,247.6	\$1,572.1	\$2,304.3	\$1,888.6
Net earnings	103.3	47.6	118.2	84.4
Basic earnings per share	1.27	0.58	1.44	1.03
Fully diluted earnings per share	1.25	0.58	1.43	1.02

(\$ in millions except per share amounts)	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Gross operating revenue(1)	\$2,020.6	\$1,508.1	\$2,070.7	\$1,695.6
Net earnings	92.2	35.3	100.4	69.4
Basic earnings per share	1.13	0.43	1.24	0.86
Fully diluted earnings per share	1.11	0.43	1.22	0.84

(1) Quarterly gross operating revenue numbers have been restated for the impact of "EIC-156" as required by the CICA. See section 8.3 for additional information.

3.2 Business segment performance

3.2.1 Canadian Tire Retail

3.2.1.1 Strategic Plan update and 2006 outlook

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

Canadian Tire Retail

Initiative	Strategic Plan Update	2006 Current Outlook
New-format stores / Concept 20/20 Rollout	In the second quarter of 2006, CTR opened two Concept 20/20 stores, replacing two traditional stores and retrofitted 34 new-format stores into the Concept 20/20 format.	CTR is currently targeting to open 20 new, expanded or replacement new-format stores in 2006, all of which will be Concept 20/20 stores. CTR is currently targeting to retrofit 53 existing new-format stores into the Concept 20/20 format by the end of 2006.
	There are now 349 new-format stores in the CTR network, including 91 Concept 20/20 stores and 11 Canadian Tire-Mark's Work Wearhouse combination stores.	
Global sourcing strategy	In the second quarter of 2006, approximately 37 percent of the value of inventory purchases came from offshore sources, compared to approximately 34 percent in the second quarter of 2005.	CTR plans for the percentage of inventory purchases sourced offshore to be approximately 36 percent by the end of 2006 and to a target level of approximately 50 percent by 2009.
Exciting, New and Exclusive (ENE) products	Retail sales of ENE products increased approximately 38 percent in the second quarter of 2006 compared to the same period in 2005.	The sales target for ENE in 2006 is an increase of 11.8 percent versus 2005.
Inventory practice program	The percentage of CTR store orders filled on time during the second quarter was 90.4 percent, in line with target. Inventory turns were also in line with target.	CTR continues to focus on its long-term plan of improving the flow of goods within its total supply chain network and expects to continue to achieve in excess of 90 percent on time deliveries.
PartSource network expansion	PartSource opened one new store in the second quarter, bringing the network total to 59 locations.	PartSource plans to open up to eight stores in 2006, primarily in Ontario.

PartSource also successfully transitioned two additional franchise stores into corporate stores during the second quarter. PartSource plans to continue to expand its network of corporate owned stores throughout 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 surplus 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 the 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

(year-over-year percentage change)	Q2 2006	Q2 2005	2006 YTD	2005 YTD
Total retail sales(1)	5.3%	4.2%	5.1%	4.4%
Comparable store sales(2)	2.2%	2.2%	2.4%	2.3%
Same store sales(3)	3.3%	2.5%	3.2%	2.7%

(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.

Higher retail sales due to strong marketing programs and the success of the Concept 20/20 store program.

The effect of two new Concept 20/20 stores replacing traditional stores in addition to 34 stores retrofitted in the second quarter of 2006, as well as compelling marketing programs, including the popular Canadian Tire flyer and our new television commercials, continued to play key roles in driving sales at Canadian Tire stores.

During the second quarter, sales in the Auto Custom, Backyard Living and Lawn & Garden categories showed strong growth due to strong promotional activity on outdoor furniture, increased flyer space for barbeques and new additions to the product assortment, including a Powersports line that includes scooters and GPS auto navigation systems. Those sales increases were offset, in part, by softness in the Auto Parts category due to price devaluation and reduced demand for replacement parts after a winter of milder weather. As expected, same store sales for the quarter at the stores in the process of being converted to the Concept 20/20 format, were negatively impacted by construction and merchandising activity. Excluding stores under conversion, same store sales would have increased 3.8 percent in the quarter.

PartSource enjoyed solid double-digit sales growth in the second quarter

on the continued strength of commercial sales. Comparable retail store sales were relatively soft for the reasons noted above. Sales growth was augmented by the cumulative effect of recent new store openings and acquisitions.

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

	For the 12 months ended, July 1, 2006	For the 12 months ended, July 2, 2005
(\$ in millions)		
Traditional stores	\$ 8.0	\$ 7.8
New-format stores	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 as 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 partly because these stores allow for larger displays of promotional, seasonal and ENE products, which are key sales drivers.

CTR store count

	Q2 2006	2005	2004	2003	2002
New-format stores	349	345	327	309	290
Concept 20/20 stores (included in new-format above)	91	53	25	4	-
Traditional stores	115	117	130	143	161
Total new-format, traditional and C20/20 stores	464	462	457	452	451
PartSource stores(1)	59	57	47	39	33

(1) Including a store acquired in the fourth quarter of 2005 that will be converted to a PartSource branded location in the third quarter of 2006.

CTR continues to expand and retrofit its store network, with a focus on the new-format Concept 20/20 stores, consistent with the goals embodied in the 2005-2009 Strategic Plan.

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

	For the 12 months ended, July 1, 2006	For the 12 months ended, July 2, 2005
Retail square footage(1) (millions of square feet)	15.5	14.4
Traditional stores(2), (3) (\$)	\$ 524	\$ 512
New-format stores(2), (3) (\$)	448	430

(1) Retail square footage is based on the total retail square footage

- including stores that have not been open for a minimum of two years.
- (2) Retail sales are shown on a 52-week basis in each year for those stores that have been open for a minimum of two years. Sales from PartSource stores, CTR's online web store and the labour portion of CTR's auto service sales are excluded.
 - (3) 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 in our traditional stores, because 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, and thus, increase total sales per store.

3.2.1.3 CTR's financial results

(\$ millions)	Q2 2006	Q2 2005	Change	2006 YTD	2005 YTD	Change
Retail sales	\$2,064.4	\$1,961.2	5.3%	\$3,269.5	\$3,112.2	5.1%
Net shipments(1) (year-over-year % change)	10.0%	1.9%		5.9%	2.1%	
Gross operating revenue(2)	\$1,518.8	\$1,384.3	9.7%	\$2,488.0	\$2,350.2	5.9%
EBITDA(3) and minority interest	161.4	147.6	9.4%	258.9	233.6	10.8%
Earnings before income taxes and minority interest	97.9	92.2	6.2%	136.4	117.2	16.4%
Less adjustment for:						
Gain on disposals of property and equipment	1.3	3.3		4.7	4.2	
Loss on medium term notes redemption	-	-		-	(5.3)	
Adjusted earnings before income taxes and minority interest(4)	\$ 96.6	\$ 88.9	8.6%	\$ 131.7	\$ 118.3	11.3%

- (1) The net shipments year-over-year % change has been restated for the impact of "EIC-156" as required by the CICA. See section 8.3 for additional information.
- (2) Quarterly gross operating revenue numbers have been restated for the impact of "EIC-156" as required by the CICA. See section 8.3 for additional information.
- (3) See section 9.0 on non-GAAP measures.
- (4) See note below re: impact of real estate partnership.

3.2.1.4 Explanation of CTR's financial results

Operating revenue shows solid growth in shipments

The growth in operating revenue exceeded the growth in retail sales during the quarter due to an increase in initial fill shipments to the additional Concept 20/20 stores that opened in the second quarter. In addition, the Associate Dealers have increased their inventories after drawing down their balances at the end of the first quarter.

Second quarter earnings supported by higher operating margins

Earnings before tax and minority interest increased due to higher operating revenue and improved operating margins resulting primarily from global sourcing initiatives. These factors were partially offset by higher information technology costs and higher distribution costs associated with the rise in shipments, as well as storage for increased inventory on hand during the quarter.

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 67,000 square feet of retail space in the third quarter of 2006, compared to 58,000 square feet added in the third quarter of 2005. In addition, CTR plans to add 596,000 square feet in the fourth quarter of 2006, compared to 386,000 in the fourth quarter of 2005. The positive shipment impact of adding incremental retail space may be partially offset by lower shipment requirements of existing stores as Associate Dealers are able to meet consumer demand with lower inventory levels in response to improvements in our supply chain service performance.

Adjusted earnings impacted by repayment of note and distribution by real estate limited partnership

On April 3, 2006, the note that was provided by a real estate limited partnership (in which the Company was the general partner) was repaid using cash and short-term debt and the partnership distributed the proceeds to the partners. As a result, the partnership's income, which was consolidated into CTR's earnings, was only \$0.1 million in Q2 2006 (Q2 2005 - \$3.1 million). In addition, CTR expensed unamortized financing costs related to the note of \$0.7 million during Q2 2006. Excluding the factors related to the real estate limited partnership and the gain on disposals of property and equipment, CTR's adjusted earnings on a comparable basis for Q2 2006 would have been \$97.2 million (Q2 2005 - \$85.8 million) reflecting a 13.3% increase over comparable Q2 2005. The real estate limited partnership was subsequently liquidated on May 27, 2006.

2006 Targeted schedule of new store openings, store retrofits and expansions(2)

	Incremental square footage by quarter			New-format store openings(1)			Concept 20/20 retrofits / store expansions		
	Plans for 2006	2005	Change	Plans for 2006	2005	Change	Plans for 2006	2005	Change
Q1	111,000	95,000	16,000	2	5	(3)	-	-	-
Q2	537,000	127,000	410,000	2	4	(2)	34	1	33
Q3(2)	67,000	58,000	9,000	1	1	-	1	-	1
Q4(2)	596,000	386,000	210,000	15	8	7	18	10	8
	1,311,000	666,000	645,000	20	18	2	53	11	42

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

(2) 2006 figures for the third and fourth quarters are based on planned openings, real estate availability and other factors, and are subject to change.

3.2.2 Mark's Work Wearhouse

3.2.2.1 Strategic Plan update and 2006 outlook

The following outlines Mark's progress on the initiatives of our 2005-2009 Strategic Plan. These initiatives are explained in detail in our 2005 Annual

Mark's Work Wearhouse

Initiative	Strategic Plan Update	2006 Current Outlook
Grow sales and revenue	Mark's continues to focus on growing sales and revenue through implementation of its network development program, expansion of key product categories, and taking advantage of synergies available in the existing Canadian Tire network. At the end of the second quarter, Mark's total store count was 330, representing over 2.5 million in retail square footage. During the second quarter, Mark's expanded two franchise stores and four corporate stores. In addition, one Work World corporate store was converted to a Mark's corporate store, one Mark's franchise store was closed temporarily pending relocation and three Mark's corporate stores were closed.	As a result of the planned new store openings, relocations and renovations, Mark's plans to increase total system retail selling space to 2.8 million square feet by the end of 2006. Mark's original plan was to open 15 to 21 new stores in 2006 (including eight CTR-Mark's combination stores). As of Q2 2006, Mark's still plans to be in this range, however current forecasts show that they will complete two or three fewer CTR/Mark's combo stores than originally planned. Mark's plans to relocate, renovate or expand up to 24 stores by the end of 2006 but may exceed this plan by eight or nine stores, subject to real estate / lease space availability.
Expand category growth	In the second quarter, corporate store sales of: - women's wear increased 26.5 percent; - business to business wear increased 24.6 percent; and - health care apparel increased 27.2 percent.	Mark's goal in the 2005-2009 Strategic Plan is to continue to increase corporate store sales in women's wear, business-to-business and health care apparel. Collectively, Mark's has targeted 2006 total sales growth in excess of 15 percent for these high potential categories.
Utilize existing	At the end of the second quarter, there were 11	Mark's plans to continue expanding its network of

synergies	combination Canadian Tire-Mark's stores in the network, up from nine in the second quarter of 2005.	combination stores and to continue to identify ways to take advantage of synergies with other Canadian Tire business units.
Improve earnings	Mark's has continued to focus on improving margins through global sourcing and effective inventory management. During the second quarter margins remained relatively stable, down 20 basis points from 46.7 percent to 46.5 percent as these initiatives were partially offset by higher markdowns and shrinkage during the quarter. Year-to-date margins were 40 basis points above the prior year. During the second quarter, same store sales increased by 15.2 percent versus the second quarter of 2005.	Mark's plans to continue focusing on various margin improvement initiatives, including global sourcing and effective inventory management. Mark's plans to increase total same store sales by 5.8 percent in 2006 from the level achieved in 2005. Same store sales are currently running well ahead of plan.
Develop enhanced consumer awareness of the Mark's brand	Mark's has continued to focus on category initiatives and marketing of "Clothes That Work".	Mark's Plan entails a strong focus on making Mark's Work Wearhouse a national brand that people recognize and value for serving all of their everyday clothing needs.

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 growth

(year-over-year percentage change)	Q2 2006	Q2 2005	2006 YTD	2005 YTD
Total retail sales	16.0%	20.1%	14.0%	23.0%
Same store sales(1)	15.2%	16.4%	13.0%	19.5%

(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 regions Mark's delivered another quarter of retail sales increases in all regions across Canada, with particularly strong total retail sales in the prairies, which rose 20.2 percent, and British Columbia, which increased 18.6 percent. By detailed product category, the largest sales percentage increases in corporate store sales occurred in:

- women's woven shirts, 81.3 percent;
- women's accessories, 59.5 percent; and
- women's sweaters, 53.2 percent.

Sales were driven by the ongoing implementation of Mark's "Clothes That Work" marketing strategy, three new product launches, an additional "event night" for Father's Day (traditionally a strong sales period), and by ongoing category initiatives.

Average corporate store sales(1)

	For the 12 months ended, July 1, 2006	For the 12 months ended, July 2, 2005	For the 12 months ended, July 3, 2004
Sales per store (\$ thousands) (2)	\$2,526	\$2,233	\$1,954
Sales per square foot (\$) (3)	322	292	258

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

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

(3) Sales per square foot is based on 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, as measured by sales per store and sales per square foot, has continued its upward trend. The increase in sales productivity in the second quarter of 2006 was due to:

- effective marketing and advertising programs (including events that married gift cards and flyers) designed to increase customer visits and raise awareness of Mark's brands; and
- category initiatives, including three new product launches that introduced innovative products into the merchandise offerings.

3.2.2.3 Mark's financial results

(\$ millions)	Q2 2006	Q2 2005	Change	2006 YTD	2005 YTD	Change
Retail sales(1)	\$ 201.9	\$ 174.0	16.0%	\$ 353.6	\$ 310.2	14.0%
Gross operating revenue(2)	170.1	145.3	17.1%	298.8	260.1	14.9%
EBITDA(3)	25.0	16.7	49.6%	37.8	24.8	52.5%
Earnings before income taxes	20.3	12.7	60.1%	28.7	16.9	69.8%

(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 and improved expense rates as a percentage of sales drove Mark's increase in pre-tax earnings

The significant year-over-year improvement in Mark's pre-tax earnings in the second quarter was due to a 15.2 percent increase in same store sales and improved operating leverage. While Mark's gross margin rate softened by 20 basis points from the second quarter of 2005 (primarily attributable to higher markdowns and shrinkage), total expenses, as a percentage of corporate sales, improved by 350 basis points, demonstrating strong operating efficiency gains.

3.2.3 Canadian Tire Petroleum

3.2.3.1 Strategic Plan update and 2006 outlook

Among its strategic initiatives, Petroleum continues to focus on growing greater customer loyalty across the enterprise. Petroleum plays a key role in driving business to CTR through the issuance of Canadian Tire Money to customers purchasing gas who then redeem it at CTR stores. Financial Services also benefits from its association with Petroleum through significant receivables on all Canadian Tire MasterCard, including the Gas Advantage Card. CTR customers who have a Canadian Tire MasterCard and fill up at Petroleum are the Company's most loyal and profitable customers.

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

----- Canadian Tire Petroleum -----

Initiative	Strategic Plan Update	2006 Current Outlook
Network expansion	In the second quarter two existing gas bars were closed and no new locations were opened. At the end of the second quarter, Petroleum had 262 gas bars (including re-branded sites) in its network.	Petroleum plans to open a minimum of three new gas bars in 2006.
Re-branding	During the second quarter of 2006, the total number of re-branded sites remained unchanged at 44.	Petroleum plans to re-brand approximately 10 sites in 2006 as opportunities arise.
Non-gas business growth - convenience stores	Convenience stores sales increased 14.0 percent in the second quarter and are up 7.5 percent on a comparable store basis. Petroleum did not open any new stores and closed two existing stores during the quarter. At the end of the second quarter, Petroleum had a total of 248 convenience stores, two of which are Q convenience stores.	Convenience store sales are targeted to grow by approximately 10 percent in 2006. Petroleum plans to add a minimum of three new convenience stores in 2006 (excluding re-branded sites), including one additional Q convenience store.

Non-gas business growth - car washes	Total car wash sales increased 6.2 percent in the second quarter due to new site openings in previous quarters, but decreased by 6.7 percent on a comparable site basis due to higher gas prices, which impact non-gas discretionary sales such as car washes.	Total car wash sales were originally targeted to grow 20 percent in 2006 but are currently well short of that target, due in part to the impact that increased gasoline prices have on discretionary spending at Petroleum locations. Management is currently reviewing the level of investment in this category.
	During the quarter, Petroleum did not open any new car wash sites and at the end of the second quarter, the total of car wash locations remained unchanged at 73.	Petroleum currently plans to open between four and seven new car washes in 2006 (excluding re-branded sites).

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. Fluctuations in the wholesale and retail price of gasoline may result in fluctuations in Petroleum's margin and profitability.

Gasoline sales volume

	Q2 2006	Q2 2005	Change	2006 YTD	2005 YTD	Change
Sales volume (millions of litres)	418.0	411.6	1.5%	802.8	794.4	1.1%

Gasoline volume driven by new sites and the re-branding program

The cumulative effect of Petroleum's expansion plan, including the re-branding of competitors' sites and opening new locations in previous quarters, contributed to the small increase in total gasoline sales volume in the second quarter. Gasoline volume at comparable sites, however, decreased by 1.6 percent in the quarter. Management believes that the sustained higher retail price of gasoline is having an impact on consumer behavior and affecting sales volume.

3.2.3.3 Petroleum's financial results

(\$ in millions)	Q2 2006	Q2 2005	Change	2006 YTD	2005 YTD	Change
Retail sales	\$ 430.3	\$ 363.3	18.4%	\$ 784.3	\$ 676.2	16.0%
Gross operating revenue(1)	408.1	341.5	19.5%	743.2	635.3	17.0%
EBITDA(2)	2.5	3.6	(34.4)%	7.8	8.5	(9.2)%
Earnings (loss) before income taxes	(1.2)	0.1	(963.5)%	0.5	1.7	(72.6)%

Less adjustment for:

Loss on disposals of property and equipment	(0.2)	(0.1)	(0.3)	(0.2)
Adjusted earnings (loss) before income taxes (2)	\$ (1.0)	\$ 0.2	(616.9)%	\$ 0.8 \$ 1.9 (60.2)%

(1) Quarterly gross operating revenue numbers have been restated for the impact of "EIC-156" as required by the CICA. See section 8.3 for additional information.

(2) 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 prices and non-gas sales

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

- gasoline litre volume increase of 1.5 percent;
- higher gasoline prices at the pump; and
- increases in sales from our convenience stores, including the two Q stores.

Lower second quarter pre-tax earnings due to gasoline volume softness and tight margins as well as higher planned operating expenses

Gasoline volume softness and margin volatility continue to negatively affect operating performance, as does a recent acceleration in government regulation concerning tobacco sales and its consequent impact on tobacco volumes and margins; tobacco is a substantial component of convenience store sales. Higher planned operating costs due to network expansion over the past year also impacted earnings.

3.2.4 Canadian Tire Financial Services

3.2.4.1 Strategic Plan update and 2006 outlook

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

Canadian Tire Financial Services

Initiative	Strategic Plan Update	2006 Current Outlook
Increase market share of credit cards	Credit card receivables are driven by the number of accounts that carry a balance, and by the average balance per account. Gross average credit card receivables at the end of the second quarter increased 12.9 percent from the second quarter of 2005 to \$3.1 billion.	Financial Services plans to increase gross average credit card receivables to \$3.4 billion by the end of 2006.
Insurance and warranty	Revenues from insurance premiums and warranty	Financial Services plans to increase revenues from

products	products are ahead of target and have increased 12.8 percent during the second quarter of 2006 over the same period in the previous year.	insurance and warranty products by seven percent in 2006 by attracting new customers and adding complementary products to its portfolio.
Introduction and growth of personal loans	As of July 1, 2006, the personal loan portfolio comprised approximately 43,600 accounts with total managed receivables of \$264.1 million.	Financial Services is targeting total managed receivables for the personal loan portfolio of over \$240 million by the end of 2006.
Test new financial products and services	Financial Services is progressing on target with its plans to test new products and services.	Financial Services plans to test these new products and services by the end of 2006.

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 loans receivable

(\$ in millions, except where noted)	Q2 2006	Q2 2005	Change	2006 YTD	2005 YTD	Change
Average number of accounts with a balance (thousands)	1,846	1,780	3.7%	1,827	1,766	3.5%
Average account balance (\$)	\$ 1,829	\$ 1,661	10.1%	\$ 1,830	\$ 1,635	11.9%
Gross average receivables (GAR)	3,376.6	2,957.3	14.2%	3,345.0	2,887.2	15.9%
Total managed portfolio (end of period)				3,429.3	3,099.5	10.6%
Net managed portfolio (end of period)				3,393.3	3,069.5	10.5%

The total managed portfolio of loans receivable at the end of the second quarter of 2006 was 10.6 percent higher than at the end of the second quarter of 2005. This was the result of a 10.1 percent increase in the average account balance and a 3.7 percent increase in the number of accounts carrying a balance. This growth was also driven by the successful rollout of the new Gas Advantage MasterCard in Ontario and the expansion in the personal loan portfolio.

Financial Services' 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 2006	Q2 2005	Q2 2004
Total revenue as a % of GAR(2)	25.10%	26.13%	26.95%
Gross margin as a % of GAR(2)	13.17%	13.57%	14.62%
Operating expenses as a % of GAR(2)	8.10%	8.91%	9.72%
Return on average total managed portfolio(2), (3)	5.07%	4.66%	4.90%

(1) Figures are calculated on a rolling 12-month basis and include the total managed portfolio of loans receivable.

(2) Excludes gains (losses) on sales of loans receivable.

(3) Return is calculated as earnings before taxes as a percentage of GAR.

Financial Services' total revenue and gross margin as a percentage of gross average receivables are 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 offset through continued reductions in our operating expense ratio. Financial Services has planned a pre-tax return on its total managed portfolio in the target range of 4.5 to 5.0 percent and, as in the first quarter of the year, was running slightly ahead of that targeted range in the second quarter.

Portfolio quality

	Q2 2006	Q2 2005	Q2 2004
Net write-off rate (rolling 12-month basis)	5.95%	5.96%	5.80%
Account balances less than 30 days overdue at end of period	96.39%	96.63%	96.39%
Allowance rate	2.47%	2.40%	2.39%

Net write-offs for the total managed portfolio were 5.95 percent on a 12-month rolling basis, flat with the 12-month period ending in the second quarter of 2005 and still within the targeted five percent to six percent range. The seven basis point increase in the portfolio allowance rate reflects the impact of a marginal deterioration in portfolio aging compared to the second quarter of 2005 and the impact of a planned lower rate of total portfolio growth in 2006 versus 2005. Periodic fluctuations in write-offs, aging and allowances will occur as a result of a variety of economic influences such as job growth/losses, personal debt levels and personal bankruptcy rates.

3.2.4.3 Financial Services' financial results

(\$ in millions)	Q2 2006	Q2 2005	Change	2006 YTD	2005 YTD	Change
Gross operating revenue	\$ 179.6	\$ 170.2	5.5%	\$ 341.3	\$ 321.4	6.2%
EBITDA(1)	54.0	50.2	7.7%	89.6	81.5	10.0%
Earnings before income taxes	44.5	43.4	2.7%	73.9	69.2	6.8%
Less adjustment for:						
Gain on redemption of investment	6.9	-		6.9	-	

Loss on disposals of property and equipment	(0.2)	(0.1)	(0.3)	(0.3)
Gain (loss) on sales of loans receivable	(3.4)	8.5	(16.1)	6.8

Adjusted earnings before income taxes(1)	\$ 41.2	\$ 35.0	17.8%	\$ 83.4 \$ 62.7 33.1%

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

3.2.4.4 Explanation of Financial Services' financial results

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

Gross average receivables at the end of the second quarter of 2006 were 14.2 percent higher than at the end of the second quarter of 2005. This increase in the loan portfolio is attributed primarily to growth in average balances and an increase in the number of accounts carrying a balance. In line with expectations, revenue growth lagged receivable growth due to the changing mix of the portfolio towards lower rate cards and personal loans. Related growth in ancillary services, including creditor insurance and warranty products marketed to cardholders, also contributed to Financial Services' revenue increase in the quarter.

Earnings growth driven by increased revenues, lower operating expense ratio and non-operating items

Financial Services' pre-tax earnings increased 2.7 percent in the second quarter due to higher revenue and an 81 basis point improvement in the operating expense ratio.

Pre-tax earnings of Financial Services were also increased by a gain of \$6.9 million for the redemption of a share interest in MasterCard International. Financial Services earned the shares based on performance as a member of MasterCard International and was entitled to the share redemption payment when MasterCard became a public company in Q2 2006.

Partially offsetting these factors was a securitization loss of \$3.4 million (as compared with a gain of \$8.5 million in the second quarter of 2005). This is the result of a lower volume of receivables securitized in the quarter that were subject to AcG 12 accounting than in the second quarter of the prior year as well as a revision to the current factors used to calculate the gains/losses. See section 4.2 for additional details.

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 2005-2009 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 2005-2009 Strategic Plan.

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

Capital structure

(composition of total structure)	At July 1, 2006	At July 2, 2005	At December 31, 2005

Shareholders' equity	65.7%	60.0%	57.8%

Minority interest(1)	-	7.5%	6.9%
Long-term debt(2)	29.3%	29.4%	31.7%
Other long-term liabilities	2.8%	1.4%	1.5%
Future income taxes	2.2%	1.7%	2.1%
	100.0%	100.0%	100.0%

(1) Minority interest was eliminated in the second quarter of 2006 due to the redemption of the partnership interest on April 3, 2006, as noted below.

(2) Long-term debt includes current portion of long-term debt.

Equity

The book value of Common and Class A Non-Voting Shares at the end of the quarter was \$32.25 per share compared to \$29.14 at the end of the second quarter of 2005.

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 9, 2006, we announced our intention to initiate a normal course issuer bid (NCIB) to purchase up to 2.0 million of the issued and outstanding Class A Non-Voting Shares over the 12-month period ending February 18, 2007.

A 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. A total of approximately 1.3 million Class A Non-Voting shares were purchased in 2005 under the previous NCIB.

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 was 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 was entitled to a cumulative, quarterly preferred distribution on its capital account (approximately 4.89 percent year-to-date, up to the date of note repayment (2005 - 3.84 percent)) and the partnership followed a full distribution policy. The partnership invested in the retail properties by way of a note and equity in an entity that owned the portfolio of properties. The partnership had an indefinite life, but could be liquidated in certain circumstances including shortfalls in cash flows generated by the retail properties and repayment of the note. The assets and liabilities, results of operations and cash flows of the partnership were included in the financial statements of the Company. The preferred interest was treated as minority interest on the Consolidated Balance Sheets and in the Consolidated Statements of Earnings.

On April 3, 2006, the note was repaid and the equity was redeemed. The limited partnership repaid the limited partners. Accordingly, the minority interest ceased to be reflected on the Consolidated Balance Sheets after April 3, 2006, and no further charge was reflected in the Consolidated Statements of Earnings after April 3, 2006.

Shares outstanding

	At July 1, 2006	At July 2, 2005
Class A Non-Voting Shares (CTC.a)		
Shares outstanding at beginning of year	78,032,724	77,699,631
Shares issued under plans(1)	678,247	968,160

Shares purchased under NCIB	(593,400)	-
Shares outstanding at end of period	78,117,571	78,667,791
Common Shares (CTC)		
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 \$13.5 million were declared on Common and Class A Non-Voting Shares in the second quarter compared to \$11.8 million in the second quarter of 2005. The increase in dividends declared reflected the Board of Directors' decision in February 2006 to increase the annual dividend rate by 14 percent from \$0.58 per share to \$0.66 per share. The second quarterly dividend at the new rate was declared on May 11, 2006 in the amount of \$0.165 per share payable on September 1, 2006 to shareholders of record as of July 31, 2006.

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 1, 2006, December 31, 2005 or July 2, 2005.

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 1, 2006, we had \$645 million in committed lines of credit, compared to \$570 million at July 2, 2005 and December 31, 2005. None of the committed lines was 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 January 16, 2006 we repaid \$200 million of MTNs that had matured.

As of the end of the second quarter of 2006, long-term debt included \$3.9 million of capital leases.

Like most borrowers, we provide covenants to our lenders. We are in compliance with all of our debt covenants.

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 2006, the primary sources of funding were:

- \$256 million of cash on hand at the beginning of the quarter;
- \$213 million of cash generated from operations in the second quarter; and
- \$269 million of cash generated from reductions in working capital.

2006 Capital program

Canadian Tire's capital expenditures totaled \$76 million in the second quarter, a 17 percent increase from the \$65 million spent in the same quarter of 2005.

Capital expenditures during the quarter included:

- \$49 million for real estate projects, including \$45 million associated with the roll out of CTR's new-format stores
- \$10 million for CTR Information Technology;

- \$6 million for Mark's;
- \$3 million for Petroleum gas bars and car washes;
- \$2 million for Financial Services; and
- \$6 million for other purposes.

We expect to incur capital expenditures of \$500 million to \$525 million in 2006. Financial Services expects to securitize approximately \$550 million of loans receivable in 2006 through its securitization program which is discussed in more detail below.

Working capital

As part of our financial flexibility imperative, reducing our working capital requirements 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 2006 and 2005.

Comparable working capital components

(\$ in millions)	At July 1, 2006	At July 2, 2005	Increase/ (decrease) in working capital
Accounts receivable	\$ 382.1	\$ 416.3	\$ (34.2)
Merchandise inventories	817.4	734.7	82.7
Prepaid expenses and deposits	58.8	51.6	7.2
Income taxes payable	(28.2)	(32.9)	4.7
Accounts payable and other	(1,025.7)	(979.2)	(46.5)
			\$ 13.9

The most significant change in working capital components was an increase in merchandise inventories that was due, in part, to an increase in the level of product imports and timing of purchases.

Cash and cash equivalents

At July 1, 2006, we held \$93 million of cash and cash equivalents compared to \$838 million at December 31, 2005 and \$172 million at July 2, 2005. This change reflects the seasonal fluctuations in cash balances, particularly at year-end when cash balances are high. During the second quarter of 2006, we used cash primarily for the following:

- \$300 million to redeem limited partnership interests,
- \$193 million to fund further growth in loans receivable;
- \$76 million for the addition of property and equipment; and
- \$68 million for the reduction in securitization of loans receivable.

Loans receivable

Our loans receivable securitization program is designed to provide a cost-effective, source of funding for Financial Services.

Net managed loans receivable

(\$ in millions)	At July 1, 2006	At July 2, 2005	At December 31, 2005
Securitized	\$ 2,540.3	\$ 2,274.1	\$ 2,628.9
Unsecuritized	853.0	795.4	731.0
Net managed loans receivable	\$ 3,393.3	\$ 3,069.5	\$ 3,359.9

Net managed loans receivable continued to increase over the last twelve months as customers' use of the Canadian Tire MasterCard grew and new personal

loans were granted. At the end of the second quarter of 2006, net managed loans receivable were 10.5 percent higher than at the end of the second quarter of 2005.

Following the provisions of the CICA's Accounting Guideline 12 (AcG-12), "Transfers of Receivables", 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. Please see note 2 to the Consolidated Financial Statements found in our 2005 Annual Report for further information.

For the 13 weeks ended July 1, 2006, we recognized a pre-tax loss of \$3.4 million (July 2, 2005 - \$8.5 million pre-tax gain) on such securitization transactions.

We expect the growth in the number and average balances of Canadian Tire MasterCard credit card accounts to lead to an increase in total loans receivable in 2006. Financial Services expects to continue to fund most of this increase from the sale of co-ownership interests in credit card receivables to 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 1, 2006, GCCT had the following ratings:

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

The Canada Trust Company is the trustee and custodian for GCCT, manages the co-ownership interest and acts as agent for, and on behalf of, Canadian Tire Bank and GCCT, as the owners of the co-ownership interests. BNY Trust Company of Canada acts as indenture trustee with respect to GCCT and manages the security interests of the holders of the senior and subordinated notes. We are currently not aware of any events, commitments, trends or uncertainties that may have a negative impact on our arrangement with GCCT.

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.

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

	At July 1, 2006	At July 2, 2005
Ratio of long-term debt to total capitalization(1)	29.3%	29.4%
Ratio of current assets to current liabilities	2.1:1	1.6:1
Interest coverage(2)	7.8 times	6.8 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.

4.4 Foreign operations

Since the late 1970's the Company has established operations outside of Canada for a variety of business purposes. This has resulted in a portion of the Company's capital and accumulated earnings being in wholly-owned foreign subsidiaries. As there are currently no plans to repatriate the capital and earnings, any Canadian and foreign taxes that might arise upon such repatriation have not been provided for. These funds have been accumulated in

the following international operations:

- a) U.S. based subsidiaries hold highly rated short-term securities and loans to the Company and its wholly owned Canadian subsidiaries. The capital and earnings of these companies arose from investments made to offset net operating losses incurred by U.S. retail operations closed in the 1980's and 1990's and from the reinsurance of risks relating to certain insurance products marketed to customers of Financial Services and other reinsurance activities.
- b) Subsidiaries operating in the Far East have provided the Company with a variety of important services related to product sourcing, logistics and vendor management in the People's Republic of China and other countries in the region. These subsidiaries have earned commissions for such services for over 20 years.
- c) A Bermuda-based reinsurance company was established in 2004 to reinsure the risk of certain insurance products marketed to customers of the Financial Services group. In addition to its reinsurance activities, this company invests in highly rated short-term securities and makes loans to the Company.

5.0 Off-balance sheet arrangements

We had the following off-balance sheet arrangements as at July 1, 2006:

Glacier Credit Card Trust 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 7.2 of our 2005 Annual Report for additional information on Glacier Credit Card Trust.

As previously discussed in section 4.2 of this MD&A, we sold a portion of our personal loans portfolio to a third party trust. Refer to section 7.2 of the MD&A in our 2005 Annual Report for additional information.

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 8.3 of our 2005 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 8.4 of our 2005 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 8.5 of our 2005 Annual Report for additional information on derivative financial instruments.

6.0 Enterprise risk management

In 2003, we introduced an enterprise risk management framework (ERM) for evaluating, prioritizing and managing risk effectively and consistently across the organization. The principal risks addressed within the ERM framework are:

- Technology - critical business systems
- Product quality
- Consumer credit
- Competitive
- Economic
- Hazards, disasters and business interruptions
- Legislative compliance
- Geopolitical events
- Accounting, valuation and reporting
- Disclosure
- Capital
- Financial instruments
- Effective management
- Ethical business practice

Management reviews risks on an ongoing basis and did not identify any new principal risks during the second quarter of 2006. In the second half of 2006, Management will be developing policies to further strengthen and clearly articulate the governance and authorities required to ensure that risk is appropriately addressed by the Company and its business units.

The ERM framework is described in detail in section 9.0 of the MD&A in our 2005 Annual Report.

7.0 Contractual obligations

Contractual obligations due by period

(\$ in millions)	Total	In the remaining six months of 2006	In years 2007 - 2008	In years 2009 - 2010	After 2010
Long-term debt	\$1,169.9	\$ 0.9	\$ 152.7	\$ 151.5	\$ 864.8
Capital lease obligations	3.9	1.2	2.4	0.3	-
Operating leases	1,788.5	102.5	350.6	291.6	1,043.8
Purchase obligations	732.9	685.7	30.1	13.3	3.8
Other obligations	20.6	2.3	7.1	3.7	7.5
Total contractual obligations	\$3,715.8	\$ 792.6	\$ 542.9	\$ 460.4	\$1,919.9

8.0 Changes in accounting policies

8.1 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 section 8.3 of the MD&A in our 2005 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 1, 2006.

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 material.

8.2 Foreign currency translation of foreign subsidiaries

Due to a change in the nature and extent of certain foreign subsidiaries' operations, the Company has determined that these subsidiaries are now considered to be integrated operations under the definition provided in Section 1650 of the CICA Handbook. Accordingly, effective from the third quarter of 2005, the accounts of those affected subsidiaries, previously translated using the current rate method, are now translated using the temporal method. Under this method exchange gains or losses resulting from translating the foreign currency denominated financial statements to Canadian dollars are included in income during the period instead of being treated as a

separate component of shareholders' equity. The financial impact of the change in the method of translation, which was accounted for prospectively, was not material.

8.3 Consideration to customers

Effective January 1, 2006, the Company implemented, on a retroactive basis, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants' Abstract 156 (EIC-156) "Accounting by a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)". This Abstract requires a vendor to generally record cash consideration given to a customer as a reduction to the selling price of the vendor's products or services and reflect it as a reduction of revenue when recognized in the income statement. Certain exceptions apply where the vendor receives an identifiable benefit in exchange for the consideration and the vendor can reasonably estimate the fair value of the identifiable benefit. The Abstract must be applied retroactively to annual and interim financial statements beginning on or after January 1, 2006.

As a result of the retroactive implementation of this new standard, the impact on the Consolidated Statement of Earnings for the 13 weeks ended July 1, 2006 was to decrease both "gross operating revenue" and "cost of merchandise sold and all other operating expenses except for the undernoted items" by \$14.8 million (July 2, 2005 - \$11.8 million). For the 26 weeks ended July 1, 2006, both "gross operating revenue" and "cost of merchandise sold and all other operating expenses except for the undernoted items" were decreased by \$27.2 million (2005 - \$22.5 million). There was no impact on net earnings or earnings per share.

8.4 Financial instruments

During 2005, the CICA issued three new Handbook Sections: Section 3855, "Financial Instruments - Recognition and Measurement", Section 3865, "Hedges" and Section 1530, "Comprehensive Income". These standards provide guidance on the recognition, measurement and classification of financial assets and financial liabilities. The new standards also establish new accounting requirements for hedges. Any ineffectiveness of designated hedges will be recognized immediately in income. These standards also provide guidance for reporting items in other comprehensive income, which will be included on the Consolidated Balance Sheets as a separate component of shareholders' equity. These accounting standards are to be applied no later than the fiscal years beginning on or after October 1, 2006. We are currently evaluating the potential impact of these new standards on our Consolidated Financial Statements for 2007.

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)

(\$ in millions)	Q2 2006	Q2 2005	YTD 2006	YTD 2005
EBITDA and minority interest				
CTR	\$ 161.4	\$ 147.6	\$ 258.9	\$ 233.6
Financial Services	54.0	50.2	89.6	81.5
Petroleum	2.5	3.6	7.8	8.5
Mark's	25.0	16.7	37.8	24.8
Eliminations	(13.1)	(7.5)	(20.6)	(12.7)
Total EBITDA and minority interest	\$ 229.8	\$ 210.6	\$ 373.5	\$ 335.7
Less: Depreciation and amortization expense				
CTR	\$ 36.6	\$ 34.6	\$ 72.5	\$ 68.7
Financial Services	3.1	3.3	6.3	6.5
Petroleum	3.7	3.5	7.3	6.8
Mark's	3.8	3.4	7.7	6.8
Total depreciation and amortization expense	\$ 47.2	\$ 44.8	\$ 93.8	\$ 88.8
Interest expense				
CTR	\$ 26.9	\$ 20.8	\$ 50.0	\$ 47.7
Financial Services	6.4	3.5	9.4	5.8
Mark's	0.9	0.6	1.4	1.1
Eliminations	(13.1)	(7.5)	(20.6)	(12.7)
Total interest expense	\$ 21.1	\$ 17.4	\$ 40.2	\$ 41.9
Earnings before income taxes and minority interest				
CTR	\$ 97.9	\$ 92.2	\$ 136.4	\$ 117.2
Financial Services	44.5	43.4	73.9	69.2
Petroleum	(1.2)	0.1	0.5	1.7
Mark's	20.3	12.7	28.7	16.9
Total earnings before income taxes and minority interest	\$ 161.5	\$ 148.4	\$ 239.5	\$ 205.0

(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 loans receivable 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 and in the second quarter of 2006, non-operating items included the gain on redemption of an interest in MasterCard.

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 consist of 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.

Comparable store sales consist of 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.

2006 SECOND QUARTER
INTERIM REPORT FINANCIALS

Consolidated Statements of Earnings and Retained Earnings (Unaudited)

(Dollars in millions except per share amounts)	13 weeks ended, July 1, 2006		26 weeks ended, July 1, 2006	
	July 2, 2005		July 2, 2005	
	(Restated - Note 2)		(Restated - Note 2)	
Gross operating revenue	\$ 2,247.6	\$ 2,020.6	\$ 3,819.7	\$ 3,528.7
Operating expenses				
Cost of merchandise sold and all other operating expenses except for the undernoted items	2,008.5	1,801.7	3,433.0	3,181.7
Interest				
Long-term debt (Note 4)	19.5	15.7	38.2	39.2
Short-term debt	1.6	1.7	2.0	2.7
Depreciation and amortization	47.2	44.8	93.8	88.8
Employee profit sharing plan	9.3	8.3	13.2	11.3
Total operating expenses	2,086.1	1,872.2	3,580.2	3,323.7
Earnings before income taxes and minority interest	161.5	148.4	239.5	205.0
Income taxes	58.1	54.4	86.2	73.8
Net earnings before minority interest	103.4	94.0	153.3	131.2
Minority interest (Note 10)	0.1	1.8	2.4	3.7
Net earnings	\$ 103.3	\$ 92.2	\$ 150.9	\$ 127.5
Basic earnings per share	\$ 1.27	\$ 1.13	\$ 1.85	\$ 1.56
Diluted earnings per share (Note 6)	\$ 1.25	\$ 1.11	\$ 1.83	\$ 1.54
Weighted average number of Common and Class A Non-Voting				

Shares outstanding	81,588,883	81,792,444	81,536,377	81,547,277
Retained earnings, beginning of period			\$ 1,812.6	\$ 1,546.9
Net earnings			150.9	127.5
Dividends			(26.9)	(23.7)
Repurchase of Class A Non-Voting Shares (Note 7)			(12.2)	(1.2)
Retained earnings, end of period			\$ 1,924.4	\$ 1,649.5

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)	13 weeks ended,		26 weeks ended,	
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Cash generated from (used for) :				
Operating activities				
Net earnings	\$ 103.3	\$ 92.2	\$ 150.9	\$ 127.5
Items not affecting cash				
Net provision for loans receivable	59.1	48.9	115.1	106.4
Depreciation and amortization of property and equipment	46.6	43.9	92.5	87.0
Loss (gain) on sales of loans receivable (Note 3)	3.4	(8.5)	16.1	(6.8)
Amortization of other assets	1.9	1.4	3.2	3.2
Other	-	(0.6)	0.3	(0.1)
Gain on disposals of property and equipment	(0.9)	(3.2)	(4.0)	(3.5)
Cash generated from operations	213.4	174.1	374.1	313.7
Changes in other working capital components	268.7	163.8	(449.0)	(658.3)
Cash generated from (used for) operating activities	482.1	337.9	(74.9)	(344.6)
Investing activities				
Investment in loans receivable	(193.3)	(295.0)	(150.0)	(317.5)
Additions to property and equipment	(75.8)	(64.6)	(135.7)	(143.0)

Securitization of loans receivable	(68.2)	166.3	(90.0)	66.4
Long-term receivables and other assets	2.6	(3.0)	(2.7)	(1.5)
Other	(1.5)	(0.3)	(2.6)	(0.5)
Proceeds on disposition of property and equipment	6.2	5.1	243.5	8.8
Cash used for investing activities	(330.0)	(191.5)	(137.5)	(387.3)
Financing activities				
Issuance of long-term debt	0.9	300.0	0.9	315.6
Class A Non-Voting Share transactions (Note 7)	(0.9)	22.3	(5.6)	36.8
Dividends	(13.5)	(11.8)	(25.3)	(22.0)
Repayment of long-term debt (Note 4)	(1.2)	(1.7)	(202.7)	(228.3)
Repayment of limited partnership interest (Note 10)	(300.0)	-	(300.0)	-
Commercial paper	-	(337.0)	-	-
Cash generated from (used for) financing activities	(314.7)	(28.2)	(532.7)	102.1
Cash generated (used) in the period	(162.6)	118.2	(745.1)	(629.8)
Cash and cash equivalents, beginning of period	255.5	54.2	838.0	802.2
Cash and cash equivalents, end of period	\$ 92.9	\$ 172.4	\$ 92.9	\$ 172.4

Consolidated Balance Sheets (Unaudited)

(Dollars in millions) As at	July 1, 2006	July 2, 2005	December 31, 2005
ASSETS			
Current assets			
Cash and cash equivalents	\$ 92.9	\$ 172.4	\$ 838.0
Accounts receivable	382.1	416.3	652.8
Loans receivable (Note 3)	781.7	603.6	720.8
Merchandise inventories	817.4	734.7	675.5
Prepaid expenses and deposits	58.8	51.6	42.4
Future income taxes	43.6	24.6	43.6

Total current assets	2,176.5	2,003.2	2,973.1
Long-term receivables and other assets (Note 3)	185.0	267.9	140.0
Goodwill	46.2	41.9	46.2
Intangible assets	52.4	52.4	52.4
Property and equipment	2,596.6	2,636.0	2,743.9
Total assets	\$ 5,056.7	\$ 5,001.4	\$ 5,955.6
LIABILITIES			
Current liabilities			
Accounts payable and other	\$ 1,025.7	\$ 979.2	\$ 1,545.5
Income taxes payable	28.2	32.9	71.2
Current portion of long-term debt (Note 4)	3.7	205.1	204.3
Total current liabilities	1,057.6	1,217.2	1,821.0
Long-term debt (Note 4)	1,170.1	969.6	1,171.3
Future income taxes	89.0	67.2	89.0
Other long-term liabilities (Note 14)	110.6	55.5	63.2
Total liabilities	2,427.3	2,309.5	3,144.5
Minority interest (Note 10)	-	300.0	300.0
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	709.3	747.0	702.7
Contributed surplus	1.4	1.3	1.5
Accumulated foreign currency translation adjustment	(5.7)	(5.9)	(5.7)
Retained earnings	1,924.4	1,649.5	1,812.6
Total shareholders' equity	2,629.4	2,391.9	2,511.1
Total liabilities, minority interest and shareholders' equity	\$ 5,056.7	\$ 5,001.4	\$ 5,955.6

Notes to the Consolidated Financial Statements (Unaudited)

1. Basis of presentation

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 (up until April 3, 2006 - see Note 10), collectively referred to as 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 December 31, 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 income taxes, 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. Accounting policies

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 December 31, 2005, except as noted below.

Effective January 1, 2006, the Company implemented, on a retroactive basis, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants' Abstract 156 (EIC-156) "Accounting by a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)". This Abstract requires a vendor to generally record cash consideration given to a customer as a reduction to the selling price of the vendor's products or services and reflect it as a reduction of revenue when recognized in the income statement. Certain exceptions apply where the vendor receives an identifiable benefit in exchange for the consideration and the vendor can reasonably estimate the fair value of the identifiable benefit. The Abstract must be applied retroactively to annual and interim financial statements beginning on or after January 1, 2006.

As a result of the retroactive implementation of this new standard, the impact on the Consolidated Statements of Earnings for the 13 weeks ended July 1, 2006 was to decrease both "gross operating revenue" and "cost of merchandise sold and all other operating expenses except for the undernoted items" by \$14.8 million (2005 - \$11.8 million). For the 26 weeks ended July 1, 2006, both "gross operating revenue" and "cost of merchandise sold and all other operating expenses except for the undernoted items" were decreased by \$27.2 million (2005 - \$22.5 million). There was no impact on net earnings or earnings per share.

3. Loans Receivable

The Company sells pools of loans receivable ("the Loans") to third party trusts ("the Trusts") in transactions known as securitizations. Loans include both credit card and personal loans receivable. The transactions are accounted for as sales in accordance with Accounting Guideline 12, "Transfers of Receivables" ("AcG-12"), and the Loans are removed from the Consolidated Balance Sheets. The Company retains the interest-only strip, and for the personal loan securitization, a subordinated interest in the loans sold (the "seller's interest") and cash deposited with one of the Trusts (the "securitization reserve"), all of which are retained interests. The seller's interest and securitization reserve provide that Trust with a source of funds in the event that the interest and principal collected on the Loans is not sufficient to pay the Trust's creditors. The Trusts' recourse to the Company is limited to the retained interests. The Company also assumes responsibility for servicing the Loans, for which it does not receive any direct compensation.

The proceeds of the sale are deemed to be the cash received, interest-only strip and securitization reserve, less any servicing obligation assumed. The proceeds are allocated between the Loans, interest-only strip, seller's interest and securitization reserve based on their relative fair value at the date of sale, with any excess or deficiency recorded as a gain or loss on sale respectively. The Company estimates fair values by discounting future cash flows or comparing the appropriate yield curves to matching maturity terms. Retained interests are measured at fair value and are reviewed for impairment on a quarterly basis. For the 13 weeks ended July 1, 2006, the Company recognized a pre-tax loss of \$3.4 million (2005 - \$8.5 million pre-tax gain) on the securitization of the Loans. For the 26 weeks ended July 1, 2006, the Company recognized a pre-tax loss of \$16.1 million (2005 - \$6.8 million pre-tax gain).

As the Company does not control the Trusts, they have not been consolidated in these financial statements.

Quantitative information about loans receivable managed and securitized by the Company is as follows:

(Dollars in millions)			Average balances	
	Total principal amount of receivables as at(1)			for the 26 weeks ended
	July 1, 2006	July 2, 2005	December 31, 2005	July 1, 2006
	-----	-----	-----	-----
Total net managed credit card portfolio	\$3,133.2	\$2,826.4	\$3,143.4	\$3,048.8
Credit card receivables sold	(2,376.5)	(2,274.1)	(2,422.8)	(2,366.5)
	-----	-----	-----	-----
Credit card receivables held	756.7	552.3	720.6	682.3
Total net managed personal loans(2)	260.1	243.1	216.5	259.7
Personal loans sold	(163.8)	-	(206.1)	(185.3)
	-----	-----	-----	-----
Personal loans held	96.3	243.1	10.4	74.4
	-----	-----	-----	-----
Total Loans receivable	853.0	795.4	731.0	\$ 756.7

Less: long-term portion(3)	71.3	191.8	10.2	
	-----	-----	-----	
Current portion of loans receivable	\$ 781.7	\$ 603.6	\$ 720.8	
	-----	-----	-----	

(1) Amounts shown are net of allowance for credit losses.

(2) Personal loans are unsecured loans that are provided to qualified existing credit cardholders for terms of three to five years. Personal loans have fixed monthly payments of principal and interest; however, the personal loans can be repaid at any time without penalty.

(3) The long-term portion of loans receivable is included in "Long-term receivables and other assets".

Net credit losses for the 13 weeks ended July 1, 2006 were \$50.5 million (2005 - \$45.3 million). Net credit losses for the 26 weeks ended July 1, 2006 were \$101.7 million (2005 - \$89.2 million). Net credit losses are charge-offs net of recoveries and are based on the total managed portfolio of loans receivable.

4. Long-Term Debt

On January 16, 2006, medium term notes totaling \$200.0 million matured and were repaid.

On March 31, 2006, a mortgage payable on a shopping centre in Kitchener, Ontario with a maturity date of October 2011 and an interest rate of 7.6 percent that was assumed in 2005, was refinanced with a promissory note with the same terms and conditions. The promissory note is secured by a portfolio of bonds and cash totaling \$16.7 million, which is included in long-term receivables and other assets.

5. Employee Future Benefits

The net employee future benefit expense for the 13 weeks and 26 weeks ended July 1, 2006 was \$1.8 million (2005 - \$1.3 million) and \$3.6 million (2005 - \$2.6 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:

	13 weeks ended July 1, 2006	13 weeks ended July 2, 2005	26 weeks ended July 1, 2006	26 weeks ended July 2, 2005
Average number of shares for basic earnings per share calculations	81,588,883	81,792,444	81,536,377	81,547,277
Dilutive options	759,574	1,191,079	834,223	1,250,963
Average number of shares for diluted earnings per share calculations	82,348,457	82,983,523	82,370,600	82,798,240

7. Share Capital

(Dollars in millions)	July 1, 2006	July 2, 2005	December 31, 2005
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares			
(July 2, 2005 - 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
78,117,571 Class A Non-Voting Shares			
(July 2, 2005 - 78,667,791)	709.1	746.8	702.5
	\$ 709.3	\$ 747.0	\$ 702.7

The Company issues and repurchases Class A Non-Voting Shares. 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 1, 2006		26 weeks ended July 2, 2005	
	Number	\$	Number	\$
Shares outstanding at the beginning of the period	78,032,724	702.5	77,699,631	708.8
Issued	678,247	33.4	968,160	36.8
Repurchased	(593,400)	(39.0)	-	-
Excess of repurchase price over issue price	-	12.2	-	1.2
Shares outstanding at the end of the period	78,117,571	709.1	78,667,791	746.8

8. Stock-based Compensation Plans

Stock options (referred to as "stock options with tandem stock appreciation rights") have been granted in 2006, with a feature that enables the employee to exercise the stock option or receive a cash payment equal to the difference between the market price of a Class A Non-Voting share at the exercise date and the exercise price of the stock option. As the employee can demand settlement in cash and the Company is obligated to pay cash upon demand, compensation expense is accrued over the vesting period of the stock options based on the expected total compensation to be paid upon the stock options being exercised. The compensation expense recorded for the 13 weeks and 26 weeks ended July 1, 2006 was \$0.1 million and \$0.1 million, respectively.

For a description of the Company's stock-based compensation plans, see the most recent annual audited financial statements for the year ended December 31, 2005.

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 CICA 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 1, 2006	13 weeks ended July 2, 2005	26 weeks ended July 1, 2006	26 weeks ended July 2, 2005
Net Earnings:				
As reported	\$ 103.3	\$ 92.2	\$ 150.9	\$ 127.5
Pro forma	\$ 103.3	\$ 91.9	\$ 150.6	\$ 126.9

Basic Earnings per Share:

As reported	\$	1.27	\$	1.13	\$	1.85	\$	1.56
Pro forma	\$	1.27	\$	1.12	\$	1.85	\$	1.56

Diluted Earnings per Share:

As reported	\$	1.25	\$	1.11	\$	1.83	\$	1.54
Pro forma	\$	1.25	\$	1.11	\$	1.83	\$	1.53

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 was 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 was entitled to a cumulative, quarterly preferred distribution on its capital account (approximately 4.89% annualized year to date up to the date of Note repayment (2005 - 3.84%)) and the partnership followed 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 had an indefinite life, but could be liquidated in certain circumstances including shortfalls in cash flows generated by the retail properties and repayment of the note. The assets and liabilities, results of operations and cash flows of the partnership were included in the financial statements of the Company. The preferred interest was treated as minority interest on the Consolidated Balance Sheets and in the Consolidated Statements of Earnings.

On April 3, 2006, the note was repaid and the equity was redeemed. The limited partnership repaid the limited partners. Accordingly, the minority interest ceased to be reflected on the Consolidated Balance Sheets after April 3, 2006, and no further charge has been reflected in the Consolidated Statements of Earnings after April 3, 2006.

11. Segmented Information - Income Statement

	13 weeks ended July 1, 2006	13 weeks ended July 2, 2005 (Restated Note 2)	26 weeks ended July 1, 2006	26 weeks ended July 2, 2005 (Restated Note 2)
(Dollars in millions)				
Gross operating revenue(1)				
CTR	\$ 1,518.8	\$ 1,384.3	\$ 2,488.0	\$ 2,350.2
Financial Services	179.6	170.2	341.3	321.4
Petroleum	408.1	341.5	743.2	635.3
Mark's	170.1	145.3	298.8	260.1
Eliminations	(29.0)	(20.7)	(51.6)	(38.3)
Total gross operating revenue	\$ 2,247.6	\$ 2,020.6	\$ 3,819.7	\$ 3,528.7
Earnings (loss) before income taxes and minority interest				

CTR	\$	97.9	\$	92.2	\$	136.4	\$	117.2
Financial Services		44.5		43.4		73.9		69.2
Petroleum		(1.2)		0.1		0.5		1.7
Mark's		20.3		12.7		28.7		16.9
Total earnings before income taxes and minority interest	\$	161.5	\$	148.4	\$	239.5	\$	205.0
Income taxes		58.1		54.4		86.2		73.8
Minority interest		0.1		1.8		2.4		3.7
Net earnings	\$	103.3	\$	92.2	\$	150.9	\$	127.5
Interest expense								
CTR	\$	26.9	\$	20.8	\$	50.0	\$	47.7
Financial Services		6.4		3.5		9.4		5.8
Petroleum		-		-		-		-
Mark's		0.9		0.6		1.4		1.1
Eliminations		(13.1)		(7.5)		(20.6)		(12.7)
Total interest expense	\$	21.1	\$	17.4	\$	40.2	\$	41.9
Depreciation and amortization expense								
CTR	\$	36.6	\$	34.6	\$	72.5	\$	68.7
Financial Services		3.1		3.3		6.3		6.5
Petroleum		3.7		3.5		7.3		6.8
Mark's		3.8		3.4		7.7		6.8
Total depreciation and amortization expense	\$	47.2	\$	44.8	\$	93.8	\$	88.8

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

Segmented Information - Total Assets

(Dollars in millions)	As at July 1, 2006	As at July 2, 2005	As at December 31, 2005
CTR	\$ 3,896.8	\$ 3,801.2	\$ 4,604.7
Financial Services	1,472.9	1,327.7	1,350.9
Petroleum	239.2	212.8	494.5
Mark's	367.4	316.2	342.9
Eliminations	(919.6)	(656.5)	(837.4)
Total	\$ 5,056.7	\$ 5,001.4	\$ 5,955.6

12. Supplementary Cash Flow Information

The Company paid income taxes during the 13 weeks ended July 1, 2006, amounting to \$51.3 million (2005 - \$38.5 million) and made interest payments of \$27.4 million (2005 - \$20.2 million). For the 26 weeks

ended July 1, 2006, the Company paid income taxes amounting to \$127.8 million (2005 - \$82.9 million) and made interest payments of \$47.8 million (2005 - \$45.5 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 a routine legal matter incidental to the business conducted by the Company and that the ultimate disposition of the proceedings will not have a material effect on the Company's consolidated earnings, cash flow or financial position.

14. Sale and Leaseback of Distribution Centres

On November 29, 2005, the Company announced its agreement to sell and leaseback two distribution centres to a third party. On January 31, 2006, the Company and the third party completed the sale and leaseback agreements for the two distribution centres. The proceeds from the sale of the two distribution centres totaled \$229.1 million, resulting in a net pre-tax gain of approximately \$46.3 million. As the Company entered into long-term leasebacks of the two distribution centres from the third party, the gain is being amortized over the lease terms. The unamortized gain is included in other long-term liabilities.

15. Comparative Figures

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

Interest Coverage Exhibit to the Consolidated Financial Statements

The Company's long-term interest requirements for the 52 weeks ended July 1, 2006, after annualizing interest on long-term debt issued and retired during this period, amounted to \$75.5 million. The Company's earnings before interest on long-term debt, income taxes and minority interest for the 52 weeks then ended were \$637.7 million, which is 8.4 times the Company's long-term interest requirements for this period.

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