

Attention Business/Financial Editors:

Canadian Tire third quarter net earnings rise 13.1% to \$95.4 million

Strong sales across Canadian Tire's retail businesses and receivables growth at Canadian Tire Financial Services drive earnings in the quarter

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Consolidated Highlights(1) :	2006 3rd Quarter	2005 3rd Quarter	Change
Retail sales	\$2.43 billion	\$2.23 billion	9.0%
Gross operating revenue	\$2.02 billion	\$1.89 billion(2)	7.1%
Earnings before income taxes and minority interest	\$149.1 million	\$134.8 million	10.6%
Net earnings	\$95.4 million	\$84.4 million	13.1%
Net earnings excluding non-operating gains and losses	\$94.4 million	\$83.3 million	13.2%
Basic earnings per share	\$1.17	\$1.03	13.7%
Adjusted basic earnings per share excluding non-operating gains and losses	\$1.16	\$1.02	13.9%

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

(2) The gross operating revenue number for 2005 has been restated for the adoption of EIC-156, "Accounting by a Vendor for Consideration given to a Customer".

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TORONTO, Nov. 9 /CNW/ - Canadian Tire Corporation, Limited (CTC, CTC.a) today reported third quarter net earnings of \$95.4 million, an increase of 13.1 percent compared to \$84.4 million in 2005. Excluding non-operating gains and losses, net earnings were \$94.4 million, an increase of 13.2 percent compared to \$83.3 million last year.

Basic earnings per share were \$1.17, an increase of 13.7 percent compared to \$1.03 the previous year. Excluding non-operating gains and losses, adjusted basic earnings per share increased 13.9 percent to \$1.16 compared to \$1.02 for the same period last year.

"Our sales and earnings performance for the third quarter, as with the first half of the year, reflects healthy customer response to our offerings across our network of businesses," said Tom Gault, president and CEO. "For the fourth quarter, our most important selling period, we expect retail sales and receivables will continue to be strong but earnings will moderate because of additional expenses associated with vigorous promotional activity to support both retail holiday sales and the grand openings of 34 Canadian Tire Retail Concept 20/20 stores. Earnings for the fourth quarter will also be impacted by investments in the retail banking pilot, the expansion of the Gas Advantage MasterCard in Ontario and continued margin challenges at Petroleum."

For the first nine months, net earnings were \$246.3 million, up 16.2 percent from \$211.9 million for the comparable period in 2005. Excluding non-operating gains and losses, net earnings were \$248.7 million, up 19.7 percent from \$207.7 million last year. Basic earnings per share for the first nine months of 2006 were \$3.02, up 16.5 percent versus \$2.59 in the comparable 2005 period. Adjusted basic earnings per share, excluding non-operating gains and losses for the first nine months of 2006, were \$3.05, a 19.9 percent increase from \$2.54 last year.

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Business Overview

CANADIAN TIRE RETAIL (CTR)

(\$ in millions)	Q3 2006	Q3 2005	Change	YTD 2006	YTD 2005	Change
Retail sales	\$1,800.6	\$1,677.9	7.3%	\$5,070.1	\$4,790.1	5.8%
Same store sales(1)						
(% increase over prior year)	5.6%	2.2%		4.0%	2.5%	
Net shipments(2)						
(year-over-year % change)	4.2%	6.2%		5.3%	3.5%	
Earnings before income taxes and minority interest	\$98.2	\$86.1	14.1%	\$234.6	\$203.3	15.4%
Less adjustment for:						
Gain on disposals of property and equipment	\$7.0	\$1.2		\$11.7	\$5.4	
Loss on medium term notes redemption	-	-		-	\$(5.3)	
Adjusted earnings before income taxes and minority interest	\$91.2	\$84.9	7.5%	\$222.9	\$203.2	9.7%

- (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 franchise 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 has been adjusted for "EIC-156" as required by the CICA.

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CTR's third quarter retail sales grew to \$1.8 billion from \$1.7 billion, an increase of 7.3 percent from the year prior, partially as a result of strong promotional activity in the quarter. Same store sales increased 5.6 percent, led by strong growth in the categories of kitchen and home appliances, car care and accessories and outdoor recreation. 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 6.7 percent in the quarter.

CTR's third quarter pre-tax earnings of \$98.2 million increased 14.1 percent from \$86.1 million a year ago. The increase in earnings reflects higher operating revenue from product shipments and improved operating margins resulting from global sourcing initiatives and favourable exchange rates. Earnings also improved due to higher gains on the sale of property and equipment. Adjusted pre-tax earnings increased 7.5 percent to \$91.2 million, compared to \$84.9 million in the previous year.

During the quarter, CTR opened one new Concept 20/20 Canadian Tire-Mark's Work Wearhouse combination store and retrofitted another store to the Concept 20/20 format.

PartSource recorded double-digit sales growth in the third quarter. Comparable store sales increased over the same 2005 period with sales growth coming from both the retail and commercial business segments. Sales growth was also supported by the cumulative effect of recent store openings and

acquisitions. During the quarter, PartSource opened two stores and converted a site acquired in 2005 to the PartSource banner, bringing the network total to 61 locations.

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CANADIAN TIRE PETROLEUM (Petroleum)

(\$ in millions)	Q3 2006	Q3 2005	Change	YTD 2006	YTD 2005	Change

Sales volume						
(millions of litres)	441.0	401.6	9.8%	1,243.8	1,196.0	4.0%
Retail sales	\$451.3	\$400.5	12.7%	\$1,235.6	\$1,076.7	14.8%
Earnings before income taxes	\$0.1	\$2.8	(96.0)%	\$0.6	\$4.5	(87.1)%

Less adjustment for:						
Gain (loss) on disposals of property and equipment	-	\$0.5		\$(0.3)	\$0.3	

Adjusted earnings before income taxes	\$0.1	\$2.3	(94.0)%	\$0.9	\$4.2	(78.6)%

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Petroleum's gasoline sales volumes increased 9.8 percent during the quarter to 441.0 million litres from 401.6 million litres a year ago. The increase reflects the cumulative effect of Petroleum's expansion, strong customer response to the introduction of the new Gas Advantage MasterCard in Ontario, which rewards customers with up to 10 cents off per litre of gasoline, and aggressive promotional activity in the quarter.

Petroleum absorbs significant promotional expenses for the Company, through the distribution of Canadian Tire Money(TM), to drive customer traffic and sales at Canadian Tire Retail and receivables at Canadian Tire Financial Services.

Petroleum's pre-tax earnings were \$0.1 million for the quarter as compared to a \$2.8 million contribution a year ago. The decrease was a result of tight gas margins as well as an increase in operating expenses related to network expansion. Adjusted earnings were also \$0.1 million for the quarter as compared to \$2.3 million a year ago.

Petroleum opened one gas bar, closed two gas bars and re-branded a competitor site to the Canadian Tire banner during the quarter. In addition, the business opened two convenience stores, including a Q convenience store in Mississauga, during the period.

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MARK'S WORK WEARHOUSE (Mark's)

(\$ in millions)	Q3 2006	Q3 2005	Change	YTD 2006	YTD 2005	Change

Total retail sales	\$182.2	\$153.9	18.4%	\$535.8	\$464.1	15.5%
Same store sales(1)						
(% increase over prior year)	18.1%	13.9%		14.8%	17.5%	
Earnings before income taxes	\$11.4	\$5.9	93.4%	\$40.1	\$22.8	75.9%

(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 third quarter retail sales grew to \$182.2 million from \$153.9 million, an increase of 18.4 percent over the same period last year. Same store sales rose 18.1 percent in the quarter, with Mark's experiencing double-digit sales growth in its three major categories of women's wear, industrial wear and men's casual/dress casual wear.

For the quarter, Mark's pre-tax earnings contribution was \$11.4 million, a 93.4 percent increase over the \$5.9 million recorded for the same period last year. The significant growth in earnings was a result of the double-digit increase in same store sales, an improved gross margin rate and an improved expense rate as a percentage of sales.

Mark's opened three new stores, expanded two stores, relocated six stores and closed five stores across its retail network during the quarter.

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CANADIAN TIRE FINANCIAL SERVICES (Financial Services)

(\$ in millions)	Q3 2006	Q3 2005	Change	YTD 2006	YTD 2005	Change
Total managed portfolio end of period				\$3,461.5	\$3,193.7	8.4%
Earnings before income taxes	\$39.4	\$40.0	(1.7)%	\$113.3	\$109.2	3.7%
Less adjustment for:						
Gain on redemption of investment	-	-		\$6.9	-	
Loss on disposals of property and equipment	-	-		\$(0.3)	\$(0.3)	
Gain (loss) on sales of loans receivable	\$(4.8)	\$0.1		\$(20.9)	\$6.9	
Adjusted earnings before income taxes	\$44.2	\$39.9	10.6%	\$127.6	\$102.6	24.3%

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Financial Services' total managed portfolio of loans receivable was \$3.5 billion at the end of the third quarter, an 8.4 percent increase over the \$3.2 billion portfolio at the end of the comparable 2005 period. The expansion of the total managed portfolio is attributable to continued growth in the number of accounts carrying a balance and a 5.6 percent increase in the average account balance to \$1,839 at the end of the third quarter compared to \$1,741 in the third quarter of 2005. The successful expansion of the new Gas Advantage MasterCard throughout Ontario also contributed to portfolio and account growth.

Financial Services' pre-tax earnings were \$39.4 million, a 1.7 percent decrease from the \$40.0 million recorded in the third quarter of 2005. The results were negatively impacted by a \$4.8 million securitization loss in the quarter. Excluding the impact of securitization losses, adjusted earnings before income taxes increased 10.6 percent to \$44.2 million from \$39.9 million in the comparable period last year. The net write-off rate was 5.94 percent, remaining within the targeted range of five to six percent on a rolling 12-month basis.

During the quarter, Financial Services' readied its pilot of new retail banking products in the cities of Calgary, Alberta and Kitchener-Waterloo,

Ontario. Financial Services began offering high interest savings accounts, variable and fixed-rate mortgages and guaranteed investment certificates in October in the pilot markets. Financial Services expects to expense approximately \$10.2 million of the costs incurred in 2006 to support the retail banking initiative, the majority of which will take place in the fourth quarter.

AMENDMENT TO EXISTING STOCK OPTIONS

At its meeting today, the Board of Directors approved an amendment to the Company's stock options, providing employees holding stock options issued prior to 2004 the right to elect to receive a direct cash payment in lieu of exercising the options in the traditional fashion. Options have been provided to certain employees as part of a long-term compensation program. The new cash payment feature provides option holders with substantially the same benefits of their options. As a result of the amendment, the Company will be able to offer shareholders greater transparency with respect to disclosure of the cost of the stock options. The Company also expects to realize cost savings with reduced share purchase activity, as the Company's anti-dilution share policy requires the repurchase of shares issued as a result of stock option exercise. The amendment is tax effective for the Company due to the tax deductibility of cash paid on surrendered options.

Accounting rules require the Company to record an obligation and corresponding expense for the current intrinsic value of vested stock options, immediately upon amendment, in the Company's consolidated results and to revalue the obligation quarterly based on the change in the market value of the Company's Class A Non-Voting shares. Therefore, as a result of the amendment, the Company will record a non-cash pre-tax expense of approximately \$42.0 million in the fourth quarter of 2006 (\$27.1 million on an after-tax basis). Options issued subsequent to 2003 already feature the direct cash payment option.

EARNINGS GUIDANCE UPDATE

Canadian Tire Management confirms its earnings per share guidance in the range of \$4.25 to \$4.40, excluding non-operating items (the sale of loans receivable, surplus real-estate assets and the stock option amendment expense). Management expects fourth quarter earnings to be impacted by continued margin pressures at Petroleum and higher expenses associated with store openings, promotional activities and investments in new financial products. The fourth quarter is typically the Company's largest selling period and is subject to a number of factors that are difficult to predict at this point in time.

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, tax, 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 third 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 4:00 p.m. EST on Thursday, November 9, 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 week.

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 465 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 61 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, 250 convenience stores and kiosks, and 73 car washes. Mark's Work Warehouse is one of the country's leading apparel retailers operating 328 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.

Management's discussion and analysis (MD&A)

I. Introduction

This MD&A includes Canadian Tire's operating and financial results for the third 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 November 9, 2006.

Quarterly comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for the third quarter (13 weeks ended September 30, 2006) are against results for the third quarter of 2005 (13 weeks ended October 1, 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:

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- 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;
- 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; 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 environmental, health and safety, competition law, transportation of dangerous goods, customs, tax, and excise and regulations governing financial institutions.

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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 for close to 85 years, offering everyday products and services to Canadians through its growing network of interrelated businesses. The Company operates more than 1,100 general merchandise and apparel retail stores, gas bars and car washes. Canadian Tire also provides a variety of financial services to Canadians; primarily its proprietary Options MasterCard and Canadian Tire-branded credit cards, personal loans, insurance and warranty products, and in October 2006, began offering mortgages, high-interest savings accounts and guaranteed investment certificates in two pilot markets.

Canadian Tire's model of inter-related businesses offers market differentiation and competitive advantage. Canadian Tire's businesses all benefit from the Company's key capabilities in merchandising, marketing and advertising, supply chain and real estate. This enables the Company to achieve a greater level of efficiency, but is also a key aspect of its market

differentiation strategy. The Company's primary loyalty program, Canadian Tire 'Money', which is shared by Canadian Tire Retail, Financial Services and Petroleum, is an example of how interrelationships between the businesses create a strong competitive advantage for the Company.

The success of the loyalty program has proven - through high customer acceptance and redemption - to be a key strategic element of Canadian Tire's total customer value proposition; designed to drive higher total sales across Canadian Tire Retail, Financial Services and Petroleum. For example, a customer who fills up with gas at Petroleum's gas bars and uses Canadian Tire credit cards, spends considerably more at Canadian Tire stores, on average, than a customer who only shops at Canadian Tire stores alone.

Mark's Work Wearhouse has already derived meaningful cost and operating synergies through Canadian Tire's strengths in real estate and supply chain since its acquisition in 2002. Increasingly, Canadian Tire is extending its national marketing and advertising channels to Mark's Work Wearhouse to boost customer traffic and loyalty to Mark's and increase its brand penetration.

By creating and enhancing synergies between all of the businesses, Canadian Tire is driving higher operating efficiencies and overall sales through greater customer traffic and shopping frequency.

The Company's four main businesses are:

Canadian Tire Retail is Canada's leading hard goods retailer with a network of 465 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 61 specialty automotive hard parts stores that cater to serious "do-it-yourselfers" and professional installers of automotive parts. PartSource stores are operated both by franchisees (50 stores) and by the Company (11 stores).

Mark's Work Wearhouse is one of Canada's leading apparel and footwear retailers, operating 328 stores (276 corporate and 52 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, 250 convenience stores and kiosks, 73 car washes, 13 Pit Stops and 81 sites with propane stations. The convenience stores include three pilot Q convenience stores. Substantially all of Petroleum's sites are operated by agents.

Canadian Tire Financial Services markets the Canadian Tire MasterCard(R), Canadian Tire Gas Advantage 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. Canadian Tire Bank launched high interest savings accounts, guaranteed investment certificates and mortgages in two pilot markets early in the fourth quarter of 2006.

2.0 Our strategy

2.1 Our overall strategic objective

In order to leverage our core capabilities and build upon our platform for sustainable, profitable business growth, we develop a company-wide long-term strategic plan. In the spring of 2005 we embarked upon 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:

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- 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

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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.

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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. The Plan has five strategic imperatives:

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- 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.

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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 and improved operating margins in the third quarter of 2006 contributed to a 13.1 percent improvement in net earnings over the third quarter of 2005.

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Consolidated financial results

(\$ in millions except per share amounts)	Q3 2006	Q3 2005	Change	2006 YTD	2005 YTD	Change
Retail sales (1)	\$2,434.1	\$2,232.3	9.0%	\$6,841.5	\$6,330.9	8.1%
Gross operating revenue (2)	2,023.3	1,888.6	7.1%	5,843.0	5,417.3	7.9%
EBITDA (3) and minority interest	212.9	201.0	6.0%	586.4	536.7	9.3%
Earnings before income taxes and minority interest	149.1	134.8	10.6%	388.6	339.8	14.4%
Effective tax rate	36.0%	36.0%		36.0%	36.0%	
Net earnings	95.4	84.4	13.1%	246.3	211.9	16.2%
Basic earnings per share	\$ 1.17	\$ 1.03	13.7%	\$ 3.02	\$ 2.59	16.5%

(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 third quarter, on a year-over-year basis, include the following:

- CTR's retail sales increased 7.3 percent;
- Mark's retail sales increased 18.4 percent;
- Petroleum's total retail sales increased 12.7 percent, gasoline sales

volume (litres) increased 9.8 percent and non-gasoline sales increased 16.1 percent; and
- Financial Services' total managed portfolio increased 8.4 percent.
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Strong growth in gross operating revenue across all business segments
Consolidated gross operating revenue increased in the third quarter due to increased shipments at CTR, strong sales at Mark's and Petroleum and higher gross receivables at Financial Services.

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

Consolidated pre-tax earnings increased significantly in the third quarter due to strong sales and earnings in Mark's, receivables growth in Financial Services and improved sales and operating margins (adjusted earnings before income taxes and minority interest divided by gross operating revenue) in CTR. These were partially offset by continued margin challenges in Petroleum.

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 all of the following: 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.

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Adjusted consolidated earnings before income taxes and minority interest

(\$ in millions)	Q3 2006	Q3 2005	Change	2006 YTD	2005 YTD	Change

Earnings before income taxes and minority interest	\$ 149.1	\$ 134.8	10.6%	\$ 388.6	\$ 339.8	14.4%
Less pre-tax adjustment for:						
Gain on redemption of investment(1)	-	-		6.9	-	
Gain (loss) on sales of loans receivable(1)	(4.8)	0.1		(20.9)	6.9	
Gain on disposals of property and equipment(2)	6.4	1.5		10.4	5.0	
Loss on medium term notes redemption(3)	-	-		-	(5.3)	

Adjusted earnings before income taxes and minority interest(4)	\$ 147.5	\$ 133.2	10.7%	\$ 392.2	\$ 333.2	17.7%

(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)	Q3 2006	Q3 2005	Change	2006 YTD	2005 YTD	Change
Net earnings	\$ 95.4	\$ 84.4	13.1%	\$ 246.3	\$ 211.9	16.2%
Less after-tax adjustment for:						
Gain on redemption of investment	-	-		4.4	-	
Gain (loss) on sales of loans receivable(1)	(3.1)	0.1		(13.4)	4.4	
Gain on disposals of property and equipment	4.1	1.0		6.6	3.2	
Loss on medium term notes redemption	-	-		-	(3.4)	
Adjusted net earnings(2)	\$ 94.4	\$ 83.3	13.2%	\$ 248.7	\$ 207.7	19.7%
Basic earnings per share	\$ 1.17	\$ 1.03	13.7%	\$ 3.02	\$ 2.59	16.5%
Adjusted basic earnings per share(2)	\$ 1.16	\$ 1.02	13.9%	\$ 3.05	\$ 2.54	19.9%

(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)	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Gross operating revenue(1)	\$2,023.3	\$2,247.6	\$1,572.1	\$2,304.3
Net earnings	95.4	103.3	47.6	118.2
Basic earnings per share	1.17	1.27	0.58	1.44
Fully diluted earnings per share	1.16	1.25	0.58	1.43
(\$ in millions except per share amounts)	Q3 2005	Q2 2005	Q1 2005	Q4 2004
Gross operating revenue(1)	\$1,888.6	\$2,020.6	\$1,508.1	\$2,070.7
Net earnings	84.4	92.2	35.3	100.4
Basic earnings per share	1.03	1.13	0.43	1.24
Fully diluted earnings per share	1.02	1.11	0.43	1.22

(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 third quarter of 2006, CTR opened one new Canadian Tire-Mark's Work Wearhouse Concept 20/20 combination store and retrofitted one new-format store to the Concept 20/20 format. There are now 350 new-format stores in the CTR network, including 93 Concept 20/20 stores, 12 of which are Canadian Tire-Mark's Work Wearhouse combination stores.	CTR plans to complete 73 projects in 2006 including opening seven new stores, one expanded store and twelve replacement new-format stores, all of which will be Concept 20/20 stores. As part of the 73 projects referred to above, CTR plans to have retrofitted 53 existing new-format stores into the Concept 20/20 format by the end of 2006.
Global sourcing strategy	In the third quarter of 2006, approximately 36 percent of the value of inventory purchases came from offshore sources, compared to approximately 33 percent in the third 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 increase that percentage to a target level of approximately 50 percent by 2009.
Exciting, New and Exclusive (ENE) products	Retail sales of ENE products decreased approximately 11 percent in the third quarter of 2006 compared to the same period in 2005 but are up by approximately 20 percent on a year-to-date basis. The third quarter decrease reflects the strength of new products introduced in the third quarter of the prior year which contributed to the very strong growth of Q3 2005.	The sales target for ENE in 2006 is an increase of approximately 12 percent versus 2005.
Inventory	The percentage of CTR store	CTR continues to focus on

practice program	orders filled on time for the year-to-date was 90.7 percent, an increase of 138 basis points compared to the same period in 2005. Inventory cube (volume) turns, however, declined to 9.8 times (on a rolling 52 week basis) from 10.7 in the prior year comparative period reflecting, in part, the logistical implications of increased global sourcing.	its long-term plan of improving the flow of goods within its total supply chain network and expects to achieve in excess of 90 percent on time deliveries and 13 cube turns per year by 2009.
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PartSource network expansion	PartSource opened one new franchise and one new corporate store in the third quarter, bringing the network total to 61 locations. PartSource transitioned three additional franchise stores into corporate stores during the third quarter, bringing the total of corporate-owned stores to 11. PartSource also transitioned one 2005 acquisition to the PartSource banner in the third quarter.	As of the end of the third quarter, PartSource has opened four new stores in Ontario and plans to open an additional two new stores in the fourth quarter of 2006. In 2006 PartSource has continued to expand its network of corporate-owned stores and plans to have a total of 17 corporate-owned stores by the end of the year.
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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)	Q3 2006	Q3 2005	2006 YTD	2005 YTD
Total retail sales(1)	7.3%	3.9%	5.8%	4.2%
Comparable store sales(2)	4.3%	2.0%	3.0%	2.2%
Same store sales(3)	5.6%	2.2%	4.0%	2.5%

- (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.

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Higher retail sales due to strong marketing programs

The acceleration of the Concept 20/20 rollout, compelling marketing and advertising programs and building customer loyalty through relationships with other Company business units, were all important drivers of sales in both the third quarter and in the year-to-date period. Specific event marketing, including a two day mega-sale and a Canadian Tire birthday event, as well as a strong "Back to School" program focus contributed to double digit sales uplifts during the promotional period. Increases in sales per customer (basket size) continued to be a major source of sales growth which is also driven partly by our new Concept 20/20 format stores.

During the third quarter, sales in the Kitchen and Home Appliances, Car Care & Accessories and Outdoor Recreation categories showed strong growth. Those sales increases were offset, in part, by continued softness in the Auto Parts as well as softness in home entertainment systems.

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 being carried out while the store is open. Excluding such stores' sales would have increased same store sales growth to 6.7 percent in the third quarter and to 4.7 percent year-to-date.

PartSource enjoyed double-digit sales growth in the third quarter, with both the retail and commercial segments contributing strongly. This growth was supported by the cumulative effect of recent new store openings and acquisitions.

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

	For the 12 months ended, September 30, 2006	For the 12 months ended, October 1, 2005
(\$ in millions)		
New-format stores	\$ 16.4	\$ 15.8
Traditional stores	8.0	7.8

(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 at the end of the quarter.

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Sales at new-format stores are higher than at traditional stores because 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.

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CTR store count

	Q3 2006	2005	2004	2003	2002
New-format stores	350	345	327	309	290
Concept 20/20 stores (included in new-format stores above)	93	53	25	4	-

Traditional stores	115	117	130	143	161

Total new-format, traditional and Concept 20/20 stores	465	462	457	452	451
PartSource stores	61	57	47	39	33

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CTR continues the transformation of its store network, by building new and replacement stores and by expanding and retrofitting its store network with a focus on new-format Concept 20/20 stores, consistent with the goals embodied in the 2005-2009 Strategic Plan.

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

	For the 12 months ended, September 30, 2006	For the 12 months ended, October 1, 2005

Retail square footage(1) (millions of square feet)	15.6	14.5
New-format stores(2), (3) (\$)	449	432
Traditional stores(2), (3) (\$)	528	517

- (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 as at the end of the quarter.
- (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 as at the end of the quarter. 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.

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Total sales in new-format stores are typically much higher than in traditional stores. Average sales per square foot of retail space in the larger new-format stores, however, are lower than in our traditional stores, because new-format stores 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.

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3.2.1.3 CTR's financial results

(\$ in millions)	Q3 2006	Q3 2005	Change	2006 YTD	2005 YTD	Change

Retail sales	\$1,800.6	\$1,677.9	7.3%	\$5,070.1	\$4,790.1	5.8%
Net shipments(1) (year-over-year % change)	4.2%	6.2%		5.3%	3.5%	
Gross operating revenue(2)	\$1,290.6	\$1,226.8	5.2%	\$3,778.6	\$3,577.0	5.6%
EBITDA(3) and minority interest	157.7	145.5	8.5%	416.6	379.1	9.9%
Earnings before income taxes and minority interest	98.2	86.1	14.1%	234.6	203.3	15.4%

Less adjustment for:

Gain on disposals of property and equipment	7.0	1.2		11.7	5.4
Loss on medium term notes redemption	-	-		-	(5.3)

Adjusted earnings before income taxes and minority interest(4)	\$ 91.2	\$ 84.9	7.5%	\$ 222.9	\$ 203.2 9.7%

- (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.
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3.2.1.4 Explanation of CTR's financial results

Operating revenue driven by increase in shipments

The growth in shipments to Dealers, continued expansion in CTR's store network and solid growth in rental income from the Dealers, has underpinned the growth in operating revenue. The rate of increase in retail sales exceeded that of shipments due to Dealers continuing to adjust their inventory levels as reflected by comparable retail inventories increasing only 1.3 percent on a year-over-year basis.

Third quarter earnings supported by higher operating margins

Earnings before tax and minority interest increased due to higher operating revenue and improved operating margins resulting from global sourcing initiatives, favourable exchange rates and stronger vendor support for initial fill for new store openings. Earnings also improved due to a higher gain on the sale of property and equipment and interest received from U.S. tax authorities on the resolution of a cross-border tax matter in the Company's favour. These factors were partially offset by higher information technology costs and higher gross advertising expenditures associated with the division of the annual catalogue into two seasons, increased television time and event marketing costs, as well as increased storage costs associated with higher inventory levels. In addition, the wind up of the limited real estate partnership interest in the second quarter (as described in Section 4.1 below) resulted in the elimination of the earnings stream from that venture to CTR.

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 596,000 square feet of retail space in the fourth quarter of 2006, compared to 386,000 in the fourth quarter of 2005. The fourth quarter will represent the largest single quarter expansion in retail square footage in the Company's history, creating the platform for further shipment growth in future years after the customary temporary sales disruption for retrofitted stores.

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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
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	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	69,000	58,000	11,000	1	1	-	1	-	1
Q4 (2)	596,000	386,000	210,000	15	8	7	18	10	8
	1,313,000	666,000	647,000	20	18	2	53	11	42

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

(2) 2006 figures for the fourth quarter 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 Report.

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 third quarter, Mark's total store count was 328, representing over 2.6 million in retail square footage. During the third quarter, Mark's opened two new corporate stores and one new franchise store. In addition, Mark's relocated six corporate stores and expanded two franchise stores, closed three corporate stores and bought back two franchise stores which were subsequently	As a result of the planned new store openings, relocations and renovations, Mark's planned in 2006 to increase total system retail selling space to 2.8 million square feet and still expects to be close to that number by the end of the year. Mark's original plan was to open 15 to 21 new stores in 2006 (including eight CTR-Mark's combination stores). Mark's now expects to open 17 new stores (including 10 CTR/Mark's combination stores) by the end of 2006. Mark's originally planned to relocate, renovate or expand up to 24 stores by the end of 2006. Mark's now expects to renovate, relocate or expand 28 stores (including two CTR/Mark's combination stores) by the end of 2006.

closed.

As a result of these initiatives, retail sales increased 18.4 percent in the quarter and 15.5 percent year-to-date and revenue increased 19.1 percent in the third quarter and 16.3 percent year-to-date.

Expand category growth	In the third quarter, corporate store sales growth was led by: - women's wear increasing by 27.3 percent; - business to business wear increasing by 22.3 percent; and - health care apparel increasing by 19.1 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 and is currently running ahead of target.
Utilize existing synergies	At the end of the third quarter, there were 12 combination Canadian Tire-Mark's stores in the network, up from nine in the third quarter of 2005.	Mark's plans to continue expanding its network of 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 third quarter the gross margin rate remained relatively stable, up 20 basis points as these initiatives were partially offset by higher markdowns to ensure clearance of summer seasonal lines to make way for fall and winter seasonal lines. Year-to-date margins were up 30 basis points above the prior year. During the third quarter, same store sales increased by 18.1 percent versus the third quarter of 2005.	Mark's plans to continue focusing on various margin improvement initiatives, including global sourcing and effective inventory management. Mark's planned to increase total same store sales by 5.8 percent in 2006 from the level achieved in 2005. Same store sales increases 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)	Q3 2006	Q3 2005	2006 YTD	2005 YTD
Total retail sales	18.4%	17.0%	15.5%	21.0%
Same store sales(1)	18.1%	13.9%	14.8%	17.5%

(1) Mark's same store sales excludes new stores, stores not open for the full period in each year and store closures.
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Higher total retail sales and same store sales in all regions and in major categories

Mark's delivered another quarter of consistently strong retail sales increases in all regions across Canada, with particularly strong total retail sales in the third quarter in Ontario (excluding the Greater Toronto Area (GTA)), and Quebec. This is the first quarter in some time that both Ontario and Quebec showed stronger growth than the Western Provinces, which, buoyed by the strong local economy, also managed double-digit sales increases. By detailed product category, the largest sales percentage increases in the third quarter in corporate store sales occurred in:

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- women's casual footwear, 60.2 percent;
 - women's sweaters, 51.6 percent; and
 - women's woven shirts, 48.0 percent.
- >>

Mark's experienced double digit third quarter sales growth in its three major categories of women's wear, industrial wear and men's casual/dress wear. This growth was driven by the ongoing implementation of Mark's "Clothes That Work" marketing strategy, and by an incremental "spend and save" card promotion, a new product launch, new store openings, renovations and relocations and same store sales growth as well as ongoing category initiatives, including successful product selection and merchandising to widen the appeal of Mark's as a source for women's apparel.

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Average corporate store sales(1)

For the 12 months ended,	For the 12 months ended,	For the 12 months ended,
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	September 30, 2006	October 1, 2005	October 2, 2004
Sales per store (\$ thousands) (2)	\$2,623	\$2,280	\$2,000
Sales per square foot (\$) (3)	331	296	264

(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 store 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 third quarter of 2006 was due to:

- effective marketing and advertising programs designed to increase customer visits and raise awareness of Mark's brands; and
- category initiatives, new store openings and relocations and renovations from the current quarter and prior periods.

3.2.2.3 Mark's financial results

(\$ millions)	Q3 2006	Q3 2005	Change	2006 YTD	2005 YTD	Change
Retail sales(1)	\$ 182.2	\$ 153.9	18.4%	\$ 535.8	\$ 464.1	15.5%
Gross operating revenue(2)	154.0	129.3	19.1%	452.8	389.4	16.3%
EBITDA(3)	16.2	10.2	58.1%	54.0	35.0	54.1%
Earnings before income taxes	11.4	5.9	93.4%	40.1	22.8	75.9%
Less adjustment for:						
Loss on disposals of property and equipment	(0.6)	-		(0.7)	-	
Adjusted earnings before income taxes	12.0	5.9	102.4%	40.8	22.8	78.8%

(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.

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3.2.2.4 Explanation of Mark's financial results

Higher sales, improved gross margin and improved operational efficiency drove Mark's increase in pre-tax earnings

The significant year-over-year improvement in Mark's pre-tax earnings in the third quarter was due to an 18.1 percent increase in same store sales and improved operating efficiency. Mark's gross margin rate increased by 20 basis points from the third quarter of 2005 (primarily attributable to improved initial purchase markup from product sourcing and lower net freight costs). Total expenses increased 11.3 percent with the largest increase in dollar terms being registered by staffing costs, which rose 10.6 percent, reflecting increased headcount at corporate stores and in the procurement and business-to-business areas, to help drive sales growth. Operating expenses, as a percentage of corporate sales, however, improved significantly by 260 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 MasterCards, including the Gas Advantage MasterCard, which was recently test marketed and is now being rolled out across Ontario. 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.

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Canadian Tire Petroleum

Initiative	Strategic Plan Update	2006 Current Outlook
Network expansion	In the third quarter one new location was opened (a Q convenience store in Mississauga Ontario). At the end of the third quarter, Petroleum had 262 gas bars (including re-branded sites) in its network.	Petroleum has opened three new gas bars year-to-date and has further plans to open two additional new sites by the end of 2006.
Re-branding	During the third quarter of 2006, one gas bar was re-branded and two under-performing re-branded sites were closed, bringing the total number of re-branded sites to 43.	Petroleum has re-branded six gas bars year-to-date and has further plans to re-brand an additional two sites by the end of the year.
Non-gas business growth - convenience stores	Convenience stores sales increased 18.8 percent in the third quarter and are up over 12 percent on a comparable store basis. Petroleum opened two new convenience stores (including one Q convenience store) and did not close any existing stores during the quarter. At the end of the third quarter, Petroleum had a	Convenience store sales were originally planned to grow by approximately 10 percent in 2006 and are currently running at 14.2 percent on a year-to-date basis. Petroleum plans to add four new convenience stores in 2006 (including re-branded sites).

total of 250 convenience stores, three of which are Q convenience stores.

Non-gas business growth - car washes	Total car wash sales increased by 1.6 percent in the third quarter due to new site openings in previous quarters, but decreased by 12.0 percent on a comparable site basis due to higher gas prices, which have impacted non-gas discretionary sales such as car washes throughout the industry.	Total car wash sales were originally targeted to grow 20 percent in 2006 but are currently down 2.3 percent. This is due in part to the unseasonable weather during the winter months in the first quarter of the year and the impact that increased gasoline prices have on discretionary spending at Petroleum locations. Management is currently reviewing the level of investment in this business.
	During the quarter, Petroleum did not open or close any new car wash sites. As at the end of the third quarter, Petroleum has opened six car washes in 2006 (including re-branded sites) bringing the total number of sites to 73.	Petroleum has no plans to open additional sites in the fourth quarter.

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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.

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Gasoline sales volume

	Q3 2006	Q3 2005	Change	2006 YTD	2005 YTD	Change
Sales volume (millions of litres)	441.0	401.6	9.8%	1,243.8	1,196.0	4.0%

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Gasoline volume driven share gains from new sites and loyalty programs

The re-branding of competitors' sites, the opening of new locations in the current and previous quarters, the introduction of the Gas Advantage MasterCard and aggressive promotional pricing using cross marketing with CTR, contributed to the 9.8 percent increase in total gasoline sales volume in the third quarter. In spite of the impact that relatively high gasoline pump prices are having on consumer spending, gasoline volume at comparable sites increased by 6.3 percent in the quarter.

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3.2.3.3 Petroleum's financial results

(\$ in millions)	Q3 2006	Q3 2005	Change	2006 YTD	2005 YTD	Change
Retail sales	\$ 451.3	\$ 400.5	12.7%	\$1,235.6	\$1,076.7	14.8%
Gross operating revenue(1)	427.0	379.1	12.7%	1,170.2	1,014.4	15.4%
EBITDA(2)	3.9	6.4	(38.4%)	11.7	14.9	(21.8%)
Earnings before income taxes	0.1	2.8	(96.0%)	0.6	4.5	(87.1%)
Less adjustment for:						
Gain (loss) on disposals of property and equipment	-	0.5		(0.3)	0.3	
Adjusted earnings before income taxes(2)	\$ 0.1	\$ 2.3	(94.0%)	\$ 0.9	\$ 4.2	(78.6%)

(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 volume and pump 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 9.8 percent;
- higher gasoline prices at the pump; and
- increases in sales from our convenience stores, including the three Q convenience stores.

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Lower third quarter pre-tax earnings due to tight and volatile margins as well as higher planned operating expenses

Industry wide gasoline margins were volatile and continue to negatively affect operating performance, and significant inter-day swings in pump prices are not uncommon. Gasoline margins are a function of crude oil prices, wholesale prices and retail price competition. The relatively high cost of gasoline at the pump also impacted consumer spending on discretionary items, including car washes, revenue from which was down 2.3 percent, on a year-to-date basis. In addition, a recent acceleration in government regulation concerning tobacco sales and its consequent impact on tobacco volumes and margins has resulted in additional margin pressure as tobacco is a substantial component of convenience store sales. Higher planned operating costs due to network expansion over the past year and ongoing environmental costs have 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.

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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 third quarter increased 9.6 percent from the third quarter of 2005 to \$3.2 billion.	Financial Services plans to increase gross average credit card receivables to \$3.4 billion by the end of 2006.
Increase sales of insurance and warranty products	Revenues from insurance premiums and warranty products have increased 12.1 percent during the third quarter of 2006 over the same period in the previous year.	Financial Services plans to increase revenues from 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 September 30, 2006, the personal loan portfolio comprised approximately 43,900 accounts with total managed receivables of \$259.5 million.	Financial Services is targeting total managed receivables for the personal loan portfolio of over \$230 million by the end of 2006.
Test new financial products and services	Subsequent to the third quarter, in October 2006, Financial Services initiated its plans to test new retail banking products and services with the introduction of high interest savings accounts, guaranteed investment certificates and fixed and variable rate mortgages in two pilot markets.	Financial Services is progressing on target with its plans to test new products and services in the retail banking sector and is expecting to test its recently introduced products for a period of up to two years.

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)	Q3 2006	Q3 2005	Change	2006 YTD	2005 YTD	Change
Average number of accounts with a balance (thousands)	1,882	1,809	4.0%	1,846	1,780	3.7%
Average account balance (\$)	\$ 1,839	\$ 1,741	5.6%	\$ 1,833	\$ 1,671	9.7%
Gross average receivables (GAR)	3,460.8	3,150.7	9.8%	3,383.6	2,975.0	13.7%
Total managed portfolio (end of period)				3,461.5	3,193.7	8.4%
Net managed portfolio (end of period)				3,420.9	3,156.3	8.4%

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The total managed portfolio of loans receivable at the end of the third quarter of 2006 was 8.4 percent higher than at the end of the third quarter of 2005. This was the result of a 5.6 percent increase in the average account balance and a 4.0 percent increase in the average number of accounts carrying a balance. This growth was also driven by the successful rollout in the second quarter of the new Gas Advantage MasterCard in Ontario. Growth rates are, however, expected to moderate in the future due to the completion of the Options MasterCard conversion program. Future portfolio growth will be driven primarily through an increase in the number of accounts through our in-store acquisition program, and increasing account balances to the industry average.

Financial Services' profitability

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

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Profitability of total managed portfolio(1)

	Q3 2006	Q3 2005	Q3 2004
Total revenue as a % of GAR(2)	25.01%	25.81%	26.87%
Gross margin as a % of GAR(2)	13.06%	13.30%	14.45%
Operating expenses as a % of GAR(2)	7.98%	8.69%	9.44%
Return on average total managed portfolio(2), (3)	5.08%	4.61%	5.01%

(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.

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Transformation of Financial Services' portfolio from substantially a retail card portfolio a few years ago to a MasterCard portfolio has gradually reduced total revenue and gross margin as a percentage of gross average receivables, but created opportunities for additional growth and enhanced profitability in the future. We expect that the lower gross margin rate will continue to be more than 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 and second quarters of the year, was running slightly ahead of that targeted range in the third quarter.

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Portfolio quality

	Q3 2006	Q3 2005	Q3 2004
Net write-off rate (rolling 12-month basis)	5.94%	5.95%	5.79%
Account balances less than 30 days overdue at end of period	96.14%	96.31%	96.40%
Allowance rate	2.60%	2.56%	2.37%

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Net write-offs for the total managed portfolio were 5.94 percent on a 12-month rolling basis, flat with the 12-month period ending in the third quarter of 2005 and still within the targeted five percent to six percent range. The four basis point increase in the portfolio allowance rate reflects the impact of a marginal deterioration in portfolio aging compared to the third 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.

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3.2.4.3 Financial Services' financial results

(\$ in millions)	Q3 2006	Q3 2005	Change	2006 YTD	2005 YTD	Change
Gross operating revenue	\$ 182.4	\$ 173.8	5.0%	\$ 523.7	\$ 495.2	5.8%
EBITDA(1)	48.2	46.6	3.4%	137.8	128.1	7.6%
Earnings before income taxes	39.4	40.0	(1.7%)	113.3	109.2	3.7%
Less adjustment for:						
Gain on redemption of investment	-	-		6.9	-	
Loss on disposals of property and equipment	-	-		(0.3)	(0.3)	
Gain (loss) on sales of loans receivable	(4.8)	0.1		(20.9)	6.9	
Adjusted earnings before income taxes(1)	\$ 44.2	\$ 39.9	10.6%	\$ 127.6	\$ 102.6	24.3%

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

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3.2.4.4 Explanation of Financial Services' financial results

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

Gross average receivables at the end of the third quarter of 2006 were 9.8 percent higher than at the end of the third quarter of 2005. This increase in the loan portfolio is attributable 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 but offset by non-operating items

Financial Services' pre-tax earnings softened by 1.7 percent in the third quarter due to the impact of a \$4.8 million loss on the sale of loans receivable (securitization loss) and an investment in future growth initiatives, such as retail banking and the Gas Advantage MasterCard.

Adjusted earnings were up by 10.6 percent in the quarter and up 24.3 percent year-to-date reflecting increased revenues and improved operating leverage. Operating expenses on a rolling 12-month basis, fell as a percentage of gross average receivables by 71 basis points to 7.98 percent.

The securitization loss of \$4.8 million (as compared with a gain of \$0.1 million in the third quarter of 2005) was the result of a lower volume of receivables securitized in the quarter that were subject to AcG 12 accounting than in the third 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.

On a year-to-date basis pre-tax earnings of Financial Services were also favourably impacted 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 the second quarter of 2006.

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:

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Capital structure

(composition of total structure)	At September 30, 2006	At October 1, 2005	At December 31, 2005
Shareholders' equity	64.6%	57.5%	57.8%
Minority interest(1)	-	7.0%	6.9%
Short-term debt	2.7%	-	-
Long-term debt(2)	28.0%	32.3%	31.7%
Other long-term liabilities	2.7%	1.3%	1.5%
Future income taxes	2.0%	1.9%	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.

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Equity

The book value of Common and Class A Non-Voting Shares at the end of the quarter was \$33.14 per share compared to \$29.85 at the end of the third 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 re-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, and the partnership followed a full distribution policy. The partnership invested in the retail properties by way of a loan to, and an equity investment 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 has been reflected in the Consolidated Statements of Earnings after April 3, 2006.

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Shares outstanding

	At September 30, 2006	At October 1, 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)	1,124,699	1,391,071
Shares purchased under NCIB	(918,400)	(516,400)

Shares outstanding at end of period	78,239,023	78,574,302
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.

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Dividends

Dividends of \$13.4 million were declared on Common and Class A Non-Voting Shares in the third quarter compared to \$11.9 million in the third 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. This is in accordance with our dividend policy of distributing to shareholders 15 to 20 percent of normalized earnings per annum. The third quarterly dividend at the new rate was declared on August 10, 2006 in the amount of \$0.165 per share payable on December 1,

2006 to shareholders of record as of October 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 \$113 million in commercial paper outstanding at September 30, 2006, and no outstanding commercial paper at December 31, 2005 or October 1, 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 September 30, 2006, we had \$645 million in committed lines of credit, compared to \$570 million at October 1, 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 third quarter of 2006, long-term debt included \$3.2 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 third quarter of 2006, the primary sources of funding were:

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- \$93 million of cash on hand at the beginning of the quarter;
- \$203 million of cash generated from operations in the third quarter;
- and
- \$113 million of cash generated from the issuance of commercial paper.

2006 Capital program

Canadian Tire's capital expenditures totaled \$146 million in the third quarter, a 38.6 percent increase from the \$105 million spent in the same quarter of 2005.

Capital expenditures during the quarter included:

- \$107 million for real estate projects, including \$102 million associated with the roll out of CTR's new-format stores
- \$10 million for CTR Information Technology;
- \$4 million for the Eastern Distribution Centre in the province of Quebec;
- \$9 million for Mark's projects;
- \$4 million for Petroleum gas bars and car washes;
- \$4 million for Financial Services; and
- \$8 million for other purposes.

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We currently expect to incur capital expenditures of approximately \$510 million in 2006 which is down from the previous estimate due to changed timing of real estate property transactions. 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 third quarters of 2006 and 2005.

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Comparable working capital components

(\$ in millions)	At September 30, 2006	At October 1, 2005	Increase/ (decrease) in working capital
Accounts receivable	\$ 562.0	\$ 510.9	\$ 51.1
Merchandise inventories	1,000.3	901.7	98.6
Prepaid expenses and deposits	63.2	53.6	9.6
Income taxes payable	(52.7)	(42.4)	(10.3)
Accounts payable and other	(1,262.2)	(1,200.5)	(61.7)
			\$ 87.3

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The most significant change in the working capital components was an increase in merchandise inventories. This was due to an increase in the level of product imports from global sourcing initiatives at CTR and Mark's and the consequent impact on inventory turns, and accelerated purchases at Mark's in anticipation of a strong fall/winter selling season.

Cash and cash equivalents

At September 30, 2006, the Company held \$1.9 million in cash and cash equivalents compared to \$838 million at December 31, 2005 and \$293 million at October 1, 2005. This change reflects the seasonal fluctuations in cash balances, particularly near year-end when cash balances are high, as well as the repayment of maturing long-term debt early in 2006, which was not re-financed. During the third quarter of 2006, we used cash primarily for the following:

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- \$89 million to fund further growth in loans receivable;
- \$146 million for the addition of property and equipment; and
- \$49 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 September 30, 2006	At October 1, 2005	At December 31, 2005
Securitized	\$ 2,525.4	\$ 2,276.1	\$ 2,628.9
Unsecuritized	895.6	880.2	731.0
Net managed loans receivable	\$ 3,421.0	\$ 3,156.3	\$ 3,359.9

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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 third quarter of 2006, net managed loans receivable were 8.4 percent higher than at the end of the third 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 September 30, 2006, we recognized a pre-tax loss of \$4.8 million (October 1, 2005 - \$0.1 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 Glacier Credit Card Trust (GCCT). GCCT is a third party Trust that was formed to buy our credit card receivables and also issues debt to third party investors to fund its credit card receivables purchases. See Section 5.0 below for further information. 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 September 30, 2006, GCCT had the following ratings:

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- 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.

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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.

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	At September 30, 2006	At October 1, 2005

Ratio of long-term debt to total capitalization(1)	28.0%	32.3%
Ratio of current assets to current liabilities	1.7:1	1.7:1
Interest coverage(2)	8.2 times	7.1 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.

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4.4 Foreign operations

Since the late 1970's the Company has established operations outside 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:

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- 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.

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4.5 Tax matters

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

The Canada Revenue Agency (CRA) has reassessed the Company's 1998 and 2001 taxation years. These reassessments relate primarily to the tax treatment of commissions paid to foreign subsidiaries of the Company and dividends received on an investment made by a wholly-owned subsidiary of the Company related to reinsurance. The Company also expects to receive reassessments from the CRA for its 1999, 2000, 2002 and 2003 taxation years before year-end dealing with the same matters and subsequently from the applicable provincial tax authorities for corresponding periods. The Company does not have a significant exposure on these matters subsequent to the 2003 taxation year. The reassessment and expected reassessments in these matters are based on multiple grounds, some of which are highly unusual and the Company will appeal these reassessments as and when they are received.

If the CRA (and applicable provincial tax authorities) were entirely successful in their reassessments - an outcome that the Company and its tax advisors believe to be very unlikely - it is estimated that the total liability of the Company for additional taxes, interest and penalties could be approximately \$237 million. Although the Company will appeal these reassessments, current tax legislation requires the Company to remit to the CRA and its provincial counterparts approximately \$149 million, of which \$62 million has already been remitted. The timing of future remittances will be determined by the receipt of the reassessments. In the event that the Company is successful in its appeal, in whole or in part, some, or all of the funds remitted to the various tax authorities will be refunded to the Company.

The Company regularly reviews the potential for adverse outcomes in respect of tax matters. The Company believes that the ultimate disposition of these reassessments will not have a material adverse effect on its liquidity, consolidated financial position or results of operations because it expects that it will be substantially successful in its appeal of these reassessments, and because the Company believes that it has adequate provision for these tax matters. Should the ultimate outcome materially differ from the provisions, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved.

5.0 Off-balance sheet arrangements

We had the following off-balance sheet arrangements as at September 30, 2006:

As noted earlier, 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 guarantees for a portion of 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:

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- 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 third quarter of 2006.

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 three months of 2006	In years 2007 - 2008	In years 2009 - 2010	After 2010
Long-term debt	\$1,169.4	\$ 0.2	\$ 152.8	\$ 151.6	\$ 864.8
Capital lease obligations	3.2	0.7	2.4	0.1	-
Operating leases	1,784.5	50.0	368.6	299.2	1,066.7

Purchase obligations	628.0	490.8	107.8	18.8	10.6
Other obligations	22.6	1.2	9.2	4.7	7.5
Total contractual obligations	\$3,607.7	\$ 542.9	\$ 640.8	\$ 474.4	\$1,949.6
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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 September 30, 2006.

A number of the corporations owned and operated by independent Associate Dealers and by 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 September 30, 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 (October 1, 2005 - \$15.6 million). For the 39 weeks

ended September 30, 2006, both "gross operating revenue" and "cost of merchandise sold and all other operating expenses except for the undernoted items" were decreased by \$42.0 million (2005 - \$38.1 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 (i.e. the Company's 2007 fiscal year). We are currently evaluating the potential impact of these new standards on our Consolidated Financial Statements for 2007 and adjusting our systems and processes to comply with the new standards effective January 1, 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):

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- 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 for many businesses.

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)	Q3 2006	Q3 2005	YTD 2006	YTD 2005

EBITDA and minority interest				
CTR	\$ 157.7	\$ 145.5	\$ 416.6	\$ 379.1
Financial Services	48.2	46.6	137.8	128.1
Petroleum	3.9	6.4	11.7	14.9
Mark's	16.2	10.2	54.0	35.0
Eliminations	(13.1)	(7.7)	(33.7)	(20.4)

Total EBITDA and minority interest	\$ 212.9	\$ 201.0	\$ 586.4	\$ 536.7

Less: Depreciation and amortization expense				
CTR	\$ 36.5	\$ 36.7	\$ 109.0	\$ 105.4
Financial Services	2.8	2.9	9.1	9.4
Petroleum	3.8	3.6	11.1	10.4
Mark's	3.8	3.8	11.5	10.6

Total depreciation and amortization expense	\$ 46.9	\$ 47.0	\$ 140.7	\$ 135.8
Interest expense				
CTR	\$ 23.0	\$ 22.7	\$ 73.0	\$ 70.4
Financial Services	6.0	3.7	15.4	9.5
Mark's	1.0	0.5	2.4	1.6
Eliminations	(13.1)	(7.7)	(33.7)	(20.4)
Total interest expense	\$ 16.9	\$ 19.2	\$ 57.1	\$ 61.1
Earnings before income taxes and minority interest				
CTR	\$ 98.2	\$ 86.1	\$ 234.6	\$ 203.3
Financial Services	39.4	40.0	113.3	109.2
Petroleum	0.1	2.8	0.6	4.5
Mark's	11.4	5.9	40.1	22.8
Total earnings before income taxes and minority interest	\$ 149.1	\$ 134.8	\$ 388.6	\$ 339.8

(1) Differences may occur due to rounding.
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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 are not consistent from quarter to quarter. In the first quarter of 2005, non-operating items also included a \$5.3 million net charge for the redemption of MTNs, which was included in CTR's long-term debt interest expense. In the second quarter of 2006, non-operating items included a 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.

10.0 Subsequent events

On October 30, 2006, subsequent to the end of the third quarter, the Company announced an agreement to sell surplus land at one of its locations in Toronto, Ontario for proceeds of \$149.7 million. A gain of approximately \$121 million will be recorded on the transaction, with approximately \$51 million to be recorded on closing, which is expected to be before the end of November 2006. The balance is to be reflected as imputed interest income over the 10 year payment term, or sooner, at the option of the purchaser.

On November 9, 2006, subsequent to the end of the third quarter, the Board of Directors approved an amendment to the Company's stock options, providing employees holding stock options issued prior to 2004 the right to elect to receive a direct cash payment in lieu of exercising the options in the traditional fashion. Options have been provided to certain employees as part of a long-term compensation program. The new cash payment feature provides option holders with substantially the same benefits of their options. As a result of the amendment, the Company will be able to offer shareholders

greater transparency with respect to disclosure of the cost of the stock options. The Company also expects to realize cost savings with reduced share purchase activity, as the Company's anti-dilution share policy requires the repurchase of shares issued as a result of stock option exercise. The amendment is tax effective for the Company due to the tax deductibility of cash paid on surrendered options. Accounting rules require the Company to record an obligation and corresponding expense for the current intrinsic value of vested stock options, immediately upon amendment, in the Company's consolidated results and to revalue the obligation quarterly based on the change in the market value of the Company's Class A Non-Voting shares. Therefore, as a result of the amendment, the Company will record a pre-tax expense of approximately \$42.0 million in the fourth quarter of 2006 (\$27.1 million on an after-tax basis). Options issued subsequent to 2003 already feature the direct cash payment option.

In October 2006, subsequent to the end of the third quarter, Financial Services initiated its plans to test new retail banking products and services with the introduction of high interest savings accounts, guaranteed investment certificates and fixed and variable rate mortgages in two pilot markets.

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2006 THIRD QUARTER
INTERIM REPORT FINANCIALS

Consolidated Statements of Earnings and Retained Earnings (Unaudited)

(Dollars in millions except per share amounts)	13 weeks ended, September 30, 2006	October 1, 2005	39 weeks ended, September 30, 2006	October 1, 2005
		(Restated - Note 2)		(Restated - Note 2)
Gross operating revenue	\$ 2,023.3	\$ 1,888.6	\$ 5,843.0	\$ 5,417.3
Operating expenses				
Cost of merchandise sold and all other operating expenses except for the undernoted items	1,802.2	1,679.3	5,235.2	4,861.0
Interest				
Long-term debt (Note 4)	16.8	19.0	55.0	58.2
Short-term debt	0.1	0.2	2.1	2.9
Depreciation and amortization	46.9	47.0	140.7	135.8
Employee profit sharing plan	8.2	8.3	21.4	19.6
Total operating expenses	1,874.2	1,753.8	5,454.4	5,077.5
Earnings before income taxes and minority interest	149.1	134.8	388.6	339.8
Income taxes				
Current	56.5	39.4	142.7	113.2
Future	(2.8)	9.1	(2.8)	9.1
Total Income taxes	53.7	48.5	139.9	122.3

Net earnings before minority interest	95.4	86.3	248.7	217.5
Minority interest (Note 10)	-	1.9	2.4	5.6
Net earnings	\$ 95.4	\$ 84.4	\$ 246.3	\$ 211.9
Basic earnings per share	\$ 1.17	\$ 1.03	\$ 3.02	\$ 2.59
Diluted earnings per share (Note 6)	\$ 1.16	\$ 1.02	\$ 2.99	\$ 2.56
Weighted average number of Common and Class A Non-Voting Shares outstanding	81,613,136	82,088,199	81,561,963	81,727,585
Retained earnings, beginning of period			\$ 1,812.6	\$ 1,546.9
Net earnings			246.3	211.9
Dividends			(40.3)	(35.6)
Repurchase of Class A Non-Voting Shares (Note 7)			(25.2)	(11.6)
Retained earnings, end of period			\$ 1,993.4	\$ 1,711.6

Consolidated Statements of Cash Flows (Unaudited)

	13 weeks ended,		39 weeks ended,	
	September	October	September	October
(Dollars in millions)	30, 2006	1, 2005	30, 2006	1, 2005
Cash generated from (used for) :				
Operating activities				
Net earnings	\$ 95.4	\$ 84.4	\$ 246.3	\$ 211.9
Items not affecting cash				
Net provision for loans receivable	62.1	58.4	177.2	164.8
Depreciation and amortization of property and equipment	46.5	46.4	139.0	133.4
Loss (gain) on sales of loans receivable (Note 3)	4.8	(0.1)	20.9	(6.9)

Amortization of other assets	0.6	1.3	3.8	4.5
Other	2.5	0.5	3.7	1.3
Future income taxes	(2.8)	9.1	(2.8)	9.1
Gain on disposals of property and equipment	(6.4)	(1.5)	(10.4)	(5.0)
Cash generated from operations	202.7	198.5	577.7	513.1
Changes in other working capital components	(104.1)	(41.9)	(553.1)	(700.2)
Cash generated from (used for) operating activities	98.6	156.6	24.6	(187.1)
Investing activities				
Additions to property and equipment	(145.8)	(105.2)	(281.5)	(248.2)
Investment in loans receivable	(89.0)	(145.2)	(239.0)	(462.7)
Securitization of loans receivable	(49.0)	2.1	(139.0)	68.5
Long-term receivables and other assets	(4.0)	(3.4)	(6.7)	(4.9)
Purchases of stores	(2.2)	(0.8)	(5.5)	(1.3)
Other	(2.3)	(1.2)	(2.5)	(2.1)
Proceeds on disposition of property and equipment	9.8	49.1	253.3	57.9
Cash used for investing activities	(282.5)	(204.6)	(420.9)	(592.8)
Financing activities				
Commercial paper	113.0	-	113.0	-
Issuance of long-term debt	-	200.0	0.9	515.6
Class A Non-Voting Share transactions (Note 7)	(5.3)	(17.4)	(10.9)	19.4
Dividends	(13.4)	(11.9)	(38.7)	(33.9)
Repayment of long-term debt (Note 4)	(1.4)	(1.7)	(204.1)	(230.0)
Repayment of limited partnership interest (Note 10)	-	-	(300.0)	-
Cash generated from (used for) financing activities	92.9	169.0	(439.8)	271.1

Cash generated (used) in the period	(91.0)	121.0	(836.1)	(508.8)
Cash and cash equivalents, beginning of period	92.9	172.4	838.0	802.2
Cash and cash equivalents, end of period	\$ 1.9	\$ 293.4	\$ 1.9	\$ 293.4

Consolidated Balance Sheets (Unaudited)

(Dollars in millions)

As at	September 30, 2006	October 1, 2005	December 31, 2005
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ASSETS

Current assets

Cash and cash equivalents	\$ 1.9	\$ 293.4	\$ 838.0
Accounts receivable	562.0	510.9	652.8
Loans receivable (Note 3)	808.0	706.1	720.8
Merchandise inventories	1,000.3	901.7	675.5
Prepaid expenses and deposits	63.2	53.6	42.4
Future income taxes	42.5	27.3	43.6

Total current assets	2,477.9	2,493.0	2,973.1
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Long-term receivables and other assets (Note 3)

Goodwill	233.2	252.4	140.0
Intangible assets	46.4	45.4	46.2
Property and equipment	52.4	52.4	52.4
	2,692.7	2,656.8	2,743.9

Total assets	\$ 5,502.6	\$ 5,500.0	\$ 5,955.6
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LIABILITIES

Current liabilities

Commercial paper	\$ 113.0	\$ -	\$ -
Accounts payable and other	1,262.2	1,200.5	1,545.5
Income taxes payable	52.7	42.4	71.2
Current portion of long-term debt (Note 4)	3.3	205.1	204.3

Total current liabilities	1,431.2	1,448.0	1,821.0
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Long-term debt (Note 4)	1,169.4	1,171.0	1,171.3
Future income taxes	85.1	79.0	89.0
Other long-term liabilities (Note 14)	110.9	54.8	63.2

Total liabilities	2,796.6	2,752.8	3,144.5
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Minority interest (Note 10)	-	300.0	300.0
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SHAREHOLDERS' EQUITY

Share capital (Note 7)	717.0	740.0	702.7
Contributed surplus	1.3	1.3	1.5
Accumulated foreign currency			

translation adjustment	(5.7)	(5.7)	(5.7)
Retained earnings	1,993.4	1,711.6	1,812.6
Total shareholders' equity	2,706.0	2,447.2	2,511.1
Total liabilities, minority interest and shareholders' equity	\$ 5,502.6	\$ 5,500.0	\$ 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 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 September 30, 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 - \$15.6 million). For the 39 weeks ended September 30, 2006, both "gross operating revenue" and "cost of merchandise sold and all other operating expenses except for the undernoted items" were decreased by \$42.0 million (2005 - \$38.1 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 September 30, 2006, the Company recognized a pre-tax loss of \$4.8 million (2005 - \$0.1 million pre-tax gain) on the securitization of the Loans. For the 39 weeks ended September 30, 2006, the Company recognized a pre-tax loss of \$20.9 million (2005 - \$6.9 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 managed and securitized by the Company is as follows:

(Dollars in millions)	Total principal amount of receivables as at(1)			Average balances for the 39 weeks ended	
	September 30, 2006	October 1, 2005	December 31, 2005	September 30, 2006	October 1, 2005
Total net managed credit card portfolio	\$3,164.5	\$2,935.8	\$3,143.4	\$3,084.7	\$2,761.3
Credit card receivables sold	(2,381.4)	(2,276.1)	(2,422.8)	(2,370.8)	(2,182.3)
Credit card					

receivables held	783.1	659.7	720.6	713.9	579.0
Total net managed					
personal loans (2)	256.5	220.5	216.5	261.9	180.4
Personal loans sold	(144.0)	-	(206.1)	(174.8)	-
	-----	-----	-----	-----	-----
Personal loans held	112.5	220.5	10.4	87.1	180.4
	-----	-----	-----	-----	-----
Total Loans	895.6	880.2	731.0	\$ 801.0	\$ 759.4
				-----	-----
				-----	-----
Less: long-term					
portion (3)	87.6	174.1	10.2		
	-----	-----	-----		
Current portion					
of loans	\$ 808.0	\$ 706.1	\$ 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 is included in "Long-term receivables and other assets".

Net credit losses for the 13 weeks ended September 30, 2006 were \$49.4 million (2005 - \$45.1 million). Net credit losses for the 39 weeks ended September 30, 2006 were \$151.1 million (2005 - \$134.3 million). Net credit losses are charge-offs net of recoveries and are based on the total managed portfolio of loans.

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 \$16.3 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 39 weeks ended September 30, 2006 was \$1.8 million (2005 - \$2.4 million) and \$5.4 million (2005 - \$5.0 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	13 weeks	39 weeks	39 weeks
ended	ended	ended	ended
September	October	September	October
30, 2006	1, 2005	30, 2006	1, 2005
-----	-----	-----	-----

Average number of shares for basic earnings per share calculations	81,613,136	82,088,199	81,561,963	81,727,585
Dilutive options	642,583	1,058,835	770,343	1,186,920
	-----	-----	-----	-----
Average number of shares for diluted earnings per share calculations	82,255,719	83,147,034	82,332,306	82,914,505
	-----	-----	-----	-----

7. Share Capital

(Dollars in millions)	September 30, 2006	October 1, 2005	December 31, 2005
	-----	-----	-----
Authorized			
3,423,366 Common Shares			
100,000,000 Class A Non-Voting Shares			
Issued			
3,423,366 Common Shares			
(October 1, 2005 - 3,423,366)	\$ 0.2	\$ 0.2	\$ 0.2
78,239,023 Class A Non-Voting Shares			
(October 1, 2005 - 78,574,302)	716.8	739.8	702.5
	-----	-----	-----
	\$ 717.0	\$ 740.0	\$ 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)	39 weeks ended September 30, 2006		39 weeks ended October 1, 2005	
	Number	\$	Number	\$
	-----	-----	-----	-----
Shares outstanding at the beginning of the period	78,032,724	702.5	77,699,631	708.8
Issued	1,124,699	50.6	1,391,071	51.0
Repurchased	(918,400)	(61.5)	(516,400)	(31.6)
Excess of repurchase price over issue price	-	25.2	-	11.6
	-----	-----	-----	-----
Shares outstanding at the end of the period	78,239,023	716.8	78,574,302	739.8
	-----	-----	-----	-----

8. Stock-based Compensation Plans

Stock options (referred to as "stock options with tandem stock appreciation rights") were 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 39 weeks ended September 30, 2006 was \$0.6 million and \$0.7 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 September 30, 2006	13 weeks ended October 1, 2005	39 weeks ended September 30, 2006	39 weeks ended October 1, 2005
	-----	-----	-----	-----
Net Earnings:				
As reported	\$ 95.4	\$ 84.4	\$ 246.3	\$ 211.9
Pro forma	95.4	84.1	246.0	211.0
Basic Earnings per Share:				
As reported	1.17	1.03	3.02	2.59
Pro forma	1.17	1.02	3.02	2.58
Diluted Earnings per Share:				
As reported	1.16	1.02	2.99	2.56
Pro forma	1.16	1.01	2.99	2.54

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 - 3.87%)) 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 September 30, 2006	13 weeks ended October 1, 2005	39 weeks ended September 30, 2006	39 weeks ended October 1, 2005
(Dollars in millions)				
		(Restated Note-2)		(Restated Note-2)
Gross operating revenue(1)				
CTR	\$ 1,290.6	\$ 1,226.8	\$ 3,778.6	\$ 3,577.0
Financial Services	182.4	173.8	523.7	495.2
Petroleum	427.0	379.1	1,170.2	1,014.4
Mark's	154.0	129.3	452.8	389.4
Eliminations	(30.7)	(20.4)	(82.3)	(58.7)
Total gross operating revenue	\$ 2,023.3	\$ 1,888.6	\$ 5,843.0	\$ 5,417.3
Earnings before income taxes and minority interest				
CTR	\$ 98.2	\$ 86.1	\$ 234.6	\$ 203.3
Financial Services	39.4	40.0	113.3	109.2
Petroleum	0.1	2.8	0.6	4.5
Mark's	11.4	5.9	40.1	22.8
Total earnings before income taxes and minority interest	\$ 149.1	\$ 134.8	\$ 388.6	\$ 339.8
Income taxes	53.7	48.5	139.9	122.3
Minority interest	-	1.9	2.4	5.6
Net earnings	\$ 95.4	\$ 84.4	\$ 246.3	\$ 211.9
Interest expense				
CTR	\$ 23.0	\$ 22.7	\$ 73.0	\$ 70.4
Financial Services	6.0	3.7	15.4	9.5
Petroleum	-	-	-	-
Mark's	1.0	0.5	2.4	1.6
Eliminations	(13.1)	(7.7)	(33.7)	(20.4)
Total interest expense	\$ 16.9	\$ 19.2	\$ 57.1	\$ 61.1
Depreciation and amortization expense				
CTR	\$ 36.5	\$ 36.7	\$ 109.0	\$ 105.4
Financial Services	2.8	2.9	9.1	9.4
Petroleum	3.8	3.6	11.1	10.4
Mark's	3.8	3.8	11.5	10.6

Total depreciation and amortization expense	\$	46.9	\$	47.0	\$	140.7	\$	135.8
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(1) Gross operating revenue includes dividend and interest income.

Segmented Information - Total Assets

(Dollars in millions)	At September 30, 2006	At October 1, 2005	At December 31, 2005
CTR	\$ 4,355.5	\$ 4,192.6	\$ 4,604.7
Financial Services	1,580.2	1,434.1	1,350.9
Petroleum	234.3	226.9	494.5
Mark's	453.4	380.8	342.9
Eliminations	(1,120.8)	(734.4)	(837.4)
Total	\$ 5,502.6	\$ 5,500.0	\$ 5,955.6

12. Supplementary Cash Flow Information

The Company paid income taxes during the 13 weeks ended September 30, 2006, amounting to \$33.1 million (2005 - \$29.7 million) and made interest payments of \$12.4 million (2005 - \$12.9 million). For the 39 weeks ended September 30, 2006, the Company paid income taxes amounting to \$160.9 million (2005 - \$112.6 million) and made interest payments of \$60.2 million (2005 - \$58.4 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. Tax Matters

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

The Canada Revenue Agency (CRA) has reassessed the Company's 1998 and 2001 taxation years. These reassessments relate primarily to the tax treatment of commissions paid to foreign subsidiaries of the Company and dividends received on an investment made by a wholly-owned subsidiary of the Company related to reinsurance. The Company also expects to receive reassessments from the CRA for its 1999, 2000, 2002 and 2003 taxation years before year-end dealing with the same matters and subsequently from the applicable provincial tax authorities for corresponding periods. The Company does not have a significant exposure on these matters subsequent to the 2003 taxation year. The reassessment and expected reassessments in these matters are based on multiple grounds, some of which are highly unusual and

the Company will appeal these reassessments as and when they are received.

If the CRA (and applicable provincial tax authorities) were entirely successful in their reassessments - an outcome that the Company and its tax advisors believe to be very unlikely - it is estimated that the total liability of the Company for additional taxes, interest and penalties could be approximately \$237 million. Although the Company will appeal these reassessments, current tax legislation requires the Company to remit to the CRA and its provincial counterparts approximately \$149 million, of which \$62 million has already been remitted. The timing of future remittances will be determined by the timing of when actual reassessments are received. In the event that the Company is successful in its appeal, in whole or in part, some, or all of the funds remitted to the various tax authorities will be refunded to the Company.

The Company regularly reviews the potential for adverse outcomes in respect of tax matters. The Company believes that the ultimate disposition of these reassessments will not have a material adverse effect on its liquidity, consolidated financial position or results of operations because it expects that it will be substantially successful in its appeal of these reassessments, and because the Company believes that it has adequate provision for these tax matters. Should the ultimate outcome materially differ from the provisions, the Company's effective tax rate and its earnings could be affected positively or negatively in the period in which the matters are resolved.

15. 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.

16. Comparative Figures

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

17. Subsequent Events

On October 30, 2006, the Company announced an agreement to sell surplus land at one of its locations in Toronto, Ontario for proceeds of \$149.7 million. A gain of approximately \$121 million will be recorded on the transaction, with approximately \$51 million to be recorded on closing, which is expected to be before the end of November 2006. The balance is to be reflected as imputed interest income over the 10 year payment term, or earlier, at the option of the purchaser.

On November 9, 2006, the Company approved an amendment to the Company's stock options, providing employees holding stock options the right to elect to surrender options and receive a direct cash payment in lieu of exercising the options in the traditional fashion. The cash payment will be calculated as the difference between the exercise price of the stock option and the market price of the

Company's Class A Non-Voting shares as calculated on the date of surrender, multiplied by the number of Class A Non-Voting shares covered by the stock options surrendered. Upon amendment to the stock option plan, the Company is required to recognize an obligation and corresponding expense for the current intrinsic value of vested stock options in the Company's consolidated results. The obligation will be revalued on a quarterly basis based on the changes in the market price for the Company's Class A Non-Voting shares for the unexercised stock options. In the fourth quarter of 2006, the Company will record a pre-tax expense of approximately \$42.0 million (\$27.1 million on an after-tax basis). Options issued subsequent to 2003 feature the direct cash payment option.

Interest Coverage Exhibit to the Consolidated Financial Statements

The Company's long-term interest requirements for the 52 weeks ended September 30, 2006, after annualizing interest on long-term debt issued and retired during this period, amounted to \$76.1 million. The Company's earnings before interest on long-term debt, income taxes and minority interest for the 52 weeks then ended were \$650.3 million, which is 8.5 times the Company's long-term interest requirements for this period.

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