



CANADIAN TIRE SECOND QUARTER NET EARNINGS RISE 12% TO \$103.3 MILLION

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

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

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

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

(Toronto, Ontario), August 10, 2006: Canadian Tire Corporation, Limited (CTC, CTC.a) today reported second quarter net earnings of \$103.3 million, an increase of 12.0 percent compared to \$92.2 million in the second quarter of 2005. Excluding non-operating gains and losses, net earnings were \$100.6 million, an increase of 18.6 percent compared to \$84.8 million last year.

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

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

Business Overview

CANADIAN TIRE RETAIL (CTR)

(\$ in millions)	Q2 2006	Q2 2005	Change	YTD 2006	YTD 2005	Change
Retail sales	\$2,064.4	\$1,961.2	5.3%	\$3,269.5	\$3,112.2	5.1%
Same store sales ⁽¹⁾ (% increase over prior year)	3.3%	2.5%		3.2%	2.7%	
Net shipments ⁽²⁾ (year-over-year % change)	10.0%	1.9%		5.9%	2.1%	
Earnings before income taxes and minority interest	\$97.9	\$92.2	6.2%	\$136.4	\$117.2	16.4%
Less adjustment for:						
Gain on disposals of property and equipment	\$1.3	\$3.3		\$4.7	\$4.2	
Loss on medium term notes redemption	-	-		-	\$(5.3)	
Adjusted earnings before income taxes and minority interest	\$96.6	\$88.9	8.6%	\$131.7	\$118.3	11.3%

- (1) Same store sales include sales from stores that have been open for more than 53 weeks, including stores that have been expanded by more than 25 percent in the last year.
- (2) Net shipments are the total value of merchandise shipped to Canadian Tire and PartSource stores, and through our online web store, less discounts and net of returns, recorded at the wholesale price charged to Associate Dealers and PartSource franchisees. The year-over-year percentage change for net shipments have been adjusted for "EIC-156" as required by the CICA.

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

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

The increase in earnings reflects higher operating revenue and improved operating margins resulting primarily from global sourcing initiatives. The increase in earnings was partially offset by higher information technology costs and higher distribution costs associated with the rise in shipments, as well as storage for increased inventory on hand during the quarter.

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

PartSource recorded double-digit sales growth in the second quarter on the continued strength of commercial sales and the cumulative effect of recent store openings and acquisitions.

PartSource opened one new store during the quarter bringing the total network to 59 locations.

CANADIAN TIRE PETROLEUM (Petroleum)

(\$ in millions)	Q2 2006	Q2 2005	Change	YTD 2006	YTD 2005	Change
Sales volume (millions of litres)	418.0	411.6	1.5%	802.8	794.4	1.1%
Retail sales	\$430.3	\$363.3	18.4%	\$784.3	\$676.2	16.0%
Earnings (loss) before income taxes	\$(1.2)	\$0.1	(963.5)%	\$0.5	\$1.7	(72.6)%
Less adjustment for:						
Loss on disposals of property and equipment	\$(0.2)	\$(0.1)		\$(0.3)	\$(0.2)	
Adjusted earnings (loss) before income taxes	\$(1.0)	\$0.2	(616.9)%	\$0.8	\$1.9	(60.2)%

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

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

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

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

MARK'S WORK WEARHOUSE (Mark's)

(\$ in millions)	Q2 2006	Q2 2005	Change	YTD 2006	YTD 2005	Change
Total retail sales	\$201.9	\$174.0	16.0%	\$353.6	\$310.2	14.0%
Same store sales ⁽¹⁾ (% increase over prior year)	15.2%	16.4%		13.0%	19.5%	
Earnings before income taxes	\$20.3	\$12.7	60.1%	\$28.7	\$16.9	69.8%

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

Mark's second quarter retail sales grew to \$201.9 million from \$174.0 million, an increase of 16.0 percent from the same period in the year prior. Same store sales rose 15.2 percent in the quarter, with the highest percentage growth in women's woven shirts, women's accessories and women's sweaters. Sales, which were particularly strong in the Prairie provinces and British Columbia, were driven by the ongoing implementation of Mark's "Clothes That Work" marketing and merchandising strategy.

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

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

CANADIAN TIRE FINANCIAL SERVICES (Financial Services)

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

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

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

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

Financial Services' retail banking initiative remains on schedule and the division expects to pilot new banking products and services to select markets during the last quarter of 2006. The division's earnings growth over the last half of the year will be impacted by expenses of approximately \$10.2 million to support the retail banking initiative, the majority of which will be incurred in the fourth quarter. The retail banking investment has been incorporated in the Company's 2006 capital plan and earnings guidance.

EARNINGS GUIDANCE UPDATE

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

FORWARD-LOOKING STATEMENTS

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

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

CERTIFICATION OF RESULTS

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

REVIEW BY BOARD OF DIRECTORS

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

CONFERENCE CALL

Canadian Tire will conduct a conference call to discuss information included in this news release and related matters at 3:00 p.m. EST on Thursday, August 10, 2006. The conference call will be available simultaneously and in its entirety to all interested investors and the news media through a webcast at <http://investor.relations.canadiantire.ca>, and will be available through replay at this website for one month.

Canadian Tire Corporation, Limited (TSX: CTC, CTC.a), Canada's most-shopped general merchandise retailer, operates more than 1,100 stores, gas bars and car washes in an inter-related network of businesses engaged in retail, financial services and petroleum. *Canadian Tire Retail*, with 464 stores operated by Associate Dealers across Canada offers a unique mix of products and services through three specialty categories in which the organization is the market leader — Automotive, Sports and Leisure, and Home Products. www.canadiantire.ca offers Canadians the opportunity to shop online. *PartSource* is an automotive parts specialty chain with 59 stores designed to meet the needs of purchasers of automotive parts — professional automotive installers and serious do-it-yourselfers. *Canadian Tire Petroleum* is one of the country's largest and most productive independent retailers of gasoline, operating 262 gas bars, 248 convenience stores and kiosks, and 73 car washes. *Mark's Work Warehouse* is one of the country's leading apparel retailers operating 330 stores in Canada. Under the Clothes that Work™ marketing strategy, Mark's sells apparel and footwear in work, work-related, casual and active-wear categories, as well as health-care and business-to-business apparel. www.marks.com offers Canadians the opportunity to shop online. *Canadian Tire Financial Services* manages over 4 million Canadian Tire MasterCard accounts and markets related financial products and services for retail and petroleum customers. Canadians can also access Financial Services online at www.ctfs.com. Over 50,000 Canadians work across Canadian Tire's organization from coast-to-coast in the enterprise's retail, financial services, and petroleum businesses.

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For further information:

Media

Caroline Casselman
Director, Community & Public Affairs
416-480-8159
caroline.casselman@cantire.com

Investors

Scott Bonikowsky
Divisional VP, Corporate Communication &
Investor Relations
416-480-8570
bonikowsky@cantire.com