

**TIM HORTONS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
(In thousands of Canadian dollars, except share and per share data)

(Unaudited)

	Third quarter ended		\$ Change	% Change
	September 27, 2009	September 28, 2008		
<b>REVENUES</b>				
Sales	\$373,035	\$333,581	\$39,454	11.8%
Franchise revenues:				
Rents and royalties	166,914	155,214	11,700	7.5%
Franchise fees	23,605	20,200	3,405	16.9%
	<u>190,519</u>	<u>175,414</u>	<u>15,105</u>	<u>8.6%</u>
<b>TOTAL REVENUES</b>	<u>563,554</u>	<u>508,995</u>	<u>54,559</u>	<u>10.7%</u>
<b>COSTS AND EXPENSES</b>				
Cost of sales	327,923	293,056	34,867	11.9%
Operating expenses	59,053	53,596	5,457	10.2%
Franchise fee costs	21,754	19,840	1,914	9.6%
General and administrative expenses	35,363	29,986	5,377	17.9%
Equity (income)	(9,415)	(9,429)	14	(0.1%)
Other (income), net	(359)	(664)	305	N/M
<b>TOTAL COSTS AND EXPENSES, NET</b>	<u>434,319</u>	<u>386,385</u>	<u>47,934</u>	<u>12.4%</u>
<b>OPERATING INCOME</b>	129,235	122,610	6,625	5.4%
Interest (expense)	(5,068)	(6,288)	1,220	(19.4%)
Interest income	272	957	(685)	N/M
<b>INCOME BEFORE INCOME TAXES</b>	124,439	117,279	7,160	6.1%
<b>INCOME TAXES</b>	<u>62,873</u>	<u>38,092</u>	<u>24,781</u>	<u>65.1%</u>
Net Income	61,566	79,187	(17,621)	(22.3%)
Net income attributable to noncontrolling interests	387	430	(43)	(10.0%)
<b>NET INCOME ATTRIBUTABLE TO TIM HORTONS INC.</b>	<u>\$61,179</u>	<u>\$78,757</u>	<u>(\$17,578)</u>	<u>(22.3%)</u>
Basic earnings per share of common stock attributable to Tim Hortons Inc.	<u>\$0.34</u>	<u>\$0.43</u>	<u>(\$0.09)</u>	<u>(21.6%)</u>
Diluted earnings per share of common stock attributable to Tim Hortons Inc.	<u>\$0.34</u>	<u>\$0.43</u>	<u>(\$0.09)</u>	<u>(21.5%)</u>
Weighted average number of shares of common stock - Basic (in thousands)	<u>180,681</u>	<u>182,431</u>	<u>(1,750)</u>	<u>(1.0%)</u>
Weighted average number of shares of common stock - Diluted (in thousands)	<u>180,864</u>	<u>182,662</u>	<u>(1,798)</u>	<u>(1.0%)</u>
Dividend per share of common stock	<u>\$0.10</u>	<u>\$0.09</u>	<u>\$0.01</u>	

N/M - not meaningful  
(all numbers rounded)

**TIM HORTONS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
(In thousands of Canadian dollars, except share and per share data)

(Unaudited)

	Year-to-date period ended		\$ Change	% Change
	September 27, 2009	September 28, 2008		
<b>REVENUES</b>				
Sales	\$1,084,773	\$975,960	\$108,813	11.1%
Franchise revenues:				
Rents and royalties	478,732	444,640	34,092	7.7%
Franchise fees	63,319	59,404	3,915	6.6%
	<u>542,051</u>	<u>504,044</u>	<u>38,007</u>	<u>7.5%</u>
<b>TOTAL REVENUES</b>	<u>1,626,824</u>	<u>1,480,004</u>	<u>146,820</u>	<u>9.9%</u>
<b>COSTS AND EXPENSES</b>				
Cost of sales	956,219	858,440	97,779	11.4%
Operating expenses	175,586	158,227	17,359	11.0%
Franchise fee costs	61,147	58,028	3,119	5.4%
General and administrative expenses	104,533	96,996	7,537	7.8%
Equity (income)	(25,964)	(26,792)	828	(3.1%)
Other (income), net	(675)	(2,390)	1,715	N/M
<b>TOTAL COSTS AND EXPENSES, NET</b>	<u>1,270,846</u>	<u>1,142,509</u>	<u>128,337</u>	<u>11.2%</u>
<b>OPERATING INCOME</b>	355,978	337,495	18,483	5.5%
Interest (expense)	(15,617)	(18,608)	2,991	(16.1%)
Interest income	1,056	4,020	(2,964)	N/M
<b>INCOME BEFORE INCOME TAXES</b>	341,417	322,907	18,510	5.7%
<b>INCOME TAXES</b>	<u>134,918</u>	<u>105,922</u>	<u>28,996</u>	<u>27.4%</u>
Net Income	206,499	216,985	(10,486)	(4.8%)
Net income attributable to noncontrolling interests	1,121	1,434	(313)	(21.8%)
<b>NET INCOME ATTRIBUTABLE TO TIM HORTONS INC.</b>	<u>\$205,378</u>	<u>\$215,551</u>	<u>(\$10,173)</u>	<u>(4.7%)</u>
Basic earnings per share of common stock attributable to Tim Hortons Inc.	<u>\$1.14</u>	<u>\$1.17</u>	<u>(\$0.03)</u>	<u>(2.7%)</u>
Diluted earnings per share of common stock attributable to Tim Hortons Inc.	<u>\$1.13</u>	<u>\$1.17</u>	<u>(\$0.03)</u>	<u>(2.6%)</u>
Weighted average number of shares of common stock - Basic (in thousands)	<u>180,878</u>	<u>184,735</u>	<u>(3,857)</u>	<u>(2.1%)</u>
Weighted average number of shares of common stock - Diluted (in thousands)	<u>181,076</u>	<u>185,013</u>	<u>(3,937)</u>	<u>(2.1%)</u>
Dividend per share of common stock	<u>\$0.30</u>	<u>\$0.27</u>	<u>\$0.03</u>	

N/M - not meaningful  
(all numbers rounded)

**TIM HORTONS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(In thousands of Canadian dollars)

	As at	
	September 27, 2009	December 28, 2008
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$213,745	\$101,636
Restricted cash and cash equivalents	13,534	62,329
Restricted investments	20,152	-
Accounts receivable, net	159,016	159,505
Notes receivable, net	27,457	22,615
Deferred income taxes	11,596	19,760
Inventories and other, net	60,916	71,505
Advertising fund restricted assets	23,173	27,684
<b>Total current assets</b>	<b>529,589</b>	<b>465,034</b>
<b>Property and equipment, net</b>	<b>1,330,941</b>	<b>1,332,852</b>
<b>Notes receivable, net</b>	<b>13,503</b>	<b>17,645</b>
<b>Deferred income taxes</b>	<b>8,517</b>	<b>29,285</b>
<b>Intangible assets, net</b>	<b>2,202</b>	<b>2,606</b>
<b>Equity investments</b>	<b>126,159</b>	<b>132,364</b>
<b>Other assets</b>	<b>16,677</b>	<b>12,841</b>
<b>Total assets</b>	<b>\$2,027,588</b>	<b>\$1,992,627</b>

**TIM HORTONS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(In thousands of Canadian dollars)

	As at	
	September 27, 2009	December 28, 2008
	(Unaudited)	
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$152,302	\$157,210
Accrued liabilities:		
Salaries and wages	14,474	18,492
Taxes	32,681	25,605
Other	70,821	110,518
Advertising fund restricted liabilities	40,255	47,544
Current portion of long-term obligations	7,795	6,691
<b>Total current liabilities</b>	<b>318,328</b>	<b>366,060</b>
<b>Long-term obligations</b>		
Term debt	334,155	332,506
Advertising fund restricted debt	2,092	6,929
Capital leases	61,759	59,052
Deferred income taxes	5,635	13,604
Other long-term liabilities	77,553	72,467
<b>Total long-term obligations</b>	<b>481,194</b>	<b>484,558</b>
<b>Equity</b>		
<b>Equity of Tim Hortons Inc.</b>		
Common stock, (US\$0.001 par value per share)		
Authorized: 1,000,000,000 shares		
Issued: 193,302,977 shares	289	289
Capital in excess of par value	928,780	929,102
Treasury stock, at cost: 12,306,100 and 11,754,201 shares, respectively	(415,751)	(399,314)
Common stock held in trust, at cost: 316,129 and 358,186 shares, respectively	(10,712)	(12,287)
Retained earnings	828,345	677,550
Accumulated other comprehensive loss	(104,451)	(54,936)
<b>Total equity of Tim Hortons Inc.</b>	<b>1,226,500</b>	<b>1,140,404</b>
<b>Noncontrolling interests</b>	1,566	1,605
<b>Total equity</b>	<b>1,228,066</b>	<b>1,142,009</b>
<b>Total liabilities and equity</b>	<b>\$2,027,588</b>	<b>\$1,992,627</b>

**TIM HORTONS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of Canadian dollars)

Year-to-date period ended  
September 27, 2009    September 28, 2008  
*(Unaudited)*

**CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES**

Net income	\$206,499	\$216,985
Net income attributable to noncontrolling interests	(1,121)	(1,434)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	74,605	66,811
Stock-based compensation expense	6,801	7,909
Equity income, net of cash dividends	7,204	3,782
Deferred income taxes	18,725	(3,034)
Changes in operating assets and liabilities		
Restricted cash and cash equivalents	48,447	30,094
Accounts and notes receivable	(1,292)	(12,483)
Inventories and other	8,985	2,748
Accounts payable and accrued liabilities	(40,662)	(77,920)
Other, net	6,694	11,368

**Net cash provided from operating activities**

334,885                      244,826

**CASH FLOWS (USED IN) PROVIDED FROM INVESTING ACTIVITIES**

Capital expenditures	(111,382)	(112,060)
Purchase of restricted investments	(20,136)	(11,959)
Principal payments on notes receivable	2,263	2,563
Other investing activities	(14,991)	(8,979)

**Net cash used in investing activities**

(144,246)                      (130,435)

**CASH FLOWS (USED IN) PROVIDED FROM FINANCING ACTIVITIES**

Purchase of treasury stock	(16,701)	(149,770)
Dividend payments	(54,583)	(49,748)
Purchase of common stock held in trust	(713)	(3,842)
Purchase of common stock for settlement of restricted stock units	(232)	(226)
Proceeds from issuance of debt, net of issuance costs	2,707	2,068
Principal payments on other long-term debt obligations	(3,893)	(4,897)

**Net cash used in financing activities**

(73,415)                      (206,415)

**Effect of exchange rate changes on cash**

(5,115)                      2,036

**Increase (decrease) in cash and cash equivalents**

112,109                      (89,988)

**Cash and cash equivalents at beginning of period**

101,636                      157,602

**Cash and cash equivalents at end of period**

\$213,745                      \$67,614

**TIM HORTONS INC. AND SUBSIDIARIES**  
**SEGMENT REPORTING**

(In thousands of Canadian dollars)

*(Unaudited)*

Third Quarter Ended

	September 27, 2009	% of Total	September 28, 2008	% of Total
<b>REVENUES</b>				
Canada	\$492,043	87.3%	\$442,295	86.9%
U.S.	38,909	6.9%	31,162	6.1%
Total reportable segments	530,952	94.2%	473,457	93.0%
Noncontrolling interests - Non-owned consolidated restaurants	32,602	5.8%	35,538	7.0%
<b>Total</b>	<b>\$563,554</b>	<b>100.0%</b>	<b>\$508,995</b>	<b>100.0%</b>
<b>SEGMENT OPERATING INCOME (LOSS)</b>				
Canada	\$140,783	99.2%	\$132,892	101.6%
U.S.	1,079	0.8%	(2,119)	(1.6)%
Reportable Segment Operating Income	141,862	100.0%	130,773	100.0%
Noncontrolling interests - Non-owned consolidated restaurants	426		538	
Corporate Charges	(13,053)		(8,701)	
<b>Consolidated Operating Income</b>	<b>129,235</b>		<b>122,610</b>	
<b>Interest, net</b>	<b>(4,796)</b>		<b>(5,331)</b>	
<b>Income taxes</b>	<b>(62,873)</b>		<b>(38,092)</b>	
<b>Net Income</b>	<b>61,566</b>		<b>79,187</b>	
<b>Net Income attributable to noncontrolling interests</b>	<b>387</b>		<b>430</b>	
<b>Net Income attributable to Tim Hortons Inc.</b>	<b>\$61,179</b>		<b>\$78,757</b>	

Year-to-date-period ended

	September 27, 2009	% of Total	September 28, 2008	% of Total
<b>REVENUES</b>				
Canada	\$1,405,653	86.4%	\$1,280,982	86.6%
U.S.	125,517	7.7%	96,640	6.5%
Total reportable segments	1,531,170	94.1%	1,377,622	93.1%
Noncontrolling interests - Non-owned consolidated restaurants	95,654	5.9%	102,382	6.9%
<b>Total</b>	<b>\$1,626,824</b>	<b>100.0%</b>	<b>\$1,480,004</b>	<b>100.0%</b>
<b>SEGMENT OPERATING INCOME (LOSS)</b>				
Canada	\$387,126	99.1%	\$369,860	101.4%
U.S.	3,656	0.9%	(5,188)	(1.4)%
Reportable Segment Operating Income	390,782	100.0%	364,672	100.0%
Noncontrolling interests - Non-owned consolidated restaurants	1,283		1,794	
Corporate Charges	(36,087)		(28,971)	
<b>Consolidated Operating Income</b>	<b>355,978</b>		<b>337,495</b>	
<b>Interest, net</b>	<b>(14,561)</b>		<b>(14,588)</b>	
<b>Income taxes</b>	<b>(134,918)</b>		<b>(105,922)</b>	
<b>Net Income</b>	<b>206,499</b>		<b>216,985</b>	
<b>Net Income attributable to noncontrolling interests</b>	<b>1,121</b>		<b>1,434</b>	
<b>Net Income attributable to Tim Hortons Inc.</b>	<b>\$205,378</b>		<b>\$215,551</b>	

Third Quarter Ended

	September 27, 2009	September 28, 2008	\$ Change	% Change
<i>Sales is comprised of:</i>				
Distribution sales	\$334,557	\$289,174	\$45,383	15.7%
Company-operated restaurant sales	5,876	8,869	(2,993)	(33.7)%
Sales from non-owned consolidated restaurants	32,602	35,538	(2,936)	(8.3)%
	<b>\$373,035</b>	<b>\$333,581</b>	<b>\$39,454</b>	<b>11.8%</b>

Year-to-date period ended

	September 27, 2009	September 28, 2008	\$ Change	% Change
<i>Sales is comprised of:</i>				
Distribution sales	\$970,502	\$841,968	\$128,534	15.3%
Company-operated restaurant sales	18,617	31,610	(12,993)	(41.1)%
Sales from non-owned consolidated restaurants	95,654	102,382	(6,728)	(6.6)%
	<b>\$1,084,773</b>	<b>\$975,960</b>	<b>\$108,813</b>	<b>11.1%</b>

**TIM HORTONS INC. AND SUBSIDIARIES**  
**SYSTEMWIDE RESTAURANT COUNT**

	As of September 27, 2009	As of December 28, 2008	Increase/ (Decrease) From Year End	As of September 28, 2008	Increase/ (Decrease) From Prior Year
<u>Tim Hortons</u>					
Canada					
Company-operated	18	15	3	13	5
Franchised	2,953	2,902	51	2,857	96
Total	2,971	2,917	54	2,870	101
<i>% Franchised</i>	99.4%	99.5%		99.5%	
U.S.					
Company-operated	5	19	(14)	30	(25)
Franchised	551	501	50	394	157
Total	556	520	36	424	132
<i>% Franchised</i>	99.1%	96.3%		92.9%	
Total Tim Hortons					
Company-operated	23	34	(11)	43	(20)
Franchised	3,504	3,403	101	3,251	253
Total	3,527	3,437	90	3,294	233
<i>% Franchised</i>	99.3%	99.0%		98.7%	

## **TIM HORTONS INC. AND SUBSIDIARIES**

### **Income Statement Definitions**

<b>Sales</b>	Primarily includes sales of products, supplies and restaurant equipment (except for initial equipment packages sold to franchisees as part of the establishment of their restaurant's business - see "Franchise Fees") that are shipped directly from our warehouses or by third party distributors to the restaurants, which we include in warehouse or distribution sales. Sales include canned coffee sales through the grocery channel. Sales also include sales from Company-operated restaurants and sales from certain non-owned restaurants that are consolidated in accordance with ASC 810 (formerly FIN 46R).
<b>Rents and Royalties</b>	Includes franchisee royalties and rental revenues.
<b>Franchise Fees</b>	Includes the sales revenue from initial equipment packages, as well as fees for various costs and expenses related to establishing a franchisee's business.
<b>Cost of Sales</b>	Includes costs associated with our distribution business, including cost of goods, direct labour and depreciation, as well as the cost of goods delivered by third-party distributors to the restaurants, and for canned coffee sold through grocery stores. Cost of sales also includes food, paper and labour costs for Company-operated restaurants and certain non-owned restaurants that are consolidated in accordance with ASC 810 (formerly FIN 46R).
<b>Operating Expenses</b>	Includes rent expense related to properties leased to franchisees and other property-related costs (including depreciation).
<b>Franchise fee costs</b>	Includes costs of equipment sold to franchisees as part of the commencement of their restaurant business, as well as training and other costs necessary to ensure a successful restaurant opening.
<b>General and Administrative</b>	Includes costs that cannot be directly related to generating revenue, including expenses associated with our corporate and administrative functions, allocation of expenses related to corporate functions, depreciation of office equipment, the majority of our information technology systems, and head office real estate.
<b>Equity Income</b>	Includes income from equity investments in joint ventures and other minority investments over which we exercise significant influence. Equity income from these investments is considered to be an integrated part of our business operations and is, therefore, included in operating income. Income amounts are shown as reductions to total costs and expenses.
<b>Other (Income), net</b>	Includes expenses (income) that are not directly derived from the Company's primary businesses. Items include currency adjustments, gains and losses on asset sales, and other asset write-offs.
<b>Noncontrolling interests</b>	Represents certain non-owned restaurants that the Company is required to consolidate under ASC 810 (formerly FIN 46R).
<b>Comprehensive Income</b>	Represents the change in our net assets during the reporting period from transactions and other events and circumstances from non-owner sources. It includes net income and other comprehensive income such as foreign currency translation adjustments and the impact of cash flow hedges.