

FOR IMMEDIATE RELEASE

(Unaudited. All amounts in Canadian dollars and presented in accordance with U.S. GAAP)



Tim Hortons Inc. announces strong 2010 third quarter underlying operating performance and provides update on important strategic developments

Highlights

- Strength of underlying operations reflected in continued sales and revenue momentum in Canada and the U.S.
 - Same-store sales up 4.3% in Canada and 3.3% in the U.S.
 - Total revenues up 9.8%
- Management to focus on its core growth markets in the Northeast and Midwest U.S.; Company takes \$20.9 million asset impairment charge and will close its locations in two markets in the New England region
- Approximately \$400 million in after-tax cash proceeds from sale of interest in Maidstone Bakeries planned to be deployed to repurchase shares and \$30 million committed with the intent of helping franchisees to mitigate anticipated rising operating costs

Financial & Sales Highlights

	<u>Q3 2010</u>	<u>Q3 2009</u>	<u>% Year-over Year Change</u>	<u>YTD 2010</u>
Total revenues	\$670.5	\$610.7	9.8%	\$1,893.0
Operating income	\$133.0	\$136.8	(2.8)%	\$ 410.6
Adjusted operating income attributable to THI ⁽¹⁾	\$144.9	\$129.9	11.5%	\$ 408.2
Effective tax rate	35.7%	49.3%		32.0%
Net income attributable to THI	\$ 73.8	\$ 61.2	20.7%	\$ 246.8
Diluted earnings per share (EPS)	\$ 0.42	\$ 0.34	25.6%	\$ 1.41
Fully diluted shares	173.7	180.9	(3.9)%	175.0

(\$ in millions, except EPS. Fully diluted shares in millions. All numbers rounded.)

(1) Adjusted operating income attributable to THI is a non-GAAP measure. Please refer to “Disclosure of Non-GAAP Measure” at the end of this release for further information.

Results for 2010, and retroactively for 2009, incorporate adoption of new accounting standard SFAS No. 167. This standard relates to consolidation of certain variable interest entities. Please refer to the Company’s Form 10-Q for additional information.

<u>Same-Store Sales⁽²⁾</u>	<u>Q3 2010</u>	<u>Q3 2009</u>	<u>YTD 2010</u>
Canada	4.3%	3.1%	5.3%
U.S.	3.3%	4.3%	3.1%

(2) Includes sales at Franchised and Company-operated locations. As of October 3rd, 2010, 99.4% of our restaurants in Canada and 99.7% in the U.S. were franchised.

OAKVILLE, ONTARIO, (November 10th, 2010): Tim Hortons Inc. (TSX: THI, NYSE: THI) today announced strong underlying operating results for the third quarter ended October 3rd, 2010. Earnings growth in the third quarter was negatively impacted by an asset impairment charge the Company took pertaining to three markets in the New England region.

Following a comprehensive review, we have decided to close 36 restaurants, 34 of which are located in the Providence and Hartford markets, in the fourth quarter in order to focus on and reinvest in our core growth markets in the Northeast and Midwest U.S. where the brand continues to demonstrate strengthening average unit volumes, cash flows and brand progression.

The Company has decided to deploy approximately \$400 million of the \$430 million in after-tax cash proceeds from the sale of its joint venture interest in Maidstone Bakeries to repurchase shares through an amended 2010 program, and through a 2011 share repurchase program, subject to receipt of regulatory approval. The Company has also committed the remaining \$30 million from the sale with the intent of supporting our key relationship with restaurant owners to help to partially mitigate anticipated rising operating costs.

“We continued to create sales momentum in the third quarter with strong operating performances in both our Canadian and U.S. segments,” said Don Schroeder, president and CEO. “However, at the same time, we incurred an asset impairment charge and subsequently made the decision to close all of our underperforming restaurants in two markets in the New England region. We expect this decision to have a positive impact on our U.S. business in terms of our continued business progression and management focus,” added Schroeder. “We plan to reinvest a portion of the expected earnings improvement from these closures to increase our brand profile in our U.S. core growth markets where we are building critical mass.”

Consolidated Results

All percentage increases and decreases represent year-over-year changes for the third quarter of 2010 compared to the third quarter of 2009, unless otherwise noted.

Systemwide sales⁽³⁾ increased 7.4% on a constant currency basis in the third quarter. During the quarter total revenues were \$670.5 million, an increase of 9.8% compared to \$610.7 million last year.

Operating income declined 2.8% in the third quarter to \$133.0 million compared to \$136.8 million last year. Operating income was impacted by a \$20.9 million asset impairment charge. Excluding this item, adjusted operating income attributable to THI⁽¹⁾ increased by 11.5% to \$144.9 million.

Operating income benefited in the third quarter from higher systemwide sales which drove higher revenues and higher distribution income. Lower franchise fee income and higher general and administrative expenses in the quarter, primarily relating to strategic initiatives, partially offset these positive factors. Last year’s operating income results in the third quarter were negatively impacted by \$3.2 million for professional advisory fees and shareholder-related transaction costs pertaining to our reorganization as a Canadian public company.

Net income attributable to Tim Hortons, which excludes the impact of non-controlling interests, was \$73.8 million, growing 20.7% from the \$61.2 million recorded in the third quarter last year. The effective tax rate was 35.7% this quarter compared to 49.3% in the third quarter of last year. The year-over-year decrease in the effective tax rate was due primarily to discrete items pertaining to the public company reorganization in the third quarter of 2009 that did not recur in 2010. The tax rate in the third quarter this year was higher than earlier in the year due to the impact of the asset impairment charge for which no tax benefit was recorded. Interest expense increased year-over-year, resulting primarily from higher interest rates on our long-term debt, which also impacted net income.

In the third quarter diluted earnings per share (EPS) were \$0.42, an increase of 25.6% compared to last year, with the significant increase due primarily to the change in the effective tax rate compared to last year. Our EPS growth rate benefited from 3.9% fewer shares outstanding compared to last year due to our share repurchase programs. The effect of the asset impairment charge taken in the third quarter this year negatively impacted EPS by approximately \$0.12 per share.

The asset impairment and the costs associated with the subsequent decision to close certain restaurants in the New England region, as well as the Maidstone Bakeries sale, were not contemplated as part of Management's 2010 guidance.

Segmented Performance Commentary

The strength of our underlying operations was again demonstrated through robust operating performance overall in both Canada and the U.S.

Canada

Our Canadian business had a 4.3% increase in same-store sales. We grew transactions again in the third quarter, as a result of continued traction from menu initiatives, promotions and operational strategies such as our hospitality program. Average cheque also increased this quarter, although there was reduced benefit from previous pricing in the system compared to earlier in the year.

In Canada, a total of 44 new locations were opened in the third quarter. We had 85 co-branded Cold Stone Creamery® locations in Canada at the end of the quarter, which contributed slightly to same-store sales growth in the segment.

Operating income in the Canadian segment was \$148.2 million, an increase of 4.5% compared to \$141.9 million last year. Our ongoing restaurant development program and continued strength of same-store sales growth contributed to the higher operating income from increased rents, royalties and distribution income. The new coffee roasting facility, which began operations in the fourth quarter of 2009, also contributed to manufacturing income growth in the quarter. The Canadian segment also benefited from higher earnings from our joint ventures, including the bakery. These positive contributors were partially offset by other factors such as higher general and administrative costs including professional advisory fees and increased salaries and benefits reflecting growth in the business as well as investments in our hospitality and co-branding strategies. Lower franchise fees also impacted Canadian segment operating income due to fewer resales and a shift in mix of restaurant types opened during the quarter. On a year-to-date basis Canadian segment operating income was up a solid 10.3% compared to 2009.

United States

The U.S. segment experienced growth of 3.3% in same-store sales in the third quarter, amid continued challenging economic circumstances in our core markets. Following a slower start in the quarter due to the significant positive sales impact of Cold Stone Creamery grand openings last year, same-store sales significantly strengthened later in the quarter in our core markets, with September delivering notably improved same-store sales growth.

Our U.S. business grew transactions slightly this quarter, benefiting from continued menu innovation, marketing programs designed to distinguish our quality and value position and ongoing operational programs. Average cheque benefited from pricing introduced early in the second quarter of 2010.

A total of 35 locations were opened this quarter in the U.S. These sites include 4 standard restaurants, 7 non-standard restaurants and 24 self-serve kiosks designed to build upon our strategy of pursuing strategic alliances and partnerships to deliver increased brand penetration to complement standard restaurant development. At the end of the third quarter there were 80 co-branded Tim Hortons and Cold Stone Creamery locations, with 77 of those sites being in Tim Hortons restaurants.

The U.S. segment had an operating loss of \$17.5 million in the third quarter due to the \$20.9 million asset impairment charge related to three markets in the New England region, described in further detail under Strategic Developments below. Absent this charge, the U.S. segment would have recorded operating income of \$3.4 million. This underlying operating performance demonstrates the continued progress and development of our U.S. business.

The underlying operating income improvement was mainly due to increased systemwide sales, resulting in higher distribution income and higher rents and royalties. Operating income improvements from our U.S. coffee roasting operations and fewer Company-operated restaurants also contributed to performance improvements. Currency translation negatively impacted U.S. segment revenues by approximately 6.1% during the quarter and operating income by approximately 5.8% excluding the asset impairment charge.

Strategic Developments

Company records asset impairment charge, plans to close all of its restaurants in two New England markets in order to focus on core growth markets in Northeast and Midwest U.S.

Following a comprehensive review and analysis, as noted under segmented performance commentary, the Company has taken a non-cash \$20.9 million asset impairment charge in the New England region.

Subsequent to the quarter, the Company has also decided to close all of its locations in the Providence and Hartford market areas, as well as two restaurants in the Portland market. A total of 36 restaurants and 18 self-serve kiosks will be closed in the fourth quarter, and we expect to take an additional charge, which is not expected to exceed \$30 million, in the fourth quarter relating to lease and other location closing costs. This charge will be primarily cash.

“We are profitably growing our U.S. business in our core Northeast and Midwest U.S. markets and overall we are seeing sales develop consistent with our expectations and long-term views of success. The restaurants we are closing in the New England region have detracted from that performance and our overall development in the U.S. We believe this step removes a significant impediment to our long-term growth and development,” said Don Schroeder, president and CEO. “These restaurants represent a small portion of our overall system in the U.S, but had a disproportionately large negative impact on earnings, average unit volumes and same-store sales growth in the segment,” Schroeder added.

Average annual unit volumes for standard restaurants in the Providence and Hartford markets were approximately half of other core markets in the U.S. Collectively, the restaurants that are closing had a negative impact of about \$4.4 million on operating income year-to-date to the end of the third quarter in the U.S. segment, excluding the asset impairment charge. We expect this decision to contribute directly to earnings improvement in the U.S. segment in 2011 and we also plan on reinvesting a portion of our savings from these closed restaurants into core growth markets to increase our advertising and marketing scale.

Up to \$400 million in after-tax cash proceeds from sale of interest in Maidstone Bakeries to be deployed in share repurchases and \$30 million committed to support franchisees with the intent of partially mitigating anticipated rising operating costs.

The Company realized after-tax cash proceeds of approximately \$430 million from the sale of its interest in Maidstone Bakeries, which closed October 29th, 2010.

We expect to record an accounting gain on the sale of Maidstone Bakeries in the fourth quarter of 2010 of between \$355 million and \$365 million before taxes, and between \$310 million and \$320 million after-taxes. For accounting purposes, approximately \$40 million to \$45 million of the pre-tax gain on sale will be deferred and amortized over the remaining term of the supply agreement.

The Company plans to distribute the net cash proceeds through an amended 2010 share repurchase program, and through a 2011 program that will be subject to receipt of regulatory approval.

In order to facilitate distribution of the bakery proceeds, regulatory approval has been obtained from the Toronto Stock Exchange (TSX) to amend our 2010 share repurchase program to increase the number of shares that may be purchased under the program effective November 16th, 2010. Under the amended normal course issuer bid, which will terminate March 2nd, 2011, the Company plans to spend the \$200 million originally contemplated in the 2010 normal course issuer bid, along with up to \$200 million from proceeds from the Maidstone Bakeries transaction, with the final amount dependent upon average daily trading limits and share price.

It is our intention, subject to regulatory approval and in parallel with our capital allocation process, to distribute the remaining after-tax cash proceeds through a new 2011 share repurchase program, with the proceeds expected to be distributed in their entirety by the end of the third quarter of 2011.

The Company's common shares have been, and will continue to be, purchased through a combination of an automatic trading plan as well as at Management's discretion in compliance with regulatory requirements, and given market, cost and other considerations. There can be no assurance as to the precise number of shares that will be repurchased under share repurchase programs, or the aggregate dollar amount of the shares purchased. Tim Hortons may discontinue purchases at any time, subject to compliance with applicable regulatory requirements. Shares purchased pursuant to share repurchase programs will be cancelled.

The Company has also committed the remaining \$30 million from the sale with the intent of supporting our key relationship with restaurant owners to help to partially mitigate anticipated rising operating costs.

Board declares dividend payment of \$0.13 per common share

A quarterly dividend of \$0.13 per common share has been declared by the Board of Directors, payable on December 14th, 2010 to shareholders of record as of December 1st, 2010. Dividends are declared and paid in Canadian dollars to all shareholders with Canadian resident addresses. For U.S. shareholders, dividends paid will be converted to U.S. dollars based on prevailing exchange rates at the time of conversion by Tim Hortons for registered shareholders and by Clearing and Depository Services Inc. for beneficial shareholders.

Board of Directors Adopts Majority Voting Policy for Election of Directors

The Board of Directors has adopted a majority voting standard in its Governance Guidelines for the election of directors in uncontested elections. Under the new policy, if a nominee does not receive the affirmative vote of at least the majority of votes cast, the Director shall promptly tender a resignation for consideration by the Nominating and Corporate Governance Committee and the Board. A copy of the amended Governance Guidelines, with additional information on the policy, is available under the Corporate Governance section of the Company's investor relations website at www.timhortons-invest.com.

Tim Hortons conference call tomorrow at 10:00 a.m. (EDST) Thursday, November 11th, 2010

Tim Hortons will host a conference call tomorrow to discuss the third quarter results, scheduled to begin at 10:00 a.m. (EDST). The dial-in number is (416) 641-6712 or (800) 354-6885. No access code is required. A simultaneous web cast of the call, including presentation material, will be available at www.timhortons-invest.com. A replay of the call will be available until November 19th, 2010 and can be accessed at (416) 626-4100 or (800) 558-5253. The call replay reservation number is 21485280. The call and presentation material will also be archived for a period of one-year in the Events and Presentations section.

Disclosure of Non-GAAP Financial Measure

⁽¹⁾ Operating income attributable to Tim Hortons Inc. is a non-GAAP measure. Operating income attributable to Tim Hortons Inc. excludes operating income attributable to noncontrolling interests. Prior to the adoption of a new accounting standard at the beginning of the first quarter of 2010, operating income was, for the most part, unaffected by noncontrolling interests, which is not the case post-adoption. This new accounting standard requires the consolidation of variable interest entities of which we are considered to be the primary beneficiary, including Maidstone Bakeries as well as, on average, approximately 277 non-owned restaurants. Previously, we did not consolidate this joint venture and we consolidated approximately 120 non-owned restaurants, on average, in accordance with the prior accounting standard. Management believes that operating income attributable to Tim Hortons Inc. provides important information for comparison purposes to prior periods and for purposes of evaluating the Company's operating income performance without the effects of the new accounting standard.

Adjusted operating income attributable to Tim Hortons Inc. is also a non-GAAP measure. Adjusted operating income attributable to Tim Hortons Inc. excludes operating income attributable to noncontrolling interests, as described above, and the asset impairment charge. The asset impairment charge impacted three U.S. operating markets, which represents approximately 2% of our total systemwide restaurants. Given the foregoing, we have excluded the asset impairment charge as we consider this charge to have a disproportionate impact on overall operating and financial performance of our consolidated business.

The presentation of these non-GAAP measures is made with operating income, the most directly comparable U.S. GAAP measure. We present information excluding amounts related to this new accounting standard and the asset impairment charge as it is more reflective of the way we manage and measure our performance internally. Therefore, these measures provide a more consistent view of management's perspectives on underlying performance than the closest equivalent U.S. GAAP measure.

Table 1 Pro forma: Reconciliation of adjusted operating income to U.S. GAAP

<u>Quarter Ended</u>	<u>Q3 2010</u>	<u>Q3 2009</u>	<u>% Change</u>	<u>YTD 2010</u>
Reported Operating income	\$133.0	\$136.8	(2.8)%	\$ 410.6
Less: Operating income attributable to non-controlling interests	(9.0)	(6.9)	(30.8)%	(23.3)
Operating income	124.0	129.9	(4.6)%	387.3
Add: Asset impairment charge	20.9	—	N/M	20.9
Adjusted operating income attributable to THI	<u>\$144.9</u>	<u>\$129.9</u>	<u>11.5%</u>	<u>\$ 408.2</u>

(\$ in millions, all numbers rounded.)

N/M = not meaningful

Safe Harbor Statement

Certain information in this news release, particularly information regarding future economic performance, finances, and plans, expectations and objectives of management, including as they relate to the Company's progress in the Northeast and Midwest U.S., the use of approximately \$430 million of after tax proceeds from the sale of our interest in the Maidstone Bakeries joint venture and other information constitutes forward-looking information within the meaning of Canadian securities laws and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

We refer to all of these as forward-looking statements. Various factors including competition in the quick service segment of the food service industry, general economic conditions and others described as "risk factors" in the Company's 2009 Annual Report on Form 10-K filed March 4th, 2010 and the Quarterly Report on Form 10-Q filed August 12th, 2010 with the U.S. Securities and Exchange Commission and Canadian Securities Administrators, could affect the Company's actual results and cause such results to differ materially from those expressed in forward-looking statements.

As such, readers are cautioned not to place undue reliance on forward-looking statements contained in this news release, which speak only as of the date hereof. Forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: the absence of a material increase in competition within the quick service restaurant segment of the food service industry; the absence of an adverse event or condition that damages our strong brand position and reputation; continuing positive working relationships with the majority of the Company's franchisees; there being no significant change in the Company's ability to comply with current or future regulatory requirements; the absence of any material adverse effects arising as a result of litigation; and general worldwide economic conditions.

We are presenting this information for the purpose of informing you of management's current expectations regarding these matters, and this information may not be appropriate for any other purpose. We assume no obligation to update or alter any forward-looking statements after they are made, whether as a result of new information, future events, or otherwise, except as required by applicable law. Please review the Company's Safe Harbor Statement at www.timhortons.com/en/about/safeharbor.html.

⁽³⁾ Total systemwide sales growth includes restaurant level sales at both Company and Franchise restaurants. Approximately 99.4% of our consolidated system is franchised as at October 3rd, 2010. Systemwide sales growth is determined using a constant exchange rate to exclude the effects of foreign currency translation. U.S. dollar sales are converted to Canadian dollar amounts using the average exchange rate of the base quarter for the period covered. Systemwide sales growth excludes sales from our Republic of Ireland and United Kingdom licensed locations. Systemwide sales growth in Canadian dollars, including the effects of foreign currency translation, was 6.9% for both the third quarter ended 2010 and 2009.

Tim Hortons Inc. Overview

Tim Hortons is the fourth largest publicly-traded restaurant chain in North America based on market capitalization, and the largest in Canada. Operating in the quick service segment of the restaurant industry, Tim Hortons appeals to a broad range of consumer tastes, with a menu that includes premium coffee, flavored cappuccinos, specialty teas, home-style soups, fresh sandwiches, wraps, hot breakfast sandwiches and fresh baked goods, including our trademark donuts. As of October 3rd, 2010, Tim Hortons had 3,703 systemwide restaurants, including 3,082 in Canada and 621 in the United States. More information about the Company is available at www.timhortons.com.

For Further information:

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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			
	October 3, 2010	September 27, 2009 (Note 1)	\$ Change	% Change
REVENUES				
Sales	\$ 468,000	\$ 422,995	\$ 45,005	10.6%
Franchise revenues:				
Rents and royalties	176,964	164,114	12,850	7.8%
Franchise fees	25,556	23,605	1,951	8.3%
	<u>202,520</u>	<u>187,719</u>	<u>14,801</u>	<u>7.9%</u>
TOTAL REVENUES	<u>670,520</u>	<u>610,714</u>	<u>59,806</u>	<u>9.8%</u>
COSTS AND EXPENSES				
Cost of sales	398,957	362,500	36,457	10.1%
Operating expenses	61,690	58,558	3,132	5.3%
Franchise fee costs	24,908	21,754	3,154	14.5%
General and administrative expenses	35,790	35,363	427	1.2%
Equity (income)	(4,015)	(3,931)	(84)	2.1%
Asset impairment	20,888	0	20,888	N/M
Other (income), net	(708)	(359)	(349)	N/M
TOTAL COSTS AND EXPENSES, NET	<u>537,510</u>	<u>473,885</u>	<u>63,625</u>	<u>13.4%</u>
OPERATING INCOME	133,010	136,829	(3,819)	(2.8%)
Interest (expense)	(6,472)	(5,180)	(1,292)	24.9%
Interest income	432	272	160	58.8%
INCOME BEFORE INCOME TAXES	126,970	131,921	(4,951)	(3.8%)
INCOME TAXES	45,268	64,988	(19,720)	(30.3%)
Net Income	81,702	66,933	14,769	22.1%
Net income attributable to noncontrolling interests	7,874	5,754	2,120	36.8%
NET INCOME ATTRIBUTABLE TO TIM HORTONS INC.	<u>\$ 73,828</u>	<u>\$ 61,179</u>	<u>\$ 12,649</u>	<u>20.7%</u>
Basic earnings per common share attributable to Tim Hortons Inc.	<u>\$ 0.43</u>	<u>\$ 0.34</u>	<u>\$ 0.09</u>	<u>25.7%</u>
Diluted earnings per common share attributable to Tim Hortons Inc.	<u>\$ 0.42</u>	<u>\$ 0.34</u>	<u>\$ 0.09</u>	<u>25.6%</u>
Weighted average number of common shares outstanding - Basic (in thousands)	<u>173,482</u>	<u>180,681</u>	<u>(7,199)</u>	<u>(4.0%)</u>
Weighted average number of common shares outstanding - Diluted (in thousands)	<u>173,743</u>	<u>180,864</u>	<u>(7,121)</u>	<u>(3.9%)</u>
Dividend per common share	<u>\$ 0.13</u>	<u>\$ 0.10</u>	<u>\$ 0.03</u>	

N/M - not meaningful
(all numbers rounded)

Note 1 - For comparative purposes, prior year figures have been presented on a consistent basis to reflect the Company's adoption of SFAS No. 167

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			
	October 3, 2010	September 27, 2009 (Note 1)	\$ Change	% Change
REVENUES				
Sales	\$ 1,318,292	\$ 1,239,459	\$ 78,833	6.4%
Franchise revenues:				
Rents and royalties	512,803	469,102	43,701	9.3%
Franchise fees	61,899	63,319	(1,420)	(2.2%)
	<u>574,702</u>	<u>532,421</u>	<u>42,281</u>	<u>7.9%</u>
TOTAL REVENUES	<u>1,892,994</u>	<u>1,771,880</u>	<u>121,114</u>	<u>6.8%</u>
COSTS AND EXPENSES				
Cost of sales	1,121,351	1,066,084	55,267	5.2%
Operating expenses	181,975	174,060	7,915	4.5%
Franchise fee costs	63,113	61,147	1,966	3.2%
General and administrative expenses	107,207	104,533	2,674	2.6%
Equity (income)	(11,032)	(10,363)	(669)	6.5%
Asset impairment	20,888	0	20,888	N/M
Other (income), net	(1,105)	(675)	(430)	63.7%
TOTAL COSTS AND EXPENSES, NET	<u>1,482,397</u>	<u>1,394,786</u>	<u>87,611</u>	<u>6.3%</u>
OPERATING INCOME	410,597	377,094	33,503	8.9%
Interest (expense)	(18,797)	(15,695)	(3,102)	19.8%
Interest income	892	1,056	(164)	(15.5%)
INCOME BEFORE INCOME TAXES	392,692	362,455	30,237	8.3%
INCOME TAXES	<u>125,492</u>	<u>140,677</u>	<u>(15,185)</u>	<u>(10.8%)</u>
Net Income	267,200	221,778	45,422	20.5%
Net income attributable to noncontrolling interests	20,362	16,400	3,962	24.2%
NET INCOME ATTRIBUTABLE TO TIM HORTONS INC.	<u>\$ 246,838</u>	<u>\$ 205,378</u>	<u>\$ 41,460</u>	<u>20.2%</u>
Basic earnings per common share attributable to Tim Hortons Inc.				
Inc.	<u>\$ 1.41</u>	<u>\$ 1.14</u>	<u>\$ 0.28</u>	<u>24.4%</u>
Diluted earnings per common share attributable to Tim Hortons Inc.				
Inc.	<u>\$ 1.41</u>	<u>\$ 1.13</u>	<u>\$ 0.28</u>	<u>24.4%</u>
Weighted average number of common shares outstanding - Basic (in thousands)				
	<u>174,744</u>	<u>180,878</u>	<u>(6,134)</u>	<u>(3.4%)</u>
Weighted average number of common shares outstanding - Diluted (in thousands)				
	<u>175,002</u>	<u>181,076</u>	<u>(6,074)</u>	<u>(3.4%)</u>
Dividend per common share	<u>\$ 0.39</u>	<u>\$ 0.30</u>	<u>\$ 0.09</u>	

N/M - not meaningful
(all numbers rounded)

Note 1 - For comparative purposes, prior year figures have been presented on a consistent basis to reflect the Company's adoption of SFAS No. 167

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

As at	
October 3, 2010	January 3, 2010
(Note 1)	
(Unaudited)	

ASSETS		
Current assets		
Cash and cash equivalents	\$ 195,702	\$ 121,653
Restricted cash and cash equivalents	14,056	60,629
Restricted investments	37,876	20,186
Accounts receivable, net	139,004	179,942
Notes receivable, net	12,180	20,823
Deferred income taxes	2,474	3,475
Inventories and other, net	104,202	80,490
Assets held for sale - variable interest entity	190,466	0
Advertising fund restricted assets	28,074	26,681
Total current assets	724,034	513,879
Property and equipment, net	1,338,065	1,494,032
Notes receivable, net	3,087	3,475
Deferred income taxes	10,582	8,919
Intangible assets, net	5,380	8,405
Equity investments	46,230	45,875
Other assets	27,912	19,706
Total assets	\$2,155,290	\$2,094,291

Note 1 - For comparative purposes, prior year figures have been presented on a consistent basis to reflect the Company's adoption of SFAS No. 167

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

As at	
October 3, 2010	January 3, 2010
(Note 1)	
(Unaudited)	

LIABILITIES AND EQUITY

Current liabilities

Accounts payable	\$ 143,014	\$ 135,248
Accrued liabilities:		
Salaries and wages	20,247	23,268
Taxes	27,278	27,586
Other	107,360	111,401
Liabilities held for sale - variable interest entity	24,829	0
Deferred income taxes	118	376
Advertising fund restricted liabilities	42,235	43,944
Current portion of long-term obligations	109,526	7,821
Total current liabilities	474,607	349,644

Long-term obligations

Long-term debt	241,006	336,302
Advertising fund restricted debt	420	415
Capital leases	70,056	67,156
Deferred income taxes	4,232	10,159
Other long-term liabilities	75,054	74,929
Total long-term obligations	390,768	488,961

Equity

Equity of Tim Hortons Inc.		
Common shares		
Authorized: unlimited shares		
Issued: 173,302,269 and 177,318,614 shares, respectively	491,542	502,872
Common stock held in trust, at cost: 330,405 and 278,500 shares, respectively	(11,337)	(9,437)
Contributed surplus	2,844	0
Retained earnings	850,363	796,235
Accumulated other comprehensive loss	(133,605)	(120,061)
Total equity of Tim Hortons Inc.	1,199,807	1,169,609
Noncontrolling interests	90,108	86,077
Total equity	1,289,915	1,255,686
Total liabilities and equity	\$2,155,290	\$2,094,291

Note 1 - For comparative purposes, prior year figures have been presented on a consistent basis to reflect the Company's adoption of SFAS No. 167

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

	Year-to-date period ended	
	October 3, 2010	September 27, 2009
		(Note 1)
	<i>(Unaudited)</i>	
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Net income	\$ 267,200	\$ 221,778
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	88,368	83,383
Asset impairment	20,888	0
Stock-based compensation expense	9,500	6,801
Equity income, net of cash dividends	(494)	88
Deferred income taxes	2,351	18,518
Changes in operating assets and liabilities		
Restricted cash and cash equivalents	46,443	48,447
Accounts and notes receivable	37,141	(817)
Inventories and other	(35,068)	6,625
Accounts payable and accrued liabilities	7,226	(40,431)
Settlement of cash flow hedges	(4,791)	0
Other, net	(1,904)	6,385
Net cash provided from operating activities	436,860	350,777
CASH FLOWS (USED IN) PROVIDED FROM INVESTING ACTIVITIES		
Capital expenditures	(78,988)	(113,028)
Proceeds from sale of restricted investments	20,240	0
Purchase of restricted investments	(37,832)	(20,136)
Principal payments received on notes receivable	8,491	2,263
Other investing activities	(7,415)	(14,991)
Net cash used in investing activities	(95,504)	(145,892)
CASH FLOWS (USED IN) PROVIDED FROM FINANCING ACTIVITIES		
Purchase of common shares / treasury stock	(136,036)	(16,701)
Purchase of common shares held in trust	(3,252)	(713)
Purchase of common shares for settlement of restricted stock units	(377)	(232)
Dividend payments to common shareholders	(68,004)	(54,583)
Distributions and other to noncontrolling interests	(16,331)	(24,759)
Proceeds from issuance of shares to noncontrolling interest	0	1,305
Proceeds from issuance of debt, net of issuance costs	200,518	2,707
Principal payments on other long-term debt obligations	(204,760)	(3,893)
Net cash used in financing activities	(228,242)	(96,869)
Effect of exchange rate changes on cash	(1,308)	(5,115)
Increase in cash and cash equivalents	111,806	102,901
Cash and cash equivalents at beginning of period	121,653	124,717
Less: Cash and cash equivalents included in assets held for sale	(37,757)	0
Cash and cash equivalents at end of period	\$ 195,702	\$ 227,618

Note 1 - For comparative purposes, prior year figures have been presented on a consistent basis to reflect the Company's adoption of SFAS No. 167

TIM HORTONS INC. AND SUBSIDIARIES
SEGMENT REPORTING
(In thousands of Canadian dollars)
(Note 1 and 2)

(Unaudited)

	Third Quarter ended			
	October 3, 2010	% of Total	September 27, 2009	% of Total
REVENUES				
Canada	\$ 562,057	83.8%	\$ 485,807	79.5%
U.S.	33,573	5.0%	32,071	5.3%
Total reportable segments	595,630	88.8%	517,878	84.8%
Variable interest entities	74,890	11.2%	92,836	15.2%
Total	<u>\$ 670,520</u>	<u>100.0%</u>	<u>\$ 610,714</u>	<u>100.0%</u>

SEGMENT OPERATING INCOME (LOSS)				
Canada	\$ 148,240	113.4%	\$ 141,897	99.2%
U.S. (note 3)	(17,483)	(13.4)%	1,079	0.8%
Reportable Segment Operating Income	130,757	100.0%	142,976	100.0%
Variable interest entities	9,032		6,906	
Corporate charges	(6,779)		(13,053)	
Consolidated Operating Income	133,010		136,829	
Interest expense, net	(6,040)		(4,908)	
Income taxes	(45,268)		(64,988)	
Net Income	81,702		66,933	
Net Income attributable to noncontrolling interests	7,874		5,754	
Net Income attributable to Tim Hortons Inc.	<u>\$ 73,828</u>		<u>\$ 61,179</u>	

	Year-to-date period ended			
	October 3, 2010	% of Total	September 27, 2009	% of Total
REVENUES				
Canada	\$ 1,568,950	82.9%	\$ 1,383,234	78.1%
U.S.	91,421	4.8%	105,115	5.9%
Total reportable segments	1,660,371	87.7%	1,488,349	84.0%
Variable interest entities	232,623	12.3%	283,531	16.0%
Total	<u>\$ 1,892,994</u>	<u>100.0%</u>	<u>\$ 1,771,880</u>	<u>100.0%</u>

SEGMENT OPERATING INCOME (LOSS)				
Canada	\$ 430,356	103.4%	\$ 390,066	99.1%
U.S. (note 3)	(14,149)	(3.4)%	3,656	0.9%
Reportable Segment Operating Income	416,207	100.0%	393,722	100.0%
Variable interest entities	23,255		19,459	
Corporate charges	(28,865)		(36,087)	
Consolidated Operating Income	410,597		377,094	
Interest expense, net	(17,905)		(14,639)	
Income taxes	(125,492)		(140,677)	
Net Income	267,200		221,778	
Net Income attributable to noncontrolling interests	20,362		16,400	
Net Income attributable to Tim Hortons Inc.	<u>\$ 246,838</u>		<u>\$ 205,378</u>	

	Third quarter ended			
	October 3, 2010	September 27, 2009	\$ Change	% Change
<i>Sales is comprised of:</i>				
Distribution sales	\$ 387,030	\$ 324,283	\$ 62,747	19.3%
Company-operated restaurant sales	6,080	5,876	204	3.5%
Sales from variable interest entities	74,890	92,836	(17,946)	(19.3)%
	<u>\$ 468,000</u>	<u>\$ 422,995</u>	<u>\$ 45,005</u>	<u>10.6%</u>

	Year-to-date period ended		<u>\$ Change</u>	<u>% Change</u>
	<u>October 3, 2010</u>	<u>September 27, 2009</u>		
<i>Sales is comprised of:</i>				
Distribution sales	\$ 1,069,144	\$ 937,311	\$ 131,833	14.1%
Company-operated restaurant sales	16,525	18,617	(2,092)	(11.2)%
Sales from variable interest entities	232,623	283,531	(50,908)	(18.0)%
	<u>\$ 1,318,292</u>	<u>\$ 1,239,459</u>	<u>\$ 78,833</u>	<u>6.4%</u>

Note 1 - For comparative purposes, prior year figures have been presented on a consistent basis to reflect the Company's adoption of SFAS No. 167

Note 2 - While the adoption of SFAS No. 167 resulted in the consolidation of its 50-50 bakery joint venture, the Company's chief decision maker continues to view and evaluate the performance of the Canadian segment with this 50-50 bakery joint venture accounted for on an equity accounting basis, which reflects 50% of its operating income (consistent with views and evaluations prior to the adoption of the Standard). As a result, the net revenues, and the remaining 50% of operating income of this joint venture have been included in Variable interest entities along with revenues and operating income from our non-owned consolidated restaurants.

Note 3 - The U.S. operating segment includes an asset impairment charge of \$20.9 million in the third quarter and year-to-date periods of 2010.

TIM HORTONS INC. AND SUBSIDIARIES
SYSTEMWIDE RESTAURANT COUNT

	As of October 3, 2010	As of January 3, 2010	Increase/ (Decrease) From Year End	As of September 27, 2009	Increase/ (Decrease) From Prior Year
Canada					
Company-operated	19	13	6	18	1
Franchised - self-serve kiosks	98	98	0	99	(1)
Franchised	<u>2,965</u>	<u>2,904</u>	<u>61</u>	<u>2,854</u>	<u>111</u>
Total	3,082	3,015	67	2,971	111
<i>% Franchised</i>	<i>99.4 %</i>	<i>99.6 %</i>		<i>99.4 %</i>	
U.S.					
Company-operated	2	5	(3)	5	(3)
Franchised - self-serve kiosks	127	87	40	87	40
Franchised	<u>492</u>	<u>471</u>	<u>21</u>	<u>464</u>	<u>28</u>
Total	621	563	58	556	65
<i>% Franchised</i>	<i>99.7 %</i>	<i>99.1 %</i>		<i>99.1 %</i>	
Total Tim Hortons					
Company-operated	21	18	3	23	(2)
Franchised - self-serve kiosks	225	185	40	186	39
Franchised	<u>3,457</u>	<u>3,375</u>	<u>82</u>	<u>3,318</u>	<u>139</u>
Total	<u>3,703</u>	<u>3,578</u>	<u>125</u>	<u>3,527</u>	<u>176</u>
<i>% Franchised</i>	<i>99.4 %</i>	<i>99.5 %</i>		<i>99.3 %</i>	

TIM HORTONS INC. AND SUBSIDIARIES

Income Statement Definitions

Sales	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 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) as well as sales from our bakery joint venture which we are required to consolidate.
Rents and Royalties	Includes franchisee royalties and rental revenues.
Franchise Fees	Includes the sales revenue from initial equipment packages, as well as fees for various costs and expenses related to establishing a franchisee's business.
Cost of Sales	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) as well as cost of sales from our bakery joint venture.
Operating Expenses	Includes rent expense related to properties leased to franchisees and other property-related costs (including depreciation).
Franchise fee costs	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.
General and Administrative	Includes costs that cannot be directly related to generating revenue, including expenses associated with our corporate and administrative functions, and depreciation of office equipment, the majority of our information technology systems, and head office real estate.
Equity Income	Includes income from equity investments in joint ventures and other minority investments over which we exercise significant influence, excluding joint ventures that we are required to consolidate. 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.
Asset impairment	Represents a non-cash charge relating to the impairment of long-lived assets.
Other (Income), net	Includes expenses (income) that are not directly derived from the Company's primary businesses. Items include foreign currency adjustments, gains and losses on asset sales, and other asset write-offs.
Noncontrolling interests	Relates to the consolidation of our bakery joint venture and certain non-owned restaurants that the Company is required to consolidate under ASC 810 (formerly SFAS No. 167 and FIN 46R).
Comprehensive Income	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.