UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 10, 2011

TIM HORTONS INC.
(Exact name of registrant as specified in its charter)

Canada	001-32843	98-0641955
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

874 Sinclair Road, Oakville, ON, Canada	L6K 2Y1
(Address of principal executive offices)	(Zip Code)

(905) 845-6511
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On November 10, 2011, Tim Hortons Inc. (the "Corporation") issued a press release containing financial information regarding its third quarter 2011 financial results and certain other information. The press release is attached hereto as Exhibit 99.1.

Item 8.01 Other Events.

On November 10, 2011, the Corporation also announced that its Board of Directors has approved a Cdn.$0.17 per common share quarterly dividend. The dividend is payable on December 14, 2011 to shareholders of record at the close of business on November 30, 2011. The declaration of any future dividends is subject to the Board's discretion. The full text of the Corporation's press release issued today regarding this dividend is attached hereto as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 99.1	Press release dated November 10, 2011 issued by the Corporation regarding the release of quarterly financial results and other information.
Exhibit 99.2	Press release dated November 10, 2011 issued by the Corporation announcing the declaration of Cdn.$0.17 per common share quarterly dividend.
Exhibit 99.3	Safe Harbor Statement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TIM HORTONS INC.

Date: November 10, 2011

By: /s/ JILL E. AEBKER
Jill E. Aebker
Senior Vice President and Corporate Secretary

Exhibit 99.1

FOR IMMEDIATE RELEASE
(Unaudited. All amounts in Canadian dollars and presented in accordance with U.S. GAAP except as otherwise noted.)

Tim Hortons Inc. announces 2011 third quarter results:
sales momentum contributed to strong performance

Financial & Sales Highlights

	Q3 2011	Q3 2010	% Year-over Year Change	YTD 2011
Total revenues	$726.9	$670.5	8.4%	$2,073.2
Operating income	$152.8	$133.0	14.9%	$ 416.6
Adjusted operating income(1)	$151.1	$137.4	10.0%	
Effective tax rate	29.0%	35.7%		29.2%
Net income attributable to THI	$103.6	$ 73.8	40.4%	$ 279.9
Diluted earnings per share (EPS)	$ 0.65	$ 0.42	52.4%	$ 1.71
Fully diluted shares	160.1	173.7	(7.9)%	164.0

(All numbers in millions, except effective tax rate and EPS. All numbers rounded.)

(1) Adjusted operating income excludes 100% of the operating income and the related adjustments specific to Maidstone Bakeries and excludes 2010 and 2011 net asset impairment charges and restaurant closure cost recovery. Adjusted operating income is a non-GAAP measure. Please refer to "Information on non-GAAP Measure" at the end of this release for further details and for a reconciliation of this measure to operating income, the closest GAAP measure.

Same-Store Sales(2)	Q3 2011	Q3 2010	YTD 2011
Canada	4.7%	4.3%	3.5%
U.S.	6.3%	3.3%	5.9%

(2) Includes average sales at Franchised and Company-operated restaurants open for 13 months or more. Substantially all of our restaurants are franchised.

Highlights

- Canadian and U.S. segments both delivered strong same-store sales performance, increasing 4.7% in Canada and 6.3% in the U.S.
- Healthy systemwide sales contributed to strong earnings growth. Prior-year comparison affected by the 2010 asset impairment charge, partially offset by the Maidstone Bakeries sale
- 64 restaurant locations opened in Canada and the U.S.
- Kingston, Ontario replacement distribution centre opened and ramping up operations

OAKVILLE, ONTARIO, (November 10th, 2011): Tim Hortons Inc. (TSX: THI, NYSE: THI) today announced results for the third quarter ended October 2nd, 2011.

"Operating conditions in North America continued to be challenging and the strength of our sales performance is a great testament to our strong price-value brand position with our guests. We continued to innovate in the third quarter and execute our strategic growth plans to build our business," said Paul House, executive chairman, and president and CEO.

Consolidated Results

All percentage increases and decreases represent year-over-year changes for the third quarter of 2011 compared to the third quarter of 2010, unless otherwise noted.

Third quarter systemwide sales[3] increased 8.2% on a constant currency basis. Total revenues grew 8.4% to $726.9 million compared to $670.5 million in the prior year. The strength of our systemwide sales helped drive rents and royalties revenues, which increased 6.8%, and distribution sales, which grew 11.9%. Higher distribution sales outpaced system growth due to higher pricing of underlying commodities, particularly coffee, moving through our supply chain. Franchise fees increased modestly during the quarter, rising 3.6%.

Total costs and expenses grew 6.8% during the quarter, below the rate of systemwide sales growth. Cost of sales was up 13.5% in the third quarter, due in part to higher systemwide sales, and also due to higher underlying commodity costs, which increased product costs and also increased distribution sales as noted previously. Cost of sales also reflects the impact from the previous sale of Maidstone Bakeries in 2010. Cost of sales subsequent to the bakery sale is recorded at essentially the selling price from the bakery versus the manufacturing costs. In addition, we also incurred start-up costs associated with the replacement distribution centre in Kingston, Ontario. Growth in operating expenses was moderate during the third quarter, and general and administrative expenses declined year-over-year. The decline was primarily due to lower professional fees compared to last year offset in part by additional investments to support advertising and promotional activities in the U.S. market and our Cold Stone Creamery© brand-building activities in Canada.

Consolidated operating income increased by 14.9% in the third quarter, to $152.8 million, compared to $133.0 million in the prior year. On a comparable basis, our 2010 third quarter results included a $20.9 million asset impairment charge compared to an asset impairment charge, net of a recovery of previously accrued closure costs, of $0.4 million in the third quarter this year. In addition, our 2010 results included $16.5 million of contributions from Maidstone Bakeries, which are not in our 2011 results. However, we benefited from a $2.1 million deferred gain in the third quarter this year related to the 2010 Maidstone Bakeries sale. Adjusted operating income[1], absent the impacts of the net asset impairment charges and Maidstone Bakeries sale, was up 10.0%, driven by systemwide sales growth and more moderate growth in expenses. Please refer to "Information on non-GAAP Measure" below for a reconciliation of adjusted operating income to operating income, the nearest GAAP measure.

Net income attributable to THI rose 40.4%, to $103.6 million, compared to $73.8 million last year. In addition to the earnings factors noted above, our net income attributable to THI was impacted by a lower effective tax rate in the third quarter of 29.0% compared to 35.7% in the same period last year. A significant portion of the year-over-year difference in effective tax rates was related to the asset impairment charge taken in 2010 for which a deduction was not available.

Third quarter EPS was $0.65, increasing significantly from $0.42 last year. The increase includes a $0.12 per share impact in 2010 arising from the asset impairment charge. Absent this factor, and a restaurant closure cost recovery this year, our EPS growth would have been 18.2% for the quarter. The cumulative impact of our share repurchase programs has been a substantial contributor to our EPS growth. We had approximately $64 million available in our current share repurchase program as at the end of the third quarter. The current program is expected to be completed by March 2nd, 2012. We had 7.9% fewer fully diluted shares outstanding in the third quarter of 2011 compared to the same period last year.

“During the quarter we continued to reinforce our market-leading position with innovation in our product offerings such as Real Fruit Smoothies and Specialty Bagels, and through disciplined execution of our strategic growth initiatives. Following the quarter, we also announced our plans to extend our coffee leadership by introducing espresso-based lattes, mocha lattes and cappuccinos under the Tim’s Café Favourites umbrella at nearly 3,000 locations in Canada and the U.S. Our system also plans to introduce digital menu boards across the chain in Canada, which we believe will enhance the overall guest experience, and we are also extending our breakfast hours nationally to 12:00 noon,” said Paul House, executive chairman, and President and CEO.

Segmented Performance Commentary

Canada

Canadian segment same-store sales increased by 4.7% in the third quarter, outpacing growth in the first half of the year. Our Canadian growth was driven by gains in average cheque due to a combination of favourable product mix related to new product introductions and promotions and pricing previously in the system. Our same-store sales growth was achieved against a backdrop of continued economic weakness and generally challenging macro-operating conditions that we believe were factors that contributed to moderately lower same-store transactions during the quarter. Total system transactions increased during the quarter due to new restaurants in the system.

We continued to execute our restaurant development strategy in the third quarter and opened 41 restaurants. Consistent with historical patterns, our restaurant development in Canada is weighted to the fourth quarter of 2011.

Operating income in the Canadian segment rose 4.5% to $160.4 million compared to $153.5 million in the same period last year. Operating income benefited from an 8.3% increase in Canadian systemwide sales. Higher systemwide sales drove increased rents and royalties and resulted in higher distribution income. Our Canadian segment operating income performance includes a $6.2 million net reduction compared to last year arising from the loss of contribution from Maidstone Bakeries due to the disposition of our 50% joint-venture interest. We also incurred start-up and transition costs associated with our replacement distribution facility in Kingston, Ontario, which began to ramp up operations in the third quarter.

United States

The U.S. segment experienced robust same-store sales growth of 6.3%. Our same-store sales performance benefited from increased average cheque due to pricing in the system and favourable product mix, and also due to moderately higher transactions. Our growth was supported by enhanced menu, marketing and promotional efforts designed to create higher brand awareness and increase guest traffic.

Our restaurant development activity in the U.S. market, primarily focused on our core growth markets, resulted in 23 new openings, including 12 full-serve restaurants and 11 self-serve locations.

We had operating income of $2.9 million in the U.S. segment in the third quarter compared to a $17.5 million loss in the same period last year.

The third quarter of 2010 included asset impairment charges of $20.9 million related to the Company's Portland, Providence and Hartford markets. The third quarter of 2011 included a net $0.5 million benefit related to a $1.5 million reversal of previously accrued closure costs related to the Company's New England markets, partially offset by an asset impairment charge of $1.0 million, which reflects current real estate values in the Company's Portland market. In addition, $0.9 million relating to equipment value in the Portland market was recorded as a charge in variable interest entities due to the impairment.

U.S. segment operating income of $2.9 million in the quarter was driven by strong systemwide sales growth in the U.S., which resulted in higher rents and royalties and higher distribution income from underlying product demand. Absent the net impact from impairment, as noted above, the U.S. segment was down slightly compared to last year due primarily to an allowance on notes receivable under our U.S. franchise incentive program resulting from a decline in the value of associated collateral.

Corporate Developments

Board declares dividend payment of $0.17 per common share

A quarterly dividend of $0.17 per common share has been declared by the Board of Directors, payable on December 14th, 2011 to shareholders of record as of November 30th, 2011. 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.

First international restaurant opened in Dubai

As part of our international expansion strategy the Company signed a Master License Agreement earlier in 2011 that targets up to 120 multi-format restaurants in the Gulf Cooperation Council over five years, including approximately five this year. The first of the planned five locations opened for business in September, with the others planned later in the fourth quarter, and initial response in the local market has been highly positive.

Tim Hortons conference call today at 2:30 p.m. (EDT) Thursday, November 10th, 2011

Tim Hortons will host a conference call today to discuss the third quarter results, scheduled to begin at 2:30 p.m. (Eastern Daylight Savings Time). The dial-in number is (416) 641-6712 or (800) 785-6502. 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 17th, 2011 and can be accessed at (416) 626-4100 or (800) 558-5253. The call replay reservation number is 21542692. The call and presentation material will also be archived for a period of one year in the Events and Presentations section at the same website.

Information on non-GAAP Measure

Adjusted operating income is a non-GAAP measure. Adjusted operating income for 2010 and 2011 deducts 100% of operating income specific to Maidstone, which was sold in the fourth quarter of 2010, and adds back the impact of the net asset impairment charge related to our New England markets in the U.S (see (a) below). Management uses adjusted operating income to assist in the evaluation of year-over-year performance and believes that it will be helpful to investors as a measure of underlying growth rates. This non-GAAP measure is not intended to replace the presentation of our financial results in accordance with GAAP. The Company's use of the term adjusted operating income may differ from similar measures reported by other companies. The reconciliation of operating income, a GAAP measure, to adjusted operating income, a non-GAAP measure, is set forth in the table below:

	Third quarter ended		Change from prior year	
	October 2, 2011	October 3, 2010	$	%
	(in millions, except for percentages)			
Operating income	$ 152.8	$ 133.0	$ 19.8	14.9%
(Deduct): Maidstone operating income	0	(16.5)	16.5	n/m
(Deduct): Amortization of Maidstone supply agreement	(2.1)	0	(2.1)	n/m
Add: Net asset impairment charge (a)	0.4	20.9	(20.5)	n/m
Adjusted operating income	$ 151.1	$ 137.4	$ 13.7	10.0%

N/M – the comparison is not meaningful.

(a) The Net asset impairment charge in 2011 included an asset impairment charge of $1.9 million, net of a $1.5 million recovery of previously accrued closure costs.

Safe Harbor Statement

Certain information in this news release, particularly information regarding future economic performance, finances, and plans, expectations and objectives of management, 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 Annual Report on Form 10-K filed February 25th, 2011 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 to management's expectations 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 an adverse event or condition that damages our strong brand position and reputation; the absence of a material increase in competition within the quick service restaurant segment of the food service industry; commodity costs; continuing positive working relationships with the majority of the Company's restaurant owners; the absence of any material adverse effects arising as a result of litigation; there being no significant change in the Company's ability to comply with current or future regulatory requirements; 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-operated and Franchised restaurants. Approximately 99.5% of our consolidated system is franchised as at October 2nd, 2011. 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 7.6% for the third quarter ended October 2nd, 2011 and 6.9% for the same period in 2010.

Tim Hortons Inc. Overview

Tim Hortons is one of the largest publicly-traded restaurant chains 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, espresso-based specialty coffees including lattes, cappuccinos and espresso-flavoured shots, specialty teas, home-style soups, fresh sandwiches, wraps, hot breakfast sandwiches and fresh baked goods, including our trademark donuts. As of October 2nd, 2011, Tim Hortons had 3,871 systemwide restaurants, including 3,225 in Canada, 645 in the United States and one in the Gulf Cooperation Council. More information about the Company is available at www.timhortons.com.

For Further information:

Investors: Scott Bonikowsky, (905) 339-6186 or investor_relations@timhortons.com
Media: David Morelli, (905) 339-6277 or morelli_david@timhortons.com

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 2, 2011	October 3, 2010	$ Change	% Change
REVENUES				
Sales	$ 511,488	$ 468,000	$ 43,488	9.3%
Franchise revenues:				
Rents and royalties	188,956	176,964	11,992	6.8%
Franchise fees	26,486	25,556	930	3.6%
	215,442	202,520	12,922	6.4%
TOTAL REVENUES	726,930	670,520	56,410	8.4%
COSTS AND EXPENSES				
Cost of sales	452,996	398,957	54,039	13.5%
Operating expenses	65,348	61,690	3,658	5.9%
Franchise fee costs	26,117	24,908	1,209	4.9%
General and administrative expenses	34,744	35,790	(1,046)	(2.9%)
Equity (income)	(3,855)	(4,015)	160	(4.0%)
Asset impairment and related closure costs, net	372	20,888	(20,516)	n/m
Other (income), net	(1,598)	(708)	(890)	n/m
TOTAL COSTS AND EXPENSES, NET	574,124	537,510	36,614	6.8%
OPERATING INCOME	152,806	133,010	19,796	14.9%
Interest (expense)	(7,443)	(6,472)	(971)	15.0%
Interest income	738	432	306	70.8%
INCOME BEFORE INCOME TAXES	146,101	126,970	19,131	15.1%
INCOME TAXES	42,302	45,268	(2,966)	(6.6%)
Net Income	103,799	81,702	22,097	27.0%
Net income attributable to noncontrolling interests	168	7,874	(7,706)	n/m
NET INCOME ATTRIBUTABLE TO TIM HORTONS INC.	$ 103,631	$ 73,828	$ 29,803	40.4%
Basic earnings per common share attributable to Tim Hortons Inc.	$ 0.65	$ 0.43	$ 0.22	52.6%
Diluted earnings per common share attributable to Tim Hortons Inc.	$ 0.65	$ 0.42	$ 0.22	52.4%
Weighted average number of common shares outstanding - Basic (in thousands)	159,584	173,482	(13,898)	(8.0%)
Weighted average number of common shares outstanding - Diluted (in thousands)	160,063	173,743	(13,680)	(7.9%)
Dividend per common share	$ 0.17	$ 0.13	$ 0.04	

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 October 2, 2011	October 3, 2010	$ Change	% Change
REVENUES				
Sales	$ 1,464,023	$ 1,318,292	$145,731	11.1%
Franchise revenues:				
Rents and royalties	542,175	512,803	29,372	5.7%
Franchise fees	66,979	61,899	5,080	8.2%
	609,154	574,702	34,452	6.0%
TOTAL REVENUES	2,073,177	1,892,994	180,183	9.5%
COSTS AND EXPENSES				
Cost of sales	1,289,379	1,121,351	168,028	15.0%
Operating expenses	192,604	181,975	10,629	5.8%
Franchise fee costs	67,853	63,113	4,740	7.5%
General and administrative expenses	118,709	107,207	11,502	10.7%
Equity (income)	(10,788)	(11,032)	244	(2.2%)
Asset impairment and related closure costs, net	372	20,888	(20,516)	n/m
Other (income), net	(1,579)	(1,105)	(474)	42.9%
TOTAL COSTS AND EXPENSES, NET	1,656,550	1,482,397	174,153	11.7%
OPERATING INCOME	416,627	410,597	6,030	1.5%
Interest (expense)	(22,246)	(18,797)	(3,449)	18.3%
Interest income	3,265	892	2,373	n/m
INCOME BEFORE INCOME TAXES	397,646	392,692	4,954	1.3%
INCOME TAXES	115,993	125,492	(9,499)	(7.6%)
Net Income	281,653	267,200	14,453	5.4%
Net income attributable to noncontrolling interests	1,794	20,362	(18,568)	n/m
NET INCOME ATTRIBUTABLE TO TIM HORTONS INC.	$ 279,859	$ 246,838	$ 33,021	13.4%
Basic earnings per common share attributable to Tim Hortons Inc.	$ 1.71	$ 1.41	$ 0.30	21.1%
Diluted earnings per common share attributable to Tim Hortons Inc.	$ 1.71	$ 1.41	$ 0.30	21.0%
Weighted average number of common shares outstanding - Basic (in thousands)	163,535	174,744	(11,210)	(6.4%)
Weighted average number of common shares outstanding - Diluted (in thousands)	164,026	175,002	(10,976)	(6.3%)
Dividend per common share	$ 0.51	$ 0.39	$ 0.12	

n/m - not meaningful
(all numbers rounded)

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

	As at	
	October 2, 2011	January 2, 2011
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 91,118	$ 574,354
Restricted cash and cash equivalents	69,395	67,110
Restricted investments	0	37,970
Accounts receivable, net	172,344	182,005
Notes receivable, net	11,200	12,543
Deferred income taxes	2,521	7,025
Inventories and other, net	159,325	100,712
Advertising fund restricted assets	29,062	27,402
Total current assets	534,965	1,009,121
Property and equipment, net	1,422,418	1,373,670
Notes receivable, net	3,499	3,811
Deferred income taxes	12,291	13,730
Intangible assets, net	4,681	5,270
Equity investments	44,098	44,767
Other assets	54,634	31,147
Total assets	$2,076,586	$2,481,516

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

	As at October 2, 2011	As at January 2, 2011
	(Unaudited)	
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 160,988	$ 142,444
Accrued liabilities:		
Salaries and wages	21,495	20,567
Taxes	23,985	65,654
Other	116,328	209,663
Deferred income taxes	940	2,205
Advertising fund restricted liabilities	40,709	41,026
Current portion of long-term obligations	9,646	9,937
Total current liabilities	374,091	491,496
Long-term obligations		
Long-term debt	350,314	344,726
Advertising fund restricted debt	475	468
Capital leases	87,230	82,217
Deferred income taxes	5,653	8,237
Other long-term liabilities	116,737	111,930
Total long-term obligations	560,409	547,578
Equity		
Equity of Tim Hortons Inc.		
Common shares		
$2.84 stated value per share, Authorized: unlimited shares, Issued: 158,656,910 and 170,664,295 shares, respectively	449,949	484,050
Contributed surplus	6,149	0
Common shares held in trust, at cost: 314,653 and 278,082 shares, respectively	(11,506)	(9,542)
Retained earnings	803,754	1,105,882
Accumulated other comprehensive loss	(107,392)	(143,589)
Total equity of Tim Hortons Inc.	1,140,954	1,436,801
Noncontrolling interests	1,132	5,641
Total equity	1,142,086	1,442,442
Total liabilities and equity	$2,076,586	$2,481,516

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

	Year-to-date Period Ended October 2, 2011	October 3, 2010
	(Unaudited)	
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Net income	$ 281,653	$ 267,200
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	85,675	88,368
Asset impairment and related closure costs, net	372	20,888
Stock-based compensation expense	14,481	9,500
Amortization of Maidstone Bakeries' supply contract	(6,190)	—
Deferred income taxes	(4,062)	2,351
Changes in operating assets and liabilities		
Restricted cash and cash equivalents	(2,084)	46,443
Accounts receivable	6,356	37,141
Inventories and other	(41,163)	(35,068)
Accounts payable and accrued liabilities	(87,553)	5,172
Taxes	(41,670)	2,054
Other, net	12,954	(7,189)
Net cash provided from operating activities	218,769	436,860
CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(106,031)	(78,988)
Proceeds from sale of restricted investments	38,000	20,240
Purchase of restricted investments	0	(37,832)
Other investing activities	(10,106)	1,076
Net cash used in investing activities	(78,137)	(95,504)
CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Purchase of common shares	(530,139)	(136,036)
Dividend payments to common shareholders	(83,318)	(68,004)
Proceeds from issuance of debt (net of issuance cost)	2,578	200,518
Principal payments on other long-term debt obligations	(6,126)	(204,760)
Purchase of common shares held in trust	(2,797)	(3,252)
Purchase of common shares for settlement of restricted stock units	(262)	(377)
Other financing activities	(6,303)	(16,331)
Net cash used in financing activities	(626,367)	(228,242)
Effect of exchange rate changes on cash	2,499	(1,308)
(Decrease) increase in cash and cash equivalents	(483,236)	111,806
Cash and cash equivalents at beginning of period	574,354	121,653
Less: Cash and cash equivalents included in assets held for sale	0	(37,757)
Cash and cash equivalents at end of period	$ 91,118	$ 195,702

TIM HORTONS INC. AND SUBSIDIARIES
SEGMENT REPORTING
(In thousands of Canadian dollars)

(Unaudited)

	Third Quarter Ended			
	October 2, 2011	% of Total	October 3, 2010 [6]	% of Total
REVENUES				
Canada	$ 617,937	85.0%	$ 562,057	83.8%
U.S.	36,835	5.1%	33,573	5.0%
Total reportable segments	654,772	90.1%	595,630	88.8%
Variable interest entities [1]	72,158	9.9%	74,890	11.2%
Total	$ 726,930	100.0%	$ 670,520	100.0%
SEGMENT OPERATING INCOME				
Canada [1]	$ 160,386	98.2%	$ 153,544	112.8%
U.S. [2][3]	2,873	1.8%	(17,483)	(12.8)%
Reportable segment operating income	163,259	100.0%	136,061	100.0%
Variable interest entities [1][4]	366		9,032	
Corporate charges [5]	(10,819)		(12,083)	
Consolidated operating income	152,806		133,010	
Interest expense, net	(6,705)		(6,040)	
Income taxes	(42,302)		(45,268)	
Net income	103,799		81,702	
Net income attributable to noncontrolling interests	(168)		(7,874)	
Net income attributable to Tim Hortons Inc.	$ 103,631		$ 73,828	

	Third Quarter Ended			
	October 2, 2011	October 3, 2010	$ Change	% Change
Sales is comprised of:				
Distribution sales	$ 432,923	$ 387,030	$45,893	11.9%
Company-operated restaurant sales	6,407	6,080	327	5.4%
Sales from variable interest entities	72,158	74,890	(2,732)	(3.6)%
	$ 511,488	$ 468,000	$43,488	9.3%

(1) The Company's chief decision maker viewed and evaluated the performance of the Canadian segment with Maidstone Bakeries accounted for on an equity accounting basis, which reflects 50% of Maidstone Bakeries' operating income. As a result, the net revenues and the remaining 50% of operating income of Maidstone Bakeries up to October 29, 2010, the date of disposition, were included in the Variable interest entities line above ($8.3 million and $22.0 million for the third quarter and year-to-date periods of 2010, respectively), along with revenues and operating income or loss from our non-owned consolidated restaurants.

(2) The third quarter and year-to-date periods of 2011 include asset impairment charges of $1.0 million which primarily reflects current real estate values in the Company's Portland market. In addition, approximately $1.5 million of accrued closure costs were reversed upon the substantial conclusion of closure activities related to the Company's New England markets. Both of these items are included in Asset impairment and related closure costs, net on the Condensed Consolidated Statement of Operations.

(3) The third quarter and year-to-date periods of 2010 include an asset impairment charge of $20.9 million related to the Company's Portland, Providence and Hartford markets, which were determined to be impaired.

(4) The third quarter and year-to-date periods of 2011 include an asset impairment charge of $0.9 million related to VIEs in the Portland market.

(5) Corporate charges include certain overhead costs which are not allocated to individual business segments, the impact of certain foreign currency exchange gains and losses, the net costs associated with executing the Company's International expansion plans, and the operating income from the Company's wholly-owned Irish subsidiary, which continues to be managed corporately. In addition, the year-to-date period of 2011 includes $6.3 million of severance charges, advisory fees, and related costs and expenses related to the separation agreement with the Company's former President and Chief Executive Officer.

(6) Beginning in 2011, we have modified certain allocation methods resulting in changes in the classification of certain costs, with the main change being corporate information technology infrastructure costs now being included in Corporate charges rather than in the Canadian operating segment. This change has been consistently applied for all comparative periods.

TIM HORTONS INC. AND SUBSIDIARIES
SEGMENT REPORTING
(In thousands of Canadian dollars)

(Unaudited)

	Year-to-date Period Ended			
	October 2, 2011	% of Total	October 3, 2010 [6]	% of Total
REVENUES				
Canada	$ 1,764,511	85.1%	$ 1,568,950	82.9%
U.S.	108,366	5.2%	91,421	4.8%
Total reportable segments	1,872,877	90.3%	1,660,371	87.7%
Variable interest entities [1]	200,300	9.7%	232,623	12.3%
Total	$ 2,073,177	100.0%	$ 1,892,994	100.0%
SEGMENT OPERATING INCOME				
Canada [1]	$ 448,343	97.9%	$ 438,883	103.3%
U.S. [2][3]	9,492	2.1%	(14,149)	(3.3)%
Reportable segment operating income	457,835	100.0%	424,734	100.0%
Variable interest entities [1][4]	2,383		23,255	
Corporate charges [5]	(43,591)		(37,392)	
Consolidated operating income	416,627		410,597	
Interest expense, net	(18,981)		(17,905)	
Income taxes	(115,993)		(125,492)	
Net income	281,653		267,200	
Net income attributable to noncontrolling interests	(1,794)		(20,362)	
Net income attributable to Tim Hortons Inc.	$ 279,859		$ 246,838	

	Year-to-date Period Ended			
	October 2, 2011	October 3, 2010	$ Change	% Change
Sales is comprised of:				
Distribution sales	$ 1,245,227	$ 1,069,144	$176,083	16.5%
Company-operated restaurant sales	18,496	16,525	1,971	11.9%
Sales from variable interest entities	200,300	232,623	(32,323)	(13.9)%
	$ 1,464,023	$ 1,318,292	$145,731	11.1%

(1) The Company's chief decision maker viewed and evaluated the performance of the Canadian segment with Maidstone Bakeries accounted for on an equity accounting basis, which reflects 50% of Maidstone Bakeries' operating income. As a result, the net revenues and the remaining 50% of operating income of Maidstone Bakeries up to October 29, 2010, the date of disposition, were included in the Variable interest entities line above ($8.3 million and $22.0 million for the third quarter and year-to-date periods of 2010, respectively), along with revenues and operating income or loss from our non-owned consolidated restaurants.

(2) The third quarter and year-to-date periods of 2011 include asset impairment charges of $1.0 million which primarily reflects current real estate values in the Company's Portland market. In addition, approximately $1.5 million of accrued closure costs were reversed upon the substantial conclusion of closure activities related to the Company's New England markets. Both of these items are included in Asset impairment and related closure costs, net on the Condensed Consolidated Statement of Operations.

(3) The third quarter and year-to-date periods of 2010 include an asset impairment charge of $20.9 million related to the Company's Portland, Providence and Hartford markets, which were determined to be impaired.

(4) The third quarter and year-to-date periods of 2011 include an asset impairment charge of $0.9 million related to VIEs in the Portland market.

(5) Corporate charges include certain overhead costs which are not allocated to individual business segments, the impact of certain foreign currency exchange gains and losses, the net costs associated with executing the Company's International expansion plans, and the operating income from the Company's wholly-owned Irish subsidiary, which continues to be managed corporately. In addition, the year-to-date period of 2011 includes $6.3 million of severance charges, advisory fees, and related costs and expenses related to the separation agreement with the Company's former President and Chief Executive Officer.

(6) Beginning in 2011, we have modified certain allocation methods resulting in changes in the classification of certain costs, with the main change being corporate information technology infrastructure costs now being included in Corporate charges rather than in the Canadian operating segment. This change has been consistently applied for all comparative periods.

TIM HORTONS INC. AND SUBSIDIARIES
SYSTEMWIDE RESTAURANT COUNT

	As at October 2, 2011	As at January 2, 2011	Increase/ (Decrease) From Year End	As at October 3, 2010	Increase/ (Decrease) From Prior Year
Canada					
Company-operated	11	16	(5)	19	(8)
Franchised - self-serve kiosks	115	112	3	98	17
Franchised - standard and non-standard	3,099	3,020	79	2,965	134
Total	3,225	3,148	77	3,082	143
% Franchised	*99.7 %*	*99.5 %*		*99.4 %*	
U.S.					
Company-operated	10	4	6	2	8
Franchised - self-serve kiosks	141	123	18	127	14
Franchised - standard and non-standard	494	475	19	492	2
Total	645	602	43	621	24
% Franchised	*98.4 %*	*99.3 %*		*99.7 %*	
International					
Franchised - standard	1	0	1	0	1
Total	1	0	1	0	1
% Franchised	*100.0 %*	*n/a*		*n/a*	
Total system					
Company-operated	21	20	1	21	0
Franchised - self-serve kiosks	256	235	21	225	31
Franchised - standard and non-standard	3,594	3,495	99	3,457	136
Total	3,871	3,750	121	3,703	167
% Franchised	*99.5 %*	*99.5 %*		*99.4 %*	

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 restaurant owners 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 for which we manage the supply chain logistics, which we include in distribution sales. Sales include canned coffee sales through the grocery channel. Sales also include sales from Company-operated restaurants, sales from certain non-owned restaurants that are consolidated in accordance with ASC 810 and sales from our previously-held bakery joint venture which we were also required to consolidate under ASC 810 prior to the sale of our interest.
Rents and royalties	Includes royalties and rental revenues paid to us by restaurant owners.
Franchise fees	Includes the revenue from initial equipment packages, as well as fees for various costs and expenses related to establishing a restaurant owner'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 for which we manage the supply chain logistics, 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 as well as cost of sales from our previously-held bakery joint venture which we were also required to consolidate under ASC 810 prior to the sale of our interest.
Operating Expenses	Includes rent expense related to properties leased to restaurant owners and other property-related costs (including depreciation).
Franchise fee costs	Includes costs of equipment sold to restaurant owners 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 partnerships and 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.
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 previously-held bakery joint venture and certain non-owned restaurants that the Company is required to consolidate under ASC 810.

Exhibit 99.2

FOR IMMEDIATE RELEASE
(All amounts in Canadian dollars)

Tim Hortons Inc. declares quarterly dividend of $0.17 per common share

OAKVILLE, ONTARIO, (November 10th, 2011): Tim Hortons Inc. (TSX: THI, NYSE: THI) today announced the Board of Directors has approved a dividend of $0.17 per common share payable to shareholders of record as of November 30th, 2011. The dividend is payable on December 14th, 2011.

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. The declaration and payment of all future dividends remain subject to the discretion of the Company's Board of Directors.

Tim Hortons Inc. Overview

Tim Hortons is one of the largest publicly-traded restaurant chains 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, espresso-based specialty coffees including lattes, cappuccinos and espresso-flavoured shots, specialty teas, home-style soups, fresh sandwiches, wraps, hot breakfast sandwiches and fresh baked goods, including our trademark donuts. As of October 2nd, 2011, Tim Hortons had 3,871 systemwide restaurants, including 3,225 in Canada, 645 in the United States and one in the Gulf Cooperation Council. More information about the Company is available at www.timhortons.com.

CONTACTS:

INVESTORS: Scott Bonikowsky: (905) 339-6186 or investor_relations@timhortons.com

Exhibit 99.3

TIM HORTONS INC.
Safe Harbor Under the Private Securities Litigation Reform Act of 1995 and Canadian Securities Laws

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those disclosed in the statement. Canadian securities laws have corresponding safe harbor provisions, subject to certain additional requirements including the requirement to state the material assumptions used to make the forecasts set out in forward-looking statements. Tim Hortons Inc. (the "Company") desires to take advantage of these "safe harbor" provisions.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as "believes," "expects," "anticipates," "estimates," "intends," "plans," "seeks," "outlook," "forecast" or words of similar meaning, or future or conditional verbs, such as "will," "should," "could" or "may." Examples of forward-looking statements that may be contained in our public disclosure from time to time include, but are not limited to, statements concerning management's expectations relating to possible or assumed future results, our strategic goals and our priorities, and the economic and business outlook for us, for each of our business segments and for the economy generally. Many of the factors that could determine our future performance are beyond our ability to control or predict. The following factors, in addition to other factors set forth in our Form 10-K filed on February 25, 2011 ("Form 10-K") with the U.S. Securities and Exchange Commission ("SEC") and the Canadian Securities Administrators ("CSA"), and in other press releases, communications, or filings made with the SEC or the CSA, could cause our actual results to differ materially from the expectation(s) included in forward-looking statements and, if significant, could materially affect the Company's business, sales revenues, share price, financial condition, and/or future results, including causing the Company to (i) close restaurants, (ii) fail to realize same-store sales, which are critical to achieving our operating income and other financial targets, (iii) fail to meet the expectations of our securities analysts or investors, or otherwise fail to perform as expected, (iv) have insufficient cash to engage in or fund expansion activities, dividends, or share repurchase programs, or (v) increase costs, corporately or at restaurant level, which may result in increased restaurant-level pricing, which in turn may result in decreased customer demand for our products resulting in lower sales, revenue, and earnings. Additional risks and uncertainties not currently known to us or that we currently believe to be immaterial may also materially adversely affect our business, financial condition, and/or operating results. 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.

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 an adverse event or condition that damages our strong brand position and reputation; the absence of a material increase in competition within the quick service restaurant segment of the food service industry; commodity costs; continuing positive working relationships with the majority of the Company's restaurant owners; the absence of any material adverse effects arising as a result of litigation; there being no significant change in the Company's ability to comply with current or future regulatory requirements; 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 purposes.

Factors Affecting Growth and Other Important Strategic Initiatives. There can be no assurance that the Company will be able to achieve new restaurant or same-store sales growth objectives, that new restaurants will be profitable or that strategic initiatives will be successfully implemented. Early in the development of new markets, the opening of new restaurants may have a negative effect on the same-store sales of existing restaurants in the market. The Company may also enter markets where its brand is not well known and where it has little or no operating experience and as a result, may not achieve the level of penetration needed in order to drive brand recognition, convenience, increased leverage to marketing dollars, and other benefits the Company believes penetration yields. When the Company enters new markets, it may be necessary to increase restaurant owner relief and support costs, which lowers its earnings. There can be no assurance that the Company will be able to successfully adapt its brand, development efforts, and restaurants to these differing market conditions. The Company's failure to successfully implement growth and various other strategies and initiatives related to International development may have a negative impact on the overall operation of its business and may result in increased costs or inefficiencies that it cannot currently anticipate. The Company may also continue to selectively close restaurants that are not achieving acceptable levels of profitability or change its growth strategies over time, where appropriate. Such closures may be accompanied by impairment charges that may have a negative impact on the Company's earnings. The success of any restaurant depends in substantial part on its location. There can be no assurance that current locations will continue to be attractive as demographic patterns or economic conditions change. If we cannot obtain desirable locations for restaurants at reasonable prices, the Company's ability to affect its growth strategy will be adversely affected. The Company also intends to evaluate potential mergers, acquisitions, joint venture investments, alliances, vertical integration opportunities and divestitures, which are subject to many of the same risks that also affect new store development as well as various other risks. In addition, there can be no assurance that the Company will be able to complete the desirable transactions, for reasons including restrictive covenants in debt instruments or other agreements with third parties. The Company may continue to pursue strategic alliances (including co-branding) with third parties for different types of development models and products and there can be no assurance that: significant value will be recognized through such strategic alliances; the Company will be able to maintain its strategic alliances; or, the Company will be able to enter into new strategic relationships in the future. Entry into such relationships as well as the expansion of the Company's current business through such initiatives may expose it to additional risks that may adversely affect the Company's brand and business. The Company's financial outlook and long-range targets are based on the successful implementation, execution and customer acceptance of the Company's strategic plans and initiatives; accordingly, the failure of any of these criteria could cause the Company to fall short of achievement of its financial objectives and long-range aspirational goals.

The Importance of Canadian Segment Performance and Brand Reputation. The Company's financial performance is highly dependent upon its Canadian operating segment, which accounted for approximately 83.4% of its consolidated revenues, and all of its profit, in 2010. Any substantial or sustained decline in the Company's Canadian business would materially and adversely affect its financial performance. The Company's success is also dependent on its ability to maintain and enhance the value of its brand, its customers' connection to and perception of its brand, and a positive relationship with its restaurant owners. Brand value can be severely damaged, even by isolated incidents, including those that may be beyond the Company's control such as: actions taken or not taken by its restaurant owners relating to health, safety, welfare or labour matters; litigation and claims (including litigation by, other disputes with, or negative relationship with restaurant owners); security breaches or other fraudulent activities associated with its electronic payment systems; illegal activity targeted at the Company; and negative incidents occurring at or affecting its strategic business partners (including in connection with co-branding initiatives, International licensing arrangements and its self-serve kiosk model), affiliates, and corporate social responsibility programs. The Company's brand could also be damaged by falsified claims or the quality of products from its vertically integrated manufacturing plants, and potentially negative publicity from various sources, including social media sites on a variety of topics and issues, whether true or not, which are beyond its control.

Competition. The quick service restaurant industry is intensely competitive with respect to price, service, location, personnel, qualified restaurant owners, real estate sites and type and quality of food. The Company and its restaurant owners compete with international, regional and local organizations, primarily through the quality, variety, and value perception of food products offered. The number and location of units, quality and speed of service, attractiveness of facilities, effectiveness of advertising/marketing, promotional and operational programs, discounting activities, price, changing demographic patterns and trends, changing consumer preferences and spending patterns, including weaker consumer spending in difficult economic times, or a desire for a more diversified menu, changing health or dietary preferences and perceptions, and new product development by the Company and its competitors are also important factors. Certain of the Company's competitors, most notably in the U.S., have greater financial and other resources than it does, including substantially larger marketing budgets and greater leverage from their marketing spend. In addition, the Company's major competitors continue to engage in discounting, free sampling and other promotional activities.

Commodities. The Company is exposed to price volatility in connection with certain key commodities that it purchases in the ordinary course of business such as coffee, wheat, edible oil and sugar, which can impact revenues, costs and margins. Although the Company monitors its exposure to commodity prices and its forward hedging program partially mitigates the negative impact of any costs increases, price volatility for commodities it purchases has increased due to conditions beyond its control, including recent economic conditions, currency fluctuations, availability of supply, weather conditions and consumer demand. Increases and decreases in commodity costs are largely passed through to restaurant owners and the Company and its restaurant owners have some ability to increase product pricing to offset a rise in commodity prices, subject to restaurant owner and customer acceptance, respectively. A number of commodities have recently experienced elevated spot market prices relative to historic prices. The Company may be forced to purchase commodities at higher prices at the end of the respective terms of its current commitments.

Food Safety and Health Concerns. Incidents or reports, whether true or not, of food-borne illness and injuries caused by or claims of food tampering, employee hygiene and cleanliness failures or impropriety at Tim Hortons, and the health aspects of consuming the Company's products or other quick service restaurants unrelated to Tim Hortons, could result in negative publicity, damage the Company's brand value and potentially lead to product liability or other claims. Any decrease in customer traffic or temporary closure of any of the Company's restaurants as a result of such incidents or negative publicity may have a material adverse effect on its business and results of operations.

Distribution Operations and Supply Chain. The occurrence of any of the following factors is likely to result in increased operating costs and decreased profitability of the Company's distribution operations and supply chain and may also injure its brand, negatively affect its results of operations and its ability to generate expected earnings and/or increase costs, and/or negatively impact the Company's relationship with its restaurant owners: higher transportation or shipping costs; inclement weather, which could affect the cost and timely delivery of ingredients and supplies; increased food and other supply costs; having a single source of supply for certain of its food products, including certain par-baked goods, iced cappuccinos, and other popular food products; shortages or interruptions in the availability or supply of perishable food products and/or their ingredients; the failure of its distribution business to perform at historic levels; and political, physical, environmental or technological disruptions in the Company's or its suppliers' manufacturing and/or warehouse plants, facilities or equipment.

Importance of Restaurant Owners. A substantial portion of the Company's earnings come from royalties and other amounts paid by restaurant owners, who operated 99.5% of the Tim Hortons restaurants as of October 2, 2011. The Company's revenues and profits would decline and its brand reputation could also be harmed if a significant number of restaurant owners were to experience, among other things, operational or financial difficulties or labour shortages or significant increases in labour costs. Although the Company generally enjoys a positive working relationship with the vast majority of its restaurant owners, active and/or potential disputes with restaurant owners could damage its reputation and/or its relationships with the broader restaurant owner group. The Company's restaurant owners are independent contractors and, as a result, the quality of their operations may be diminished by factors beyond the Company's control. Any operational shortcoming of a franchise restaurant is likely to be attributed by consumers to the Company's entire system, thus damaging its brand reputation and potentially affecting revenues and profitability.

Litigation. The Company is or may be subject to claims incidental to the business, including: obesity litigation; health and safety risks or conditions of the Company's restaurants associated with design, construction, site location and development, indoor or airborne contaminants and/or certain equipment utilized in operations; employee claims for employment or labour matters, including potentially, class action suits regarding wages, discrimination, unfair or unequal treatment, harassment, wrongful termination, and overtime compensation claims; claims from restaurant owners regarding profitability or wrongful termination of their franchise or operating (license) agreement(s); taxation authorities regarding certain tax disputes; and falsified claims. The Company's current exposure with respect to pending legal matters could change if determinations by judges and other finders of fact are not in accordance with management's evaluation of these claims and the Company's exposure could exceed expectations and have a material adverse effect on its financial condition and results of operations.

Government Regulation. The Company and its restaurant owners are subject to various international, federal, state, provincial, and local ("governmental") laws and regulations. The development and operation of restaurants depend to a significant extent on the selection, acquisition, and development of suitable sites, which are subject to laws and regulations regarding zoning, land use, environmental matters (including limitation of vehicle emissions in drive-thrus; anti-idling bylaws; regulation of litter, packaging and recycling requirements; regulation relating to discharge, storage, handling, release and/or disposal of hazardous or toxic substances; and other governmental laws and regulations), traffic, franchise, design and other matters. Additional governmental laws and regulations affecting the Company and its restaurant owners include: business licensing; franchise laws and regulations; health, food preparation, sanitation and safety; privacy; immigration and labour (including applicable minimum wage requirements, overtime, working and safety conditions, family leave and other employment matters, and citizenship requirements); product safety, nutritional disclosure and advertising; product safety and regulations regarding nutritional content, including menu labeling; existing, new or future regulations, laws, treaties or the interpretation or enforcement thereof relating to tax matters that may affect the Company's ongoing tax disputes, realization of the Company's tax assets, disclosure of tax-related matters, and expansion of the Company's business into new territories through its strategic initiatives, joint ventures, or other types of programs, projects or activities; tax laws affecting restaurant owners' business; employee benefits; accounting; and anti-discrimination. Compliance with these laws and regulations and planning initiatives undertaken in connection therewith could increase the cost of doing business and, depending upon the nature of the Company's and its restaurant owners' responsive actions thereto, could damage the Company's reputation. Changes in these laws and regulations, or the implementation of additional regulatory requirements, particularly increases in applicable minimum wages, tax law, planning or other matters may, among other things, adversely affect the Company's financial results; anticipated effective tax rate, tax liabilities, and/or tax reserves; business planning within its corporate structure; its strategic initiatives and/or the types of projects it may undertake in furtherance of its business; or franchise requirements.

In addition, a taxation authority may disagree with certain views of the Company with respect to the interpretation of tax treaties, laws and regulations and take the position that material income tax liabilities, interests, penalties or amounts are payable by the Company, including in connection with certain of its public or internal company reorganizations. Contesting such disagreements or assessments may be lengthy and costly and, if the Company were unsuccessful in disputing the same, the implications could be materially adverse to it and affect its anticipated effective tax rate, projected results, future operations and financial condition, where applicable.

International Operations. The Company's new International operations will be subject to various factors of uncertainty, and there is no assurance that International operations will achieve or maintain profitability or meet planned growth rates. The implementation of the Company's International strategic plan may require considerable management time as well as start-up expenses for market development before any significant revenues and earnings are generated. Expansion into new International markets carries risks similar to those risks described above and more fully in the Form 10-K relative to expansion into new markets in the U.S.; however, some or all of these factors may be more pronounced in markets outside Canada and the U.S. due to cultural, political, legal, economic, regulatory and other conditions and differences. Additionally, the Company may also have difficulty exporting its proprietary products into International markets or finding suppliers and distributors to provide it with adequate supplies of ingredients meeting its standards in a cost-effective manner.

Economic, Market and Other Conditions. The quick service restaurant industry is affected by changes in international, national, regional, and local economic and political conditions, consumer preferences and perceptions (including food safety, health or dietary preferences and perceptions), discretionary spending patterns, consumer confidence, demographic trends, seasonality, weather events and other calamities, traffic patterns, the type, number and location of competing restaurants, enhanced governmental regulation (including nutritional and franchise regulations), changes in capital market conditions that affect valuations of restaurant companies in general or the value of the Company's stock in particular, and litigation relating to food quality, handling or nutritional content. Factors such as inflation, higher energy and/or fuel costs, food costs, the cost and/or availability of a qualified workforce and other labour issues, benefit costs, legal claims, legal and regulatory compliance (including environmental regulations), new or additional sales tax on the Company's products, disruptions in its supply chain or changes in the price, availability and shipping costs of supplies, and utility and other operating costs, also affect restaurant operations and expenses and impact same-store sales and growth opportunities. The ability of the Company and its restaurant owners to finance new restaurant development, improvements and additions to existing restaurants, acquire and sell restaurants, and pursue other strategic initiatives (such as acquisitions and joint ventures), are affected by economic conditions, including interest rates and other government policies impacting land and construction costs and the cost and availability of borrowed funds. In addition, unforeseen catastrophic or widespread events affecting the health and/or welfare of large numbers of people in the markets in which the Company's restaurants are located and/or which otherwise cause a catastrophic loss or interruption in the Company's ability to conduct its business, would affect its ability to maintain and/or increase sales and build new restaurants. Unforeseen events, including war, terrorism and other international, regional or local instability or conflicts (including labour issues), public health issues (including tainted food, food-borne illness, food tampering and water supply or widespread/pandemic illness such as the avian or H1N1 flu), and natural disasters such as earthquakes, hurricanes, or other adverse weather and climate conditions could disrupt the Company's operations, disrupt the operations of its restaurant owners, suppliers, or customers, or result in political or economic instability.

Reliance on Systems. If the network and information systems and other technology systems that are integral to retail operations at system restaurants and at the Company's manufacturing facilities, and at its office locations are damaged or interrupted from power outages, computer and telecommunications failures, computer worms, viruses and other destructive or disruptive software, security breaches, catastrophic events and improper or personal usage by employees, such an event could have an adverse impact on the Company and its customers, restaurant owners and employees, including a disruption of its operations, customer dissatisfaction or a loss of customers or revenues. The Company relies on third-party vendors to retain data, process transactions and provide certain services. In the event of failure in such third party vendors' systems and processes, the Company could experience business interruptions or privacy and/or security breaches surrounding its data. The Company continues to enhance its integrated enterprise resource planning system. The introduction of new modules for inventory replenishment, sustainability, and business reporting and analysis will be implemented. There may be risks associated with adjusting to and supporting the new modules which may impact the Company's relations with its restaurant owners, vendors and suppliers and the conduct of its business generally.

Foreign Exchange Fluctuations. The Company's Canadian restaurants are vulnerable to increases in the value of the U.S. dollar as certain commodities, such as coffee, are priced in U.S. dollars in international markets. Conversely, the Company's U.S. restaurants are impacted when the U.S. dollar falls in value relative to the Canadian dollar, as U.S. operations would be less profitable because of the increase in U.S. operating costs resulting from the purchase of supplies from Canadian sources, and profits from U.S. operations will contribute less to (or, for losses, have less of an impact on) the Company's consolidated results. Increases in these costs could make it harder to expand into the U.S. and increase relief and support costs to U.S. restaurant owners, affecting the Company's earnings. The opposite impact occurs when the U.S. dollar strengthens against the Canadian dollar. In addition, fluctuations in the values of Canadian and U.S. dollars can affect the value of the Company's common shares and any dividends the Company pays.

Privacy Protection. If the Company fails to comply with new and/or increasingly demanding laws and regulations regarding the protection of customer, supplier, vendor, restaurant owner, employee and/or business data, or if the Company (or a third party with which it has entered into a strategic alliance) experiences a significant breach of customer, supplier, vendor, restaurant owner, employee or Company data, the Company's reputation could be damaged and result in lost sales, fines, lawsuits and diversion of management attention. The introduction of electronic payment systems and the Company's reloadable cash card makes it more susceptible to a risk of loss in connection with these issues, particularly with respect to an external security breach of customer information that the Company, or third parties under arrangement(s) with it, control.

Other Significant Risk Factors. The following factors could also cause the Company's actual results to differ from its expectations: an inability to adequately protect the Company's intellectual property and trade secrets from infringement actions or unauthorized use by others (including in certain international markets that have uncertain or inconsistent laws and/or application with respect to intellectual property and contract rights); liabilities and losses associated with owning and leasing significant amounts of real estate; an inability to retain executive officers and other key personnel or attract additional qualified management personnel to meet business needs; changes in its debt levels and a downgrade on its credit ratings; and certain anti-takeover provisions that may have the effect of delaying or preventing a change in control.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as to management's expectations of the date and time made. Except as required by applicable laws, the Company undertakes no obligation to publicly release any revisions to forward-looking statements, or to update them to reflect events or circumstances occurring after the date forward-looking statements are made, or to reflect the occurrence of unanticipated events.