

TIM HORTONS INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows
(in thousands of Canadian dollars)

	Year ended		
	January 2, 2011	January 3, 2010	December 28, 2008
Cash flows provided from (used in) operating activities			
Net income	\$ 647,118	\$ 319,812	\$ 308,506
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	118,385	113,475	103,793
Asset impairment (note 3)	18,352	0	16,559
Stock-based compensation expense	14,263	8,869	9,630
Equity income, net of cash dividends	132	4,265	3,037
Deferred income taxes	1,285	25,491	(12,471)
Changes in operating assets and liabilities			
Restricted cash and cash equivalents	(6,920)	789	(23,820)
Accounts and notes receivable	(10,923)	(11,432)	(54,680)
Inventories and other	(29,275)	(329)	(6,081)
Accounts payable and accrued liabilities	145,544	(20,494)	29,553
Settlement of cash flow hedges (note 14)	(4,855)	0	0
Gain on sale of interest in Maidstone Bakeries (note 4)	(361,075)	0	0
Other, net	(6,487)	2,176	11,351
Net cash provided from operating activities	<u>525,544</u>	<u>442,622</u>	<u>385,377</u>
Cash flows (used in) provided from investing activities			
Capital expenditures	(132,912)	(160,458)	(184,538)
Purchase of restricted investments	(37,832)	(20,136)	(11,881)
Proceeds from sale of restricted investments	20,240	0	12,000
Principal payments received on notes receivable	9,808	2,821	3,939
Proceeds from sale of interest in Maidstone Bakeries (note 4)	475,000	0	0
Cash and cash equivalents of Maidstone Bakeries divested	(30,411)	0	0
Other investing activities	(7,874)	(22,540)	(13,418)
Net cash used in investing activities	<u>296,019</u>	<u>(200,313)</u>	<u>(193,898)</u>
Cash flows (used in) provided from financing activities			
Purchase of treasury stock (note 17)	0	(16,701)	(165,258)
Purchase of common shares (note 17)	(242,595)	(113,401)	0
Purchase of common shares held in trust (note 17)	(3,252)	(713)	(3,842)
Purchase of common shares for settlement of restricted stock units (note 18)	(753)	(477)	(226)
Dividend payments to common shareholders	(90,304)	(72,506)	(66,086)
Distributions and other to noncontrolling interests	(22,524)	(30,484)	(25,370)
Proceeds from issuance of shares to noncontrolling interests	0	1,305	0
Proceeds from issuance of debt, net of issuance costs	300,823	3,507	3,796
Principal payments on long-term debt obligations	(307,023)	(6,582)	(7,376)
Net cash used in financing activities	<u>(365,628)</u>	<u>(236,052)</u>	<u>(264,362)</u>
Effect of exchange rate changes on cash	<u>(3,234)</u>	<u>(9,321)</u>	<u>10,618</u>
Increase (decrease) in cash and cash equivalents	452,701	(3,064)	(62,265)
Cash and cash equivalents at beginning of year	121,653	124,717	186,982
Cash and cash equivalents at end of year	<u>\$ 574,354</u>	<u>\$ 121,653</u>	<u>\$ 124,717</u>

See supplemental cash flow information (note 22).
See Accompanying Notes to the Consolidated Financial Statements.