

TIM HORTONS INC. AND SUBSIDIARIES

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

	Year ended		
	January 3, 2010	December 28, 2008	December 30, 2007
Cash flows provided from (used in) operating activities			
Net income	\$ 297,878	\$ 286,894	\$ 271,912
Net income attributable to noncontrolling interest	(1,511)	(2,216)	(2,361)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	101,447	91,278	83,595
Asset impairment and related closure costs (note 3)	—	21,266	—
Stock-based compensation expense	8,869	9,630	8,560
Equity income, net of cash dividends	11,397	4,519	1,448
Deferred income taxes	25,342	(13,714)	(7,097)
Changes in operating assets and liabilities			
Restricted cash and cash equivalents	789	(23,820)	(37,790)
Accounts and notes receivable	(13,692)	(51,235)	3,577
Inventories and other	1,012	(3,708)	(8,323)
Accounts payable and accrued liabilities	(19,726)	22,723	58,461
Other, net	3,846	14,398	21,994
Net cash provided from operating activities	<u>415,651</u>	<u>356,015</u>	<u>393,976</u>
Cash flows (used in) provided from investing activities			
Capital expenditures	(157,971)	(174,247)	(175,541)
Purchase of restricted investments	(20,136)	(11,881)	—
Proceeds from sale of restricted investments	—	12,000	—
Principal payments on notes receivable	2,821	3,939	6,791
Other investing activities	(22,540)	(13,418)	(11,101)
Net cash used in investing activities	<u>(197,826)</u>	<u>(183,607)</u>	<u>(179,851)</u>
Cash flows (used in) provided from financing activities			
Purchase of treasury stock (note 17)	(16,701)	(165,258)	(170,604)
Purchase of common shares (note 17)	(113,401)	—	—
Purchase of common shares/stock held in trust (note 17)	(713)	(3,842)	(7,202)
Purchase of common shares/stock for settlement of share/stock-based compensation (note 18)	(477)	(226)	(110)
Dividend payments	(72,506)	(66,086)	(52,865)
Proceeds from issuance of debt, net of issuance costs	3,507	3,796	2,588
Tax sharing payment from Wendy's	—	—	9,116
Principal payments on other long-term debt obligations	(6,582)	(7,376)	(4,060)
Net cash used in financing activities	<u>(206,873)</u>	<u>(238,992)</u>	<u>(223,137)</u>
Effect of exchange rate changes on cash	(9,321)	10,618	(9,469)
Increase (decrease) in cash and cash equivalents	1,631	(55,966)	(18,481)
Cash and cash equivalents at beginning of year	<u>101,636</u>	<u>157,602</u>	<u>176,083</u>
Cash and cash equivalents at end of year	<u>\$ 103,267</u>	<u>\$ 101,636</u>	<u>\$ 157,602</u>

See supplemental cash flow information (Note 21).
See Accompanying Notes to the Consolidated Financial Statements.