WENDYS INTERNATIONAL INC
Form DEF 14A
March 31, 2005
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Wendy s International, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:

Table of Contents

Notice of 2005 Annual Meeting of Shareholders,

Proxy Statement, Financial Statements and Other Information

Table of Contents

Contents

	Notice of Annual Meeting of Shareholders
1	Proxy Statement
1	Voting Securities and Principal Holders Thereof
4	Election of Directors
7	Other Director Information, Committees of Directors and Corporate Governance Information
10	Audit Committee Report
11	Compensation of Management
11	Summary Compensation Table
13	Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values
14	Report of the Compensation Committee on Executive Compensation
17	Comparison of Five-Year Total Return for Wendy s International, Inc., the Peer Group Index and the S&P 500 Index
18	Executive Agreements
19	Certain Transactions Involving Management or 5% Shareholders
19	Ratification of Independent Registered Public Accounting Firm
19	Equity Compensation Plan Information
20	Shareholder Proposals
25	Other Matters
	Financial Statements and Other Information
AA-1	Management s Discussion and Analysis
AA-24	Management s Statement of Responsibility for Financial Statements and Report on Internal Control Over Financial Reporting
AA-24	Report of Independent Registered Public Accounting Firm
AA-27	Consolidated Statements of Income
AA-28	Consolidated Balance Sheets
AA-29	Consolidated Statements of Cash Flows
AA-30	Consolidated Statements of Shareholders Equity
AA-31	Consolidated Statements of Comprehensive Income
AA-32	Notes to the Consolidated Financial Statements
AA-51	Officers and Directors
AA-52	Market for Common Stock and Related Stockholder Matters
AA-52	Selected Financial Data
AA-53	Safe Harbor Statement
	Map to Wendy s Annual Meeting

Table of Contents

WENDY S INTERNATIONAL, INC.

P.O. Box 256

Dublin, Ohio 43017-0256

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of Wendy s International, Inc.:

Notice is hereby given that the Annual Meeting of Shareholders of Wendy s International, Inc. (the Company) will be held at the AMC Theatres, 6700 Village Parkway, Dublin, Ohio 43017, on Thursday, April 28, 2005, at 8:00 a.m., local time, for the following purposes, all of which are more completely set forth in the accompanying Proxy Statement:

1. To elect four Directors, each for a term of three years.
2. To ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for the current year.
3. To consider two Shareholder Proposals, if presented at the Annual Meeting, as described on pages 20 to 24 of the Proxy Statement.
4. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on March 7, 2005 are entitled to notice of and to vote at the Annual Meeting of Shareholders.

YOUR VOTE IS IMPORTANT

Again this year we are offering registered shareholders the opportunity to vote their shares electronically through the internet or by telephone. Please see the Proxy Statement and the enclosed Proxy for details about electronic voting. You are urged to date, sign and promptly return the enclosed Proxy, or to vote electronically through the internet or by telephone, so that your shares may be voted in accordance with your wishes and so that the presence of a quorum may be assured. Voting promptly, regardless of the number of shares you hold, will aid the Company in reducing the expense of additional Proxy solicitation. Voting your shares by the enclosed Proxy, or electronically through the internet or by telephone, does not affect your right to vote in person in the event you attend the meeting.

You are invited to attend the meeting, and we request that you indicate your plans in this respect in the space provided on the enclosed Proxy or as prompted if you vote electronically through the internet or by telephone. **For shareholders of record, an admission ticket (which is attached to the enclosed Proxy) and government-issued picture identification will be required to enter the meeting. Shareholders owning common shares through a broker, bank or other record holder must bring evidence of ownership as of March 7, 2005, such as an account statement, proxy issued by the record holder or other acceptable document in addition to a government-issued picture identification. An individual arriving at the meeting site without an admission ticket, account statement, proxy issued by the record holder or other acceptable document and a government-issued picture identification will not be admitted unless the Company can otherwise verify ownership as of the record date. Seating at the meeting is limited and admission is on a first-come, first-served basis. Cameras, cell phones, recording equipment and other electronic devices will not be permitted at the meeting. Additional details about admission to the meeting are stated on the back cover of the Proxy Statement.**

/s/ Leon M. McCorkle, Jr.

LEON M. McCORKLE, JR.

Secretary

Dublin, Ohio

March 28, 2005

Table of Contents

WENDY S INTERNATIONAL, INC.

P.O. Box 256

Dublin, Ohio 43017-0256

(614) 764-3100

PROXY STATEMENT

The enclosed Proxy, for use at the Annual Meeting of Shareholders to be held on Thursday, April 28, 2005, and any adjournments thereof, is being solicited on behalf of the Board of Directors of the Company. A shareholder may also choose to vote electronically by accessing the internet site or by using the toll-free telephone number stated on the form of Proxy. Without affecting any vote previously taken, the Proxy may be revoked by the shareholder by giving notice of revocation to the Company in writing, by accessing the internet site, by using the toll-free telephone number stated on the form of Proxy, or in open meeting. A shareholder may also change his or her vote by executing and returning to the Company a later-dated Proxy, by a later-dated electronic vote through the internet site, by using the toll-free telephone number stated on the form of Proxy, or by voting at the open meeting. All properly executed Proxies received by the Board of Directors, and properly authenticated electronic votes recorded through the internet or by telephone, will be voted as directed by the shareholder. All properly executed Proxies received by the Board of Directors which do not specify how shares should be voted will be voted **FOR** the election as Directors of the nominees listed below under ELECTION OF DIRECTORS , **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for the current year, and **AGAINST** the Shareholder Proposals, if presented at the Annual Meeting, as described on pages 20 to 24 of this Proxy Statement.

Solicitation of Proxies may be made by mail, personal interview and telephone by Officers, Directors and regular employees of the Company, and by employees of the Company s transfer agent, American Stock Transfer and Trust Company. In addition, the Company has retained, at an estimated cost of $10,000 plus reasonable expenses, Georgeson Shareholder Communications, Inc., a firm specializing in proxy solicitations. All costs related to the solicitation of Proxies on behalf of the Board of Directors will be borne by the Company, except as noted below. The Company will reimburse its transfer agent, banks, brokers, and other custodians, nominees and fiduciaries for their reasonable costs in sending proxy materials to shareholders.

The internet and telephone procedures for voting and for revoking or changing a vote are designed to authenticate shareholders identities, to allow shareholders to give their voting instructions and to confirm that shareholders instructions have been properly recorded. Shareholders that vote through the internet should understand that there may be costs associated with electronic access, such as usage charges from internet access providers and telephone companies, that will be borne by the shareholder.

This Proxy Statement, including the Notice of Meeting, was first mailed to shareholders on March 31, 2005.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Voting Rights

The total number of outstanding shares entitled to vote at the meeting is 113,296,001, and only shareholders of record at the close of business on March 7, 2005, are entitled to notice of and to vote at the meeting or any adjournments thereof. Each shareholder is entitled to one vote for each share held and has cumulative voting rights in the election of Directors. A shareholder wishing to exercise cumulative voting must notify the President, a Vice President or the Secretary of the Company in writing not less than 48 hours before the meeting. If cumulative voting is requested and if an announcement of such request is made upon the convening of the meeting by the Chairman or Secretary or by or on behalf of the shareholder requesting cumulative voting, each shareholder will have a number of votes equal to the number of Directors to be elected multiplied by the number of shares owned by such shareholder and will be entitled to distribute votes among the nominees as the shareholder sees fit. If cumulative voting is requested, as described above, the enclosed Proxy, and votes recorded through the internet or by telephone, would grant discretionary authority to the Proxies named therein to cumulate votes and to distribute the votes among the candidates.

Table of Contents

Security Ownership of Certain Beneficial Owners

The following table sets forth information (based upon filings with the Securities and Exchange Commission) with respect to the persons known to the Company to own beneficially more than 5% of the outstanding common shares of the Company as of March 7, 2005:

(1) Title of Class	(2) Name and address of beneficial owner	(3) Amount and nature of beneficial ownership	(4) Percent of class
Common shares	FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	8,601,466 (a)(b)	7.6%
Common shares	Barrow, Hanley, Mewhinney & Strauss, Inc. One McKinney Plaza 3232 McKinney Avenue 15th Floor Dallas, Texas 75204-2429	8,058,991 (a)	7.1%

(a) As of December 31, 2004.

(b) Fidelity Management and Research Company (Fidelity), a wholly-owned subsidiary of FMR Corp., is the beneficial owner of 6,923,580 common shares as the result of acting as investment advisor to various investment companies (the Fidelity Funds) registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson 3d (Chairman of FMR Corp.), FMR Corp., through its control of Fidelity, and the Fidelity Funds each have sole power to dispose of the 6,923,580 common shares. Neither FMR Corp. nor Edward C. Johnson 3d has the sole power to vote or direct the voting of the common shares owned directly by the Fidelity Funds. The sole power to vote or direct the voting of the common shares owned directly by the Fidelity Funds resides with the Board of Trustees of such funds.

Fidelity Management Trust Company, a wholly-owned subsidiary of FMR Corp., is the beneficial owner of 1,516,205 common shares as the result of its serving as investment manager of institutional accounts. Edward C. Johnson 3d and FMR Corp., through its control of Fidelity Management Trust Company, each has sole dispositive power over the 1,516,205 common shares owned by the institutional accounts and sole power to vote or direct the voting over such common shares.

Strategic Advisors, Inc., a wholly-owned subsidiary of FMR Corp., provides investment advisory services to individuals. As such, FMR Corp. s beneficial ownership includes 1,721 common shares beneficially owned through Strategic Advisors, Inc.

Members of the Edward C. Johnson 3d family are the predominant owners of Class B shares of the common stock of FMR Corp., representing approximately 49% of the voting power of FMR Corp. Mr. Johnson 3d owns 12.0% and Abigail P. Johnson owns 24.5% of the aggregate outstanding voting stock of FMR Corp. Mr. Johnson 3d is Chairman of FMR Corp. and Abigail P. Johnson is a director of FMR Corp. The Johnson family group and all other Class B shareholders have entered into a shareholders voting agreement under which all Class B shares will be voted in accordance with the majority vote of Class B shares. Accordingly, through their ownership of voting common stock and the execution of the shareholders voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR Corp.

Fidelity International Limited (FIL), and various foreign-based subsidiaries provide investment advisory and management services to a number of non-U.S. investment companies and certain institutional investors. FIL is the beneficial owner of 159,960 common shares and has the sole power to vote and to dispose of such common shares.

A partnership controlled by Edward C. Johnson 3d and members of his family own shares of FIL voting stock with the right to cast approximately 39.89% of the total votes which may be cast by all

Table of Contents

holders of FIL stock. Mr. Johnson 3d is Chairman of FMR Corp. and FIL. FMR Corp. and FIL are of the view that they are not acting as a group for purposes of Section 13(d) of the Securities Exchange Act of 1934 and that they are not otherwise required to attribute to each other beneficial ownership of securities owned by the other corporation. However, the shares beneficially owned by FIL are included in the amount listed in the table above.

Security Ownership of Management

The following table sets forth, as of March 7, 2005, information with respect to the Company s common shares owned beneficially by each Director, by each nominee for election as a Director of the Company, by the Executive Officers named in the Summary Compensation Table set forth on page 11 of this Proxy Statement and by all Directors and Executive Officers as a group:

(1) Title of Class	(2) Name of beneficial owner	(3) Amount and nature of beneficial ownership (a) (b)	(4) Percent of class
(All of these are	John T. Schuessler	597,259	.5%
common shares.)	Kerrii B. Anderson	212,743	.2%
	Paul D. House	314,123	.3%
	Ann B. Crane	3,889	
	Janet Hill	21,764	
	Thomas F. Keller	22,575	
	William E. Kirwan	5,905	
	David P. Lauer	149,343	.1%
	J. Randolph Lewis	2,600	
	James F. Millar	6,389	
	James V. Pickett	89,511	.1%
	John R. Thompson	5,000	
	Donald F. Calhoon	112,392	.1%
	George Condos	84,060	.1%
	Kathie T. Chesnut	106,306	.1%
	Thomas J. Mueller	262,600	.2%
	All Directors and Executive Officers as a group (19 persons)	2,239,987	1.9%

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(a) The amounts reflected in this table include common shares in which there is shared voting and investment power.
(b) Includes options exercisable within 60 days following March 7, 2005 and restricted shares.

In addition to the amounts shown above, as of March 7, 2005, Dr. Kirwan and all Directors and Executive Officers as a group held 774 and 1,639, respectively, phantom shares under the Company s Deferred Compensation Plan. Under that Plan, phantom shares are payable in common shares of the Company not earlier than six months after termination as a Director or employment with the Company (as applicable). Phantom shares do not have voting rights.

The information with respect to beneficial ownership is based upon information furnished by each Director, nominee or Executive Officer, or information contained in filings made with the Securities and Exchange Commission.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company s Directors and Executive Officers to file reports of ownership and changes of ownership with the Securities and Exchange Commission and the New York Stock Exchange. The Company assists its Directors and Executive Officers in completing and filing those reports. The Company believes that all filing requirements applicable to its Directors and Executive Officers were complied with during the last completed fiscal year.

Table of Contents

ELECTION OF DIRECTORS

The Board of Directors has designated the following nominees for election as Directors of the Company with their terms to expire in 2008:

Name	Age	Directors and Their Principal Occupations / Business Experience	Director Since
John T. Schuessler	54	Chairman of the Board, Chief Executive Officer and President. Mr. Schuessler joined the Company in 1976 and has been promoted several times. He was Executive Vice President, U.S. Operations from February 20, 1995 until February 19, 1997, when he became President and Chief Operating Officer, U.S. Operations. He became Chief Executive Officer and President on March 16, 2000. He assumed his current position on May 1, 2001.	2000
Kerrii B. Anderson	47	Executive Vice President and Chief Financial Officer. Mrs. Anderson joined the Company on September 1, 2000. Prior to joining the Company, Mrs. Anderson had held the titles of Senior Vice President and Chief Financial Officer of M/I Schottenstein Homes, Inc. since 1987. She was also Secretary of M/I Schottenstein Homes, Inc. from 1987 to 1994 and Assistant Secretary from 1994 until she joined the Company. (1)	2000
William E. Kirwan	66	Chancellor, University System of Maryland, Adelphi, Maryland. Dr. Kirwan assumed this position effective August 1, 2002. He had previously served as President of The Ohio State University for four years and as President of the University of Maryland for nine years.	2001
Ann B. Crane	48	President and Chief Executive Officer, Crane Group, Columbus, Ohio. Ms. Crane has been President of Crane Group since 1996 and assumed the position of Chief Executive Officer in January, 2003. Crane Group is a diversified company comprised of several manufacturing businesses primarily serving the home building and commercial markets, real estate investments and equities.	2003

Table of Contents

The following Directors will continue to serve after the 2005 Annual Meeting:

Terms Expiring in 2006

Name	Age	Directors and Their Principal Occupations / Business Experience	Director Since
James V. Pickett	63	Chairman, The Pickett Realty Advisors Inc., Dublin, Ohio. Mr. Pickett has served as President and Chief Executive Officer of various companies generally known as The Pickett Companies since 1969. The Pickett Companies are involved in real estate development, ownership and management. Mr. Pickett was the Vice Chairman of Banc One Capital Corporation from February 1, 1993 to August 4, 1999. He was also a Principal of Stonehenge Financial Holdings, Inc., an investment management firm, from August 6, 1999 to July 31, 2004.	1982
Thomas F. Keller	73	R.J. Reynolds Professor Emeritus of Business Administration and Dean Emeritus, Fuqua School of Business, Duke University, Durham, North Carolina. Dr. Keller was the R.J. Reynolds Professor of Business Administration at the Fuqua School of Business at Duke University until he retired on September 1, 2004. He was Dean of the Fuqua School of Business until he retired from that position on May 31, 1996. He was also Dean of the Fuqua School of Business Europe from July 1, 1999 to June 30, 2001. (1)	1991
David P. Lauer	62	Retired President and Chief Operating Officer, Bank One, Columbus, NA, Columbus, Ohio. Mr. Lauer was Office Managing Partner of the Columbus office of Deloitte & Touche LLP from January, 1989 until he retired in June, 1997. He was also a member of the board of directors of Deloitte & Touche LLP from 1988 to 1995. He was appointed to his former position with Bank One, Columbus, NA in June, 1997. Mr. Lauer retired from that position in January, 2001. He has been a Certified Public Accountant since 1968. (1)	2000
James F. Millar	57	Retired Executive Director Strategic Initiatives, Cardinal Health, Inc., Dublin, Ohio. Mr. Millar was President and Chief Operating Officer Pharmaceutical Distribution and Medical Products of Cardinal Health, Inc. from 1987 until February, 2004, at which time he was named Executive Director Strategic Initiatives. He retired from Cardinal Health effective March 5, 2005. Cardinal Health, Inc. provides products and services to healthcare providers and manufacturers.	2001

Table of Contents

Terms Expiring in 2007

Name	Age	Directors and Their Principal Occupations / Business Experience	Director Since
Janet Hill	57	Vice President, Alexander & Associates, Inc., Washington, D.C. Mrs. Hill provides corporate planning, advice and analysis to directors, executives and managers in the areas of human resource planning, corporate responsibility, corporate communications and government consultation. Alexander & Associates, Inc. is a corporate consulting firm. (1)	1994
Paul D. House	61	President and Chief Operating Officer, The TDL Group Corp., Oakville, Ontario, Canada. Mr. House has been the Chief Operating Officer of The TDL Group Corp. since January, 1992. He assumed his current position on December 29, 1995. The TDL Group Corp. franchises and operates Tim Hortons restaurants.	1998
John R. Thompson	53	Senior Vice President and General Manager, BestBuy.com, a subsidiary of Best Buy Co., Inc. Mr. Thompson joined Best Buy in April, 2001 as Senior Vice President of Supply Chain and Business Systems. He was Chief Information Officer and Senior Vice President for Customer Service, Information Systems, Distribution, Logistics and e-Business at Liz Claiborne, Inc. from February, 1995 to March, 2001. Mr. Thompson was Chief Information Officer and Executive Vice President at Goody s Family Clothing, Inc. from February, 1993 to February, 1995. Best Buy is a retailer of consumer electronics, home-office equipment, entertainment software and major appliances.	2004
J. Randolph Lewis	55	Senior Vice President, Distribution and Logistics, Walgreen Co. Mr. Lewis joined Walgreen Co. in March, 1992 as Vice President, Logistics and Planning. He was promoted to his current position in March, 1996. Prior to joining Walgreen Co. he was a partner in the consulting division of Ernst & Young. Walgreen Co. is the nation s largest drugstore chain.	2004

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(1) Mrs. Anderson serves as a director of Lancaster Colony Corporation; Dr. Keller serves as a director of DIMON International and Biogen Idec Inc.; Mr. Lauer serves as a director of AirNet Systems, Inc., Diamond Hill Investment Group, Huntington Bancshares Incorporated and R.G. Barry Corporation; and Mrs. Hill serves as a director of Dean Foods Company and Nextel Communications, Inc.

Unless otherwise directed, the persons named in the Proxy will vote the Proxies **FOR** the election of Mr. Schuessler, Mrs. Anderson, Dr. Kirwan and Ms. Crane, as Directors of the Company, each to serve for a term of three years and until his or her successor is elected and qualified, or until his or her earlier death,

resignation or removal. While it is contemplated that all nominees will stand for election, in the event any person nominated fails to stand for election, the Proxies will be voted for such other person or persons as may be designated by the Directors. Management has no reason to believe that any of the above-mentioned persons will not stand for election or serve as a Director.

Under Ohio law and the Company s Regulations, the nominees receiving the greatest number of votes will be elected as Directors. Shares as to which the authority to vote is withheld and broker non-votes are not counted toward the election of Directors or toward the election of the individual nominees specified on the Proxy.

OTHER DIRECTOR INFORMATION, COMMITTEES OF DIRECTORS AND CORPORATE GOVERNANCE INFORMATION

The Board of Directors originally adopted Principles of Governance and Governance Guidelines in February, 2001. The Board last amended its Governance Guidelines in October, 2004. The Governance Guidelines address Board structure, membership (including nominee qualifications), performance, operations and management oversight. Pursuant to the Principles of Governance and Governance Guidelines, the Board of Directors meets quarterly in executive session (without management present). The chair of the Nominating and Corporate Governance Committee serves as lead Director and in that capacity presides at executive sessions of the independent Directors (except where the principal matters to be considered are within the scope of authority of one of the other chairs).

The Governance Guidelines provide that the Board s goal is that a substantial majority of the Directors should be independent Directors. A Director will be designated as independent if he or she (i) has no material relationship with the Company or its subsidiaries; (ii) satisfies the other criteria specified by New York Stock Exchange listing standards; (iii) has no business conflict with the Company or its subsidiaries; and (iv) otherwise meets applicable independence criteria specified by law, regulation, exchange requirement or the Board of Directors. The Board of Directors has affirmatively determined that the following Directors are independent under that definition:

Ann B. Crane
Janet Hill
Thomas F. Keller
William E. Kirwan
David P. Lauer
J. Randolph Lewis
James F. Millar
James V. Pickett
John R. Thompson

The Governance Guidelines further provide that the Directors are invited and expected to attend the Annual Meeting of Shareholders. A total of 11 Directors attended the Annual Meeting of Shareholders in 2004.

The Corporate Governance section of the Company s corporate and investor website *(www.wendys-invest.com)* contains the Principles of Governance and Governance Guidelines. The Company s corporate and investor website also contains a description of its strategic plan, including the elements of the plan and the role of the Directors in the development, formulation and oversight for future performance and refinement of the plan.

A total of 10 meetings of the Board of Directors of the Company were held during 2004. No Director attended less than 75% of the aggregate of (i) the total number of meetings of the Board of Directors, and (ii) the total number of meetings held by all committees of the Board of Directors on which that Director served during the period each served as a Director.

Directors who are not employees of the Company or its subsidiaries are paid $7,500 quarterly, plus $1,500 for each Board meeting and $1,250 for each qualified committee meeting attended, including telephonic meetings, for all services, plus expenses. If more than one qualified meeting is held on the same day, a separate fee is paid for each meeting attended. Meetings of the Audit, Compensation and the Nominating and Corporate Governance Committees are qualified meetings, as are meetings of any special committees established from time to time. In addition, the Chair of the Audit Committee is paid a retainer of $2,500 quarterly, the Chairs of the Compensation and Nominating and Corporate Governance Committees are paid a retainer of $1,875 quarterly and the lead Director is paid a retainer of $1,875 quarterly. Directors who are not employees of the Company are also reimbursed for expenses related to attendance at director education seminars attended pursuant to the Board s director education program.

Table of Contents

Directors who are not employees of the Company or its subsidiaries also receive an annual award of 2,040 restricted shares under the 2003 Stock Incentive Plan. Restricted shares will be awarded on the date on which the regularly scheduled Board meeting is held during the Company s second fiscal quarter. 25% of the shares awarded each year will vest on each of the first four anniversaries of the award date for those shares.

The Company has adopted a code of ethics that applies to all of its officers and employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. This code of ethics, designated as the *Standards of Business Practices* by the Company, can be found on the Company s corporate and investor website at *www.wendys-invest.com*. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or waiver from, any applicable provision (related to elements listed under Item 406(b) of Regulation S-K) of the *Standards of Business Practices* that applies to the Company s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions by posting such information on the Company s corporate and investor website.

In accordance with New York Stock Exchange requirements, the Board of Directors has a Nominating and Corporate Governance Committee, a Compensation Committee and an Audit Committee, all of which have written charters and are comprised solely of independent Directors as discussed above. The Principles of Governance, Governance Guidelines, the *Standards of Business Practices*, a Code of Business Conduct (applicable to directors) and written charters for the Nominating and Corporate Governance, Compensation and Audit Committees are available on the Company s investor website at *www.wendys-invest.com* and a copy of the foregoing will be made available (without charge) to any shareholder upon request.

Nominating and Corporate Governance Committee

Each member of the Nominating and Corporate Governance Committee is independent as discussed above. In January, 2004 the Committee recommended, and the Board of Directors approved, a Nominating and Corporate Governance Committee Charter, which can be found on the Company s corporate and investor website.

The members of the Nominating and Corporate Governance Committee are Messrs. Pickett (Chair), Kirwan, Lauer and Millar. The Committee met four times during 2004. Its functions include assisting the Board in determining the desired qualifications of Directors, identifying potential individuals meeting those qualification criteria, proposing to the Board a slate of nominees for election by the shareholders and reviewing candidates nominated by shareholders. In addition, the Committee also reviews the Principles of Governance and Governance Guidelines, makes recommendations to the Board with respect to other corporate governance principles applicable to the Company, oversees the annual evaluation of the Board and management, and reviews Board and management succession plans.

The Nominating and Corporate Governance Committee meets regularly to discuss, among other things, identification and evaluation of potential candidates for nomination as a Director. Potential candidates are identified with the assistance of a paid outside search firm and evaluated according to the qualification criteria as set forth in the Board s Governance Guidelines:

- High personal and professional ethics, integrity, practical wisdom and mature judgment;
- Board training and experience in business, government, education or technology;

- Expertise that is useful to the Company and complementary to the background and experience of other Board members;
- Willingness to devote the required amount of time to carrying out the duties and responsibilities of Board membership;
- Commitment to serve on the Board over a period of several years to develop knowledge about the Company and its operations;
- Willingness to represent the best interests of all shareholders and objectively appraise management s performance; and
- Board diversity, and other relevant factors as the Board may determine.

Table of Contents

The Nominating and Corporate Governance Committee will consider nominees recommended by shareholders for the 2006 Annual Meeting of Shareholders, provided that the names of such nominees are submitted in writing, not later than December 1, 2005, to James V. Pickett, P.O. Box 256, Dublin, Ohio 43017-0256. Each such submission must include a statement of the qualifications of the nominee, a consent signed by the nominee evidencing a willingness to serve as a Director, if elected, and a commitment by the nominee to meet personally with the Nominating and Corporate Governance Committee members.

Other than the submission requirements set forth above, there are no differences in the manner in which the Nominating and Corporate Governance Committee evaluates a nominee for Director recommended by a shareholder.

Compensation Committee

Each member of the Compensation Committee is independent as discussed above. In February, 2004 the Committee recommended, and the Board of Directors approved, a revised Compensation Committee Charter, which can be found on the Corporate Governance section of the Company s corporate and investor website.

The members of the Compensation Committee are Messrs. Millar (Chair), Kirwan and Lewis, and Mses. Crane and Hill. The Compensation Committee met nine times during 2004. The Compensation Committee s functions include examining the levels and methods of compensation employed by the Company with respect to the Chief Executive Officer and non-CEO officers, reviewing and approving the compensation package of the Chief Executive Officer, making recommendations to the Board with respect to non-CEO officer compensation, making recommendations to the Board with respect to incentive compensation plans and equity-based plans, making administrative and compensation decisions under equity compensation plans approved by the Board, and adopting and administering one or more cash bonus plans, subject to shareholder approval, which will qualify compensation paid thereunder as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), and implementing and administering such plans.

Audit Committee

Each member of the Audit Committee is independent as discussed above. In January, 2004 the Committee recommended, and the Board of Directors approved, a revised Audit Committee Charter, which can be found on the Corporate Governance section of the Company s corporate and investor website.

The members of the Audit Committee are Messrs. Keller (Chair), Lauer, Pickett and Thompson. The Committee met 12 times during 2004. Its functions include providing assistance to the Board of Directors in fulfilling its oversight responsibility relating to the Company s financial statements and the financial reporting process, compliance with legal and regulatory requirements, the qualifications and independence of the Company s independent registered public accounting firm, the Company s system of internal controls, the internal audit function, the Company s code of ethical conduct, retaining and, if appropriate, terminating the independent registered public accounting firm, and approving audit and non-audit services to be performed by the independent registered public accounting firm.

The Board of Directors has determined that each of Thomas F. Keller, David P. Lauer and James V. Pickett is an audit committee financial expert as such term is defined by the Securities and Exchange Commission under Item 401(h) of Regulation S-K. The Board of Directors has affirmatively determined that each member of the Audit Committee is independent in accordance with the listing standards of the New York

Stock Exchange.

Mr. Lauer currently serves on the audit committees of more than three public companies. The Board of Directors has determined that such service does not impair Mr. Lauer s ability to effectively serve on the Company s Audit Committee.

The Audit Committee has adopted a policy under which audit and non-audit services to be rendered by the Company s independent registered public accounting firm are pre-approved. The Committee s Pre-Approval Policy can be found on the Company s corporate and investor website. No services were

Table of Contents

provided by the independent registered public accounting firm in 2004 that were approved by the Committee under Securities and Exchange Commission Regulation S-X Section 2-01(c)(7)(i)(C) (which addresses certain services considered de minimus approved by the Committee after such services have been performed).

Audit and Other Service Fees

The following table sets forth the aggregate fees for professional services rendered by PricewaterhouseCoopers LLP for each of the last two fiscal years of the Company.

	2004	2003
Audit fees (1)	$ 3,083,900	$ 1,036,650
Audit-related fees (2)	$ 178,100	$ 301,700
Tax fees (3)	$ 118,300	$ 413,400
All other fees (4)	$ 0	$ 0
Total	$ 3,380,300	$ 1,751,750

(1) Includes services rendered for the audit of the Company s annual financial statements, review of financial statements included in the Company s quarterly reports on Form 10-Q, services related to the audit of internal control over financial reporting (which totaled $1,926,500 in 2004) and other audit services normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements.

(2) Includes assurance and related services reasonably related to the performance of the audit or review of the Company s financial statements not reported as audit fees . Audit-related fees for both years primarily include accounting research, benefit plan audits and services provided to advertising funds.

(3) Includes services rendered for tax compliance, tax advice and tax planning. Tax fees for both years primarily include services related to the organization of the Company s subsidiaries, other tax and tax planning advice and services rendered in connection with federal and international tax audits.

(4) No products or services were provided to the Company other than those reported as audit, audit-related or tax fees.

AUDIT COMMITTEE REPORT

In performing its responsibilities, the Audit Committee, in addition to other activities, (i) reviewed and discussed the Company s audited financial statements with management; (ii) discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Statement on Auditing Standards 61 (Communication with Audit Committees), as modified or supplemented, and the Public Company Accounting Oversight Board s Auditing Standard No. 2 (An Audit of Internal Control Over Financial Reporting performed in conjunction with an Audit of Financial Statements); and (iii) received the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as modified or supplemented, and discussed with PricewaterhouseCoopers LLP the firm s independence. Based on these reviews, discussions and activities, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for fiscal 2004 for filing with the Securities and Exchange

Commission.

The Audit Committee considered whether the provision of non-audit services by PricewaterhouseCoopers LLP was compatible with maintaining such firm s independence.

Respectfully submitted,

Audit Committee

Thomas F. Keller, Chair

David P. Lauer

James V. Pickett

John R. Thompson

10

Table of Contents

COMPENSATION OF MANAGEMENT

The following table summarizes compensation awarded or paid to, or earned by, each of the named Executive Officers during each of the Company s last three fiscal years.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long Term Compensation		All Other
Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Awards ($)	Securities Underlying Options (#)	Compensation ($) (2)
John T. Schuessler,	2004	1,047,750	0	86,276(3)	5,722,609(4)		518,009
Chairman of the Board,	2003	934,192	1,606,500	60,329(3)		318,000	461,465
Chief Executive	2002	863,693	1,931,250	78,683(3)		330,000	347,955
Officer and President							
Kerrii B. Anderson,	2004	439,519	0	(5)	682,935(6)		111,098
Executive Vice	2003	388,765	803,250			72,000	95,038
President and Chief	2002	359,885	965,625			88,000	62,253
Financial Officer							
Donald F. Calhoon,	2004	392,531	283,360	(5)	370,027(6)		158,715
Executive Vice	2003	350,435	397,785			39,000	141,309
President	2002	321,923	523,275			49,500	61,292
George Condos,	2004	366,500	283,360	(5)	370,027(6)		157,675
Executive Vice	2003	342,215	397,785			39,000	143,010
President	2002	326,500	523,275			49,500	78,857
Kathie T. Chesnut,	2004	355,385	283,360	(5)	370,027(6)		82,148
Executive Vice	2003	326,827	397,785			39,000	92,192
President	2002	201,346	249,610			49,500	84,251
Thomas J. Mueller,	2004	402,546	202,240	(5)	682,935(6)		122,585
President and Chief	2003	364,989	553,440			72,000	108,234
Operating Officer	2002	339,154	728,035			88,000	121,358
North America							

(1) Fiscal year 2004 includes 53 weeks. Fiscal years 2003 and 2002 include 52 weeks.

(2) The amounts shown in this column for each named Executive Officer consist of (i) executive health insurance premiums paid by the Company for coverage for the named Executive Officers of $3,173 per person for each year; and (ii) contributions or other allocations to the Company s Profit Sharing and Savings Plan, and the amount allocated to the account of each of the named Executive Officers under the Company s Supplemental Executive Retirement Plan (SERP), as follows:

Name	Profit Sharing and Savings Plan			SERP Allocations		
	2004	2003	2002	2004	2003	2002
Mr. Schuessler	$ 8,200	$ 8,000	$ 8,000	$ 497,386	$ 446,225	$ 336,782
Mrs. Anderson	$ 8,200	$ 8,000	$ 8,000	$ 91,957	$ 81,199	$ 51,080
Mr. Calhoon	$ 8,200	$ 8,000	$ 8,000	$ 138,874	$ 126,796	$ 50,119
Mr. Condos	$ 8,200	$ 8,000	$ 8,000	$ 137,394	$ 128,074	$ 67,684
Mrs. Chesnut	$ 8,200	$ 8,000	$ 8,000	$ 62,307	$ 77,679	$ 73,078
Mr. Mueller	$ 8,200	$ 8,000	$ 8,000	$ 102,839	$ 93,813	$ 110,185

The amounts shown in this column for 2004 also include premiums paid by the Company for each of the named Executive Officers under a supplemental long-term disability insurance program implemented in 2003 as follows: John T. Schuessler, $4,250; Kerrii B. Anderson, $2,768; Donald F. Calhoon, $3,468; George Condos, $3,908; Kathie T. Chesnut, $3,468; and Thomas J. Mueller,

$3,373; and a one time cash payment of $5,000 to each named Executive Officer in lieu of further participation in the Company s executive health care reimbursement program (which was terminated as of December 31, 2004).

(3) Other annual compensation for Mr. Schuessler in 2004, 2003 and 2002 consists of personal use of Company aircraft in the amount of $72,715, $47,681 and $67,123, respectively, personal use of a Company car in the amount of $12,914, $12,648 and $11,560, respectively, and $647 in 2004 for non-cash gifts which is taxable income to Mr. Schuessler under the American Jobs Creation Act of 2004.

(4) Amount shown was determined by multiplying 66,250 performance shares and 72,875 restricted stock units awarded to Mr. Schuessler in 2004 by the closing price of the Company s common shares on the dates of the awards, March 19, 2004 ($40.85) and April 22, 2004 ($41.39), respectively. The March 19 performance share award was made subject to approval of the Company s 2003 Stock Incentive Plan at the 2004 Annual Meeting of Shareholders. The performance shares will be settled in restricted shares on the date of the regularly scheduled meeting of the Board of Directors held in the second fiscal quarter of 2005. The number of restricted shares issued will be 59,625 and was determined based on the Company s earnings per share in 2004 and the Company s three-year average total shareholder return through fiscal 2004 relative to the Standard & Poor s 500 Index. Once the restricted shares are issued, the restrictions with respect to 25% of such shares will lapse on April 26, 2006. Restrictions will lapse on an additional 25% of such restricted shares on each successive April 26 and such restricted shares will have the other terms with respect to dividend reinvestment, termination of employment and acceleration of restriction lapse as described below in footnote 6. If Mr. Schuessler s employment is terminated for any reason prior to the regularly scheduled meeting of the Board of Directors held in the second quarter of 2005, all performance shares will be forfeited (and he would not be entitled to settlement in restricted shares). The value of the performance shares as of the last trading day of fiscal 2004 (based on the closing price of the Company s common shares, $39.26) was $2,600,975.

The restricted stock units can be settled only in common shares of the Company and include dividend equivalent rights. 25% of the restricted stock units awarded to Mr. Schuessler will vest on April 22, 2005. An additional 25% will vest on each successive April 22. The vesting dates would be accelerated if the Company is involved in certain change-in-control transactions as specified in the Company s 2003 Stock Incentive Plan. If Mr. Schuessler s employment is terminated for any reason other than death, disability or retirement, any remaining restricted stock units will be forfeited as of the date of such termination. If his employment is terminated by reason of his death, disability or retirement, all remaining restricted stock units will vest as of the date of such termination. Dividends on restricted stock units, payable only as additional common shares, are paid on all restricted stock units outstanding as of the dividend payment date. The additional shares issued under the terms of the dividend equivalent rights will vest at the same time as the underlying shares. Notwithstanding the vesting of restricted stock units, Mr. Schuessler will only be entitled to receive common shares on the first date that such shares may be issued without resulting in the disallowance of a deduction by the Company under Section 162(m) of the Code. The value of the restricted stock units (including dividends on the restricted stock units) as of the last trading day of fiscal 2004 (based on the closing price of the Company s common shares, $39.26) was $2,890,596.

(5) The aggregate amount of perquisites and other benefits received by Mses. Anderson and Chesnut and Messrs. Calhoon, Condos and Mueller did not exceed the lesser of $50,000 or 10% of the total annual salary and bonus of such individuals in 2004, 2003 or 2002.

(6) Amount shown was determined by multiplying the following amounts of restricted stock awarded to the named Executive Officers in 2004 by the closing price of the Company s common shares on the date of the award, April 22, 2004 ($41.39): Mrs. Anderson, 16,500; Mr. Calhoon, 8,940; Mr. Condos, 8,940; Mrs. Chesnut, 8,940; and Mr. Mueller, 16,500. Restrictions with respect to 25% of the number of restricted shares awarded will lapse on April 22, 2005. Restrictions will lapse on an additional 25% of such restricted shares on each successive April 22. The dates that restrictions lapse would be accelerated if the Company is involved in certain change-in-control transactions as specified in the Company s 2003 Stock Incentive Plan. If the Executive Officer s employment is terminated for any

12

Table of Contents

reason other than death, disability or retirement, any remaining restricted shares will be forfeited as of the date of such termination. If the Executive Officer s employment is terminated by reason of his or her death, disability or retirement, the restrictions will lapse as to all remaining restricted shares as of the date of such termination. Dividends on restricted shares, payable only as additional restricted shares, are paid on all restricted shares outstanding as of the dividend payment date. The restrictions on additional shares issued under the dividend reinvestment provision lapse at the same time as the underlying shares.

The number and value of restricted shares held by each of the named Executive Officers as of the last trading day of fiscal 2004 (based on the closing price of the Company s common shares, $39.26) was as follows:

Name	Number of Restricted Shares	Value
Mrs. Anderson	16,670	$ 654,464
Mr. Calhoon	9,032	$ 354,596
Mr. Condos	9,032	$ 354,596
Mrs. Chesnut	9,032	$ 354,596
Mr. Mueller	16,670	$ 654,464

The Company had awarded stock options to the named Executive Officers prior to 2004. The following table sets forth information regarding the exercise of stock options made during the last fiscal year by each of the named Executive Officers.

AGGREGATED OPTION EXERCISES

IN LAST FISCAL YEAR

AND FISCAL YEAR-END OPTION VALUES

			Number of securities underlying unexercised options at fiscal year-end (#)		Value of unexercised in-the-money options at fiscal year-end ($) (1) (2)	
Name	Shares acquired on exercise (#)	Value realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
John T. Schuessler	280,693	3,922,474	360,141	457,046	3,022,145	3,588,466
Kerrii B. Anderson	15,009	252,301	133,770	113,094	1,281,745	858,937
Donald F. Calhoon			68,884	64,016	610,569	489,574
George Condos	130,818	1,701,462	45,219	64,241	381,469	492,391
Kathie T. Chesnut			65,751	64,096	556,306	490,576
Thomas J. Mueller			196,462	113,556	2,415,857	864,721

(1) All values as shown are pretax.

(2) Based on the fiscal year-end closing price of $39.26 per share.

The Company has three retirement plans which apply to Executive Officers in addition to other Officers and/or employees. The amounts of contributions or other allocations under the Profit Sharing and Savings Plan and the SERP for each of the named Executive Officers are set forth in footnote 2 to the Summary Compensation Table (see page 11). The third retirement plan is the Company s Pension Plan. Under the Pension Plan as in effect since January 1, 2001, each participant is credited with a basic benefit determined by years of service. The Company contribution is 1.5% of current compensation for participants with less than five years of service, 2.0% of current compensation for participants with at least five but less than 10 years of service, and 2.5% of current compensation for participants with 10 or more years of service. Notwithstanding the contribution rates set forth above, the maximum annual compensation amount for which contributions can be made to the Pension Plan under the Internal Revenue Code is currently $205,000. All accounts are credited with interest at an annual rate equal to the greater of 5% or the average of the 1 year Constant Maturity Treasury Rates for each of the 12-months ending with the month of November, plus 1%. The estimated annual benefits payable upon retirement at normal retirement age under the Pension Plan for each of the named Executive Officers are as follows: John T. Schuessler, $76,157; Kerrii B. Anderson, $24,787; Donald F. Calhoon, $69,372; George Condos, $90,343; Kathie T. Chesnut, $45,047; and Thomas J. Mueller, $19,783. The estimated annual retirement benefits assume a 7.5% interest factor and retirement at age 65.

Table of Contents

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The Company s executive compensation policy has been pay for performance since well before the current popularity of that concept. In an effort to provide shareholders with a better understanding of the Company s executive compensation practices, this Report provides information beyond the information required by the proxy rules of the Securities and Exchange Commission.

Compensation Philosophy

The Company s executive compensation program is based on two objectives:

Providing market-competitive compensation opportunities, and

Creating a strong link among the interests of the shareholders, the Company s financial performance, and the total compensation of the Company s Executive Officers.

There are three components to the Company s executive compensation program: annual cash compensation, longer-term incentive compensation and benefits. The annual cash compensation program is comprised of base salary and annual incentive compensation. Base salary and annual incentive compensation opportunities are set by periodic comparison to external rates of pay for comparable positions within the food-service industry. The companies used for this comparison for 2004 were comprised of the participants in the National Chain Restaurant Compensation Association annual survey and the same companies which comprise the Peer Group Index shown on the graph on page 17. The companies which comprise the Peer Group Index have revenues of at least $1 billion and reflect the Company s scope of operations and the competitive market in the restaurant industry for senior executive talent.

Base salary ranges are targeted at the 50th percentile of competitive data. Individual variability is based on performance and experience. Adjustments are normally considered annually, based upon general movement in external salary levels, individual performance and potential, and/or changes in the position s duties and responsibilities.

Under the Senior Executive Annual Performance Plan (the Senior Executive Plan) (which Messrs. Schuessler and Mueller, and Mrs. Anderson, participated in during fiscal 2004) and the Executive Annual Performance Plan (the Executive Plan) (which other Executive Officers participated in), participants received annual incentive awards which were based on the extent to which the Company met or exceeded specified earnings per share, return on assets, and, for certain participants, Wendy s North America or International Division income goals for the year. The Committee established specific performance objectives for 2004 under both plans, and the eligible participants and individual award opportunities for those participants under the Senior Executive Plan. In accordance with the terms of the Executive Plan, Mr. Schuessler determined the participants, the individual award opportunities for those participants, and the allocation of performance objectives between overall corporate results and business unit results in consultation with the Committee under the Executive Plan. Annual incentive opportunities under both plans were targeted at the 75th percentile of competitive practice. The performance objectives and individual award opportunities were designed to create financial incentives that were closely tied to Company performance.

Total cash compensation that could be earned was highly dependent on Company performance, rather than adjustments to base salary, since individual award opportunities were targeted independently from adjustments to base salary. Increases in base salary had no impact on individual award opportunities under the bonus plans. Total annual cash compensation may well be below the 50th percentile of competitive practice when target performance is not achieved. When targets are significantly exceeded, total annual cash compensation may equal or exceed the 75th percentile.

In the fourth quarter of 2004 the Company concluded that a goodwill impairment was required under generally accepted accounting principles related to its Baja Fresh Mexican Grill brand, which was acquired by the Company in 2002. The Company also announced that Baja Fresh would close a total of 15

Table of Contents

underperforming restaurants in the fourth quarter and that it would impair asset values of restaurants in three markets. The aggregate effect of the goodwill impairment, restaurant closings and market impairments was to reduce the Company s reported earnings per share and return on assets for 2004 below the threshold performance objectives established by the Committee under the Senior Executive Plan. As a result, Mr. Schuessler and Mrs. Anderson received no bonus for 2004, and Mr. Mueller received only that portion of his award opportunity that reflected the extent to which the Wendy s North America income goal was exceeded for the year. The performance objectives under the Executive Plan for other Executive Officers excluded the effect of the charges, as well as the effect of a correction in the Company s accounting for leases and leasehold improvements, and the awards paid to those participants were substantially lower than they would have been if the Company had attained its earnings per share and return on assets goals for the year.

Beginning in 2004, the longer-term incentive compensation program applicable to Executive Officers consists of restricted stock granted under the Company s 2003 Stock Incentive Plan, which was approved by shareholders in 2004. Prior to 2004 the longer-term incentive program consisted of stock options. Under the new program one restricted share was awarded for every four stock options that would have been granted previously to participants. Award opportunities under the restricted stock program for 2004 were set by comparison to equity awards made to comparable positions at companies with revenues of at least $1 billion within the food-service industry and other industrial companies with revenues between $1 billion and $3 billion, and were set at approximately the 60th percentile. Prior to 2003 award opportunities had been targeted at the 75th percentile. The companies used for the food-service industry comparison were the same companies which comprise the Peer Group Index shown on the graph on page 17. Award opportunities under the restricted stock program are based primarily on a fixed number of restricted shares for each eligible employee grade. The fixed number of restricted shares awarded is adjusted periodically by comparison to comparable positions within the food-service industry and to other industrial companies with revenues between $1 billion and $3 billion. In addition, the number of restricted shares awarded was adjusted in 2004 to reflect earnings per share growth and the Company s three-year average total shareholder return relative to the Standard & Poor s 500 Index. This adjustment serves to more closely align equity compensation opportunities to Company performance.

The value of restricted stock awarded under this program increases as the market price of the Company s common shares increases. This program accomplishes the objective of linking each Executive Officer s opportunity for financial gain to increases in shareholder wealth, as reflected by the market price of the Company s common shares.

The benefits program is comprised of retirement income and group insurance plans. The objective of the program is to provide Executive Officers with reasonable and competitive levels of protection against the four contingencies (retirement, death, disability and ill health) which will interrupt the Executive Officer s employment and/or income received as an active employee. The retirement program consists of two tax-qualified plans that cover all full-time management and administrative employees, and a supplemental retirement plan which covers the Executive Officers and other Officers of the Company. The group insurance program consists of life, disability and health insurance benefit plans that cover all full-time management and administrative employees and the supplemental long-term disability plan, which covers Executive Officers and other Officers. Executive Officers and other Officers also participated in an executive health care reimbursement plan during 2004. That plan was terminated on December 31, 2004.

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally limits the ability of a publicly-held corporation, such as the Company, to claim a deduction on its federal income tax return for compensation in excess of $1 million paid for a given fiscal year to the chief executive officer (or person acting in that capacity) at the close of the corporation s fiscal year and the four most highly compensated officers of the corporation, other than the chief executive officer, at the end of the corporation s fiscal year, unless the requirements specified in applicable Internal Revenue Service regulations are met. The $1 million compensation deduction limitation does not apply to performance-based compensation . The Company believes that compensation paid under the Senior Executive Plan, its stock option plans and the performance shares awarded to Mr. Schuessler under the 2003 Stock Incentive Plan qualifies as performance-based compensation for purposes of Section 162(m).

Table of Contents

Compensation for Chief Executive Officer

Mr. Schuessler was named Chief Executive Officer and President of the Company on March 16, 2000. He had previously served as President and Chief Operating Officer, U.S. Operations of the Company. Mr. Schuessler was named Chairman of the Board, Chief Executive Officer and President on May 1, 2001.

Mr. Schuessler s base salary for 2004 was targeted at the 50th percentile of competitive data, taking into consideration the Company s overall compensation philosophy, Mr. Schuessler s performance since being named Chief Executive Officer and President, and the Company s performance under his leadership.

An annual cash incentive award was payable under the Senior Executive Plan to Mr. Schuessler only if the Company achieved or exceeded specified earnings per share and return on assets goals. The amount of the award increased if the Company exceeded the specified goals. Conversely, no award was payable if the Company did not achieve the specified goals. As noted previously in this Report, the Company did not achieve the specified earnings per share and return on assets goals for 2004 due to goodwill, market impairment and restaurant closings charges at Baja Fresh Mexican Grill announced in the fourth quarter. As a result, Mr. Schuessler received no bonus for 2004.

Long-term incentives in the form of performance shares and restricted stock units were granted to Mr. Schuessler in 2004. The principal terms of these awards are described in footnote 4 to the Summary Compensation Table (see page 12). Performance shares and restricted stock units serve to directly align Mr. Schuessler s interests with the interests of other shareholders, since the value of these awards increases as the market price of the Company s common shares increases.

The Committee considered the number of unexercised options already held by Mr. Schuessler, competitive practices and the Company s earnings per share growth and three-year average total shareholder return relative to the Standard & Poor s 500 Index in determining the number of performance shares and restricted stock units to grant in 2004. The number of performance shares and restricted stock units granted in 2004 to Mr. Schuessler was designed to approximate the 60th percentile of competitive practice for comparable positions within the food-service industry and at other industrial companies with revenues between $1 billion and $3 billion, consistent with the policy previously described, adjusted for the Company s earnings per share growth and three-year average total shareholder return relative to the Standard & Poor s 500 Index.

The Committee believes that Mr. Schuessler was reasonably compensated for the job he has done as the Chairman of the Board, Chief Executive Officer and President. His opportunities to increase his future compensation depend on the Company s future performance and the competitive pay practices of comparable positions within the food-service industry. The compensation programs applicable to Mr. Schuessler have accomplished the objective of linking shareholder and financial performance to Mr. Schuessler s total compensation.

Respectfully submitted,

Compensation Committee

James F. Millar, Chair

Ann B. Crane

Janet Hill

William E. Kirwan

J. Randolph Lewis

COMPARISON OF FIVE-YEAR TOTAL RETURN FOR WENDY S INTERNATIONAL, INC., THE PEER GROUP INDEX AND THE S&P 500 INDEX

The following graph compares the yearly percentage change in the Company s cumulative total shareholder return (as measured by dividing (i) the sum of (A) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and (B) the difference between the Company s share price at the end and the beginning of the measurement period; by (ii) the share price at the beginning of the measurement period) against the cumulative total return of the S&P 500 Stock Index and a peer group of other companies with restaurant operations (excluding the Company) (the Peer Group Index). The companies which comprise the Peer Group Index have revenues of at least $1 billion and reflect the Company s scope of operations and the competitive market in the restaurant industry for senior executive talent.

COMPARISON OF FIVE-YEAR TOTAL RETURN[(1)]

FOR WENDY S INTERNATIONAL, INC.,

THE PEER GROUP INDEX AND THE S&P 500 INDEX[(2)]

	1999	2000	2001	2002	2003	2004
WEN	$100.00	128.09	143.66	134.26	196.20	198.90
PEER GROUP INDEX	$100.00	96.64	89.22	69.27	100.47	142.01
S&P 500 INDEX	$100.00	89.86	78.14	59.88	75.68	82.49

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(1) Assumes $100 invested on December 31, 1999, in Wendy s International, Inc. common shares, the Peer Group Index and the S&P 500 Index. Total return assumes dividend reinvestment.

(2) The Peer Group Index has been computed by the Company, and is comprised of the following 10 companies: Brinker International, Inc.; CBRL Group, Inc.; CKE Restaurants, Inc.; Darden Restaurants, Inc.; Denny s Corporation (f/k/a Advantica Restaurant Group, Inc.); Jack in the Box Inc.; McDonald s Corporation; Outback Steakhouse, Inc.; Starbucks Corporation; and YUM! Brands, Inc. This Index has been weighted by market capitalization of each component company.

EXECUTIVE AGREEMENTS

The Company has entered into employment agreements (Key Executive Agreements) with each of the Executive Officers named in the Summary Compensation Table (see page 11) as well as certain other Executive Officers. The Key Executive Agreements are intended to assure the Company that it will have the continued dedication, undivided loyalty, and objective advice and counsel from these key executives in the event of a proposed transaction, or the threat of a transaction, which could result in a change in control of the Company.

The Key Executive Agreements provide that in the event of a change in control (as defined therein), the key executives will be employed by the Company in their present positions for a period of approximately five years, or until the executive dies, is terminated for cause by the Company or terminates employment himself or herself without good reason (as such terms are defined therein), whichever occurs first (the Employment Term).

In the event of a change in control, the key executives will be entitled to continue to receive during their Employment Term the annual salary, bonus and other benefits made available to them by the Company immediately prior to the change in control. The Board of Directors will review annually the performance of each key executive during such Employment Term to determine whether or not such salary and bonus should be increased.

A key executive s employment may be terminated under the Key Executive Agreement for cause by the Company as defined therein. If a key executive is terminated for cause by the Company, the Company has no further obligation to pay any compensation or to provide benefits to the key executive.

A key executive may terminate his or her employment under the Key Executive Agreement after a change in control for good reason if the Company (i) changes the key executive s status, title, position or responsibilities in a way that does not represent a promotion, (ii) either reduces the key executive s base salary or provides an annual salary increase less than the increase in a defined consumer price index, (iii) requires the key executive to relocate beyond a 30 mile radius from the executive s business office location immediately prior to the change in control, (iv) takes action which results in a material reduction in compensation and benefits otherwise payable to the key executive, (v) materially breaches the Key Executive Agreement, or (vi) fails to notify the key executive that a successor to the Company has agreed to assume and perform under the Key Executive Agreement. If a key executive s employment is terminated by the Company without cause prior to a change in control, but the executive reasonably demonstrates that the termination of employment (i) was at the request of a third party who had indicated an intention or taken steps reasonably calculated to effect a change in control, or (ii) otherwise occurred in connection with, or in anticipation of, a change in control which had been threatened or proposed, then such termination will be deemed to have occurred after a change in control for the purposes of the Key Executive Agreement, provided that a change in control shall actually have occurred.

If the employment of a key executive is terminated under a Key Executive Agreement by the executive for good reason or by the Company other than for cause, the Company will be obligated to make a lump-sum payment to the key executive of three times the sum of the executive s then-current salary plus average annual bonuses over the prior three years. If the key executive had not previously received bonus payments for three full plan years under the annual bonus plans and was an eligible participant under such plans at the time his employment was terminated, he or she will be deemed to have received a bonus in prior years equal to the bonus paid to such key executive s predecessor in the same position. If there was not a predecessor in the same position, the key executive will be deemed to have received a bonus in prior years equal to the average of the bonuses paid to participants in positions comparable to the executive s then-current position. The lump-sum payment will not be subject to offset. If the employment of the key executive is terminated under a Key Executive Agreement by the executive for good reason or by the Company other than for cause, the key executive will also be entitled to (i) continuation of group insurance benefits for three years, subject to offset for any benefits from subsequent employment, if any, (ii) purchase his or her Company automobile at the then-current book value, and (iii) a lump-sum payment equal to the present value of accrued retirement benefits after adding three additional years of benefit accrual, reduced

by any vested benefits. In addition, any stock options or stock appreciation rights granted under plans of

Table of Contents

the Company will become immediately vested and exercisable, and any restrictions on any stock awarded to the key executive by the Company shall lapse.

If any payments or other benefits payable to an executive under a Key Executive Agreement or otherwise is subject to the excise tax under Code Section 4999 or any similar tax, the Company is obligated under the Key Executive Agreement to pay to the executive an additional amount which, after deduction of any income, withholding and excise tax thereon, equals the excise tax.

The Company has established a benefits protection trust to provide for the payment of benefits to the key executives and to provide for the payment of reasonable legal fees or expenses incurred in good faith by the key executives in enforcing their rights under the Key Executive Agreements or any other benefit plans in which they participate.

The Company also has a severance policy that is applicable to Officers generally, including Executive Officers. Under that policy an Officer whose employment is terminated by the Company except for cause is generally entitled to continue to receive two weeks of salary continuation, and continued participation in the Company s other benefit plans, for each year of service, with a minimum of 26 weeks. An Officer can elect to receive the total remaining amount payable in a lump sum at any time during the severance period, in which case participation in the other benefit plans ceases.

CERTAIN TRANSACTIONS INVOLVING MANAGEMENT OR 5% SHAREHOLDERS

A trust for the benefit of Paul D. House is the sole shareholder of a corporation which purchased a shopping center property in Tottenham, Ontario, Canada from an unrelated third party in 1998. As part of the shopping center purchase transaction, the corporation now leases a Tim Hortons restaurant to a subsidiary of the Company. The remaining term of the lease is 9 years. The amount of rent paid to the corporation in 2004 was the Canadian dollar equivalent of $42,287 (the exchange rate used for all Canadian dollar equivalents in this section is 1.30064942 Canadian dollars per U.S. dollar). In the opinion of the Company, the terms of this lease are no less favorable than the Company and its subsidiaries could have obtained from an unrelated third party.

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Company s Audit Committee has selected PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for the current fiscal year. Management expects that representatives of PricewaterhouseCoopers LLP will be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The affirmative vote of the holders of a majority of the common shares represented at the meeting in person or by proxy is necessary to ratify the selection of the Company s independent registered public accounting firm for the current year. Under applicable law, listing requirements and the Company s Regulations, abstentions and broker non-votes are counted as present; the effect of an abstention or a broker non-vote is the same as a no vote. **THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE CURRENT YEAR.** Unless otherwise indicated, the persons named in the Proxy will vote all Proxies in favor of ratification. If the selection of PricewaterhouseCoopers LLP is not ratified, the Audit Committee will reconsider the selection of the Company s independent registered public accounting firm.

Even if the selection of PricewaterhouseCoopers LLP is ratified by shareholders, the Audit Committee in its discretion could decide to terminate the engagement of PricewaterhouseCoopers LLP and to engage another firm if the Committee determines such action to be necessary or desirable.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth, as of the end of the Company s last fiscal year, (a) the number of securities that could be issued upon exercise of outstanding options under the Company s equity compensation plans,

Table of Contents

(b) the weighted-average exercise price of outstanding options under such plans, and (c) the number of securities remaining available for future issuance under such plans, excluding securities that could be issued upon exercise of outstanding options.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	9,770,684	30.1173	2,358,942
Equity compensation plans not approved by security holders	2,785,469	27.9871	574,832
Total	12,556,153	29.6447	2,933,774

On August 2, 1990, the Board of Directors adopted the WeShare Stock Option Plan (the WeShare Plan), a non-qualified stock option plan that provided for grants of options equal to 10% of each eligible employee s earnings, with a minimum of 20 options to be granted to each eligible employee annually. Beginning in 2002, options equal to 8-12% of each eligible employee s earnings could be granted annually under the WeShare Plan. The percentage of each eligible employee s earnings is determined by the Company s annual performance as measured by earnings per share growth and the Company s three-year average total shareholder return relative to the Standard & Poor s 500 Index. Most employees of the Company and its subsidiaries who are full-time employees on the grant date and on December 31 of the year preceding the grant date are eligible employees. An aggregate of 9.2 million common shares of the Company have been reserved pursuant to the WeShare Plan (including shares already issued pursuant to option exercises).

Options granted under the WeShare Plan have a term of 10 years from the grant date and become exercisable in installments of 25% on each of the first four anniversaries of the grant date. These exercise dates may be accelerated if the Company is involved in certain merger, consolidation, reclassification or exchange of securities transactions as specified in the WeShare Plan. If an employee s employment is terminated for any reason other than death, disability, termination without cause in connection with the disposition of one or more restaurants or retirement, the options will be canceled as of the date of such termination. If the employee s employment is terminated by reason of his or her death, disability or termination without cause in connection with the disposition of one or more restaurants (disposition termination), the options will become immediately exercisable and may be exercised at any time during the 12-month period after his or her death, disposition termination or date of becoming disabled, subject to the stated term of the options. If the employee s employment is terminated by reason of his or her retirement, the options may be exercised during the 48-month period after the retirement date, subject to the stated term of the options. The Company had granted options under the WeShare Plan annually to several thousand employees. However, the Company no longer makes grants of options under the WeShare Plan. The WeShare Plan has not been submitted to the shareholders of the Company for approval as permitted under current New York Stock Exchange listing requirements.

SHAREHOLDER PROPOSALS

Set forth below are two shareholder proposals received by the Company for the Annual Meeting of Shareholders. As required by rules of the Securities and Exchange Commission, the text of the shareholder proposals and supporting statements appear as submitted to the Company by the shareholders. The Board of Directors and the Company accept no responsibility for the proposals and supporting statements. The Board of Directors has recommended a vote against each of these proposals for the broader policy reasons set forth following each proposal.

SHAREHOLDER PROPOSAL NO. 1

The Sinsinawa Dominicans, 7200 West Division Street, River Forest, Illinois 60305, owner of 32 common shares of the Company, and the Adrian Dominican Sisters, 1257 East Siena Heights Drive, Adrian,

Table of Contents

Michigan 49221-1793, owner of 100 common shares of the Company, have notified the Company that they intend to propose the following resolution at the Annual Meeting of Shareholders:

Report on Impacts of Genetically Engineered Products

2004-05

RESOLVED: Shareholders request that an independent committee of the Board review Company policies and procedures for monitoring genetically engineered (GE) products and report (at reasonable cost and omitting proprietary information) to shareholders within six months of the annual meeting on the results of the review, including:

(i) the scope of Company products that are genetically engineered;

(ii) the environmental impacts of continued use of GE products sold or manufactured by the company;

(iii) contingency plans for removing GE seed and other GE products from the ecosystem should circumstances so require;

(iv) evidence of independent long-term safety testing demonstrating that GE crops, organisms, or products thereof are actually safe for humans, animals, and the environment.

Supporting Statement

Indicators that genetically engineered organisms MAY be harmful to humans, animals, or the environment include:

- *The report* Safety of Genetically Engineered Foods: Approaches to Assessing Unintended Health Effects *(National Academy of Sciences [NAS] 7/2004) states: . . . there remain sizable gaps in our ability to identify compositional changes that result from genetic modification of organisms intended for food; to determine the biological relevance of such changes to human health; to devise appropriate scientific methods to predict and assess unintended adverse effects on human health. (p. 15)*

- *The study* Gone to Seed, *(Union of Concerned Scientists, 3/2004), found that genetically engineered DNA is contaminating U.S. traditional seeds (corn, soybean, canola), and that if left unchecked could disrupt agricultural trade, unfairly burden the organic foods industry, and allow hazardous materials into the food supply.*

The FDA does not require producers of GE food products to seek prior FDA approval of finished GE food products; producers of GE-products are merely encouraged to have voluntary safety consultations with the FDA. The testing protocol on foods derived from biotechnology adopted in 2003 by the Joint UN FAO/WHO Codex Alimentarius Commission is not required by the FDA to assess GE foods on the U.S. market.

No post-marketing surveillance is in effect to verify pre-market screening for unanticipated adverse health consequences from the consumption of GE food. (*NAS* 7/2004).

European Union rules require traceability of food and feed ingredients to their source materials, and labeling of food containing more than 0.9% GE ingredients.

Insurers in Germany, the UK and elsewhere are refusing liability coverage for genetically engineered crops, an example of heightened concern about the long-term safety of GE crops.

Weed resistance to the herbicide used widely by farmers who plant genetically engineered herbicide resistant crops, is increasing. (Agriculture Research Service 8/24/04).

In December 2002, StarLink corn, not approved for human consumption, was detected in a U.S. corn shipment to Japan. StarLink first contaminated U.S. corn supplies in September 2000, triggering a recall of 300 products.

An August-September 2004 survey of 1,194 grain elevators across the United States conducted by the American Corn Growers Foundation Farmer Choice-Customer First program found that nearly one-quarter (23.7%) reported that they require segregation of biotech corn from conventional corn varieties.

We believe such a report will disclose information material to the company s future.

Table of Contents

Management s Response

The Board of Directors recommends a vote AGAINST this Shareholder Proposal.

The Company is committed to food safety as its highest priority and understands and supports its customers interest in food safety matters. Menu offerings include a wide variety of products that are derived from products or ingredients produced by the agricultural industry. The Company firmly believes that all of the food products served in its restaurants, including those that may contain genetically engineered ingredients, are safe. Furthermore, the Company relies on the United States Food & Drug Administration, the Environmental Protection Agency and the Biotechnology Regulatory Services of the U.S. Department of Agriculture, who are charged with protecting the health and safety of the public and the environment, to properly evaluate and make judgments about environmental and health risks regarding crops derived through biotechnology. The Company believes that these regulatory authorities have not found any meaningful safety, health or environmental risks posed by genetically engineered food products grown in the U.S. The Company, nonetheless, has monitored and intends to continue to actively monitor developments in agricultural biotechnology. In addition, the Company has supported, and intends to continue its support of, initiatives issued by the regulatory authorities to ensure that food served at the Company s restaurants is safe for consumers.

The Company is aware of the concerns of some who oppose the use of biotechnology-derived crops in agriculture, as well as the strong contrary views of those who believe that use of such crops will benefit humanity and the environment by increasing the world s food supply and decreasing the use of pesticides. The Company does not believe that preparation of the report requested by the proponents of this proposal would add new information to the ongoing dialogue on this issue. The Company believes the subject is more appropriately addressed under regulatory authority and leadership on an industry-wide basis, including food producers, processors, distributors and sellers (not just restaurants), and in light of scientific findings and the conclusions of regulatory authorities. It would be an imprudent expenditure of the Company s limited resources to require its management to devote time, attention and funds to research the complex issues involved and compile the report requested by the proposal.

The Company understands that the use of genetic engineering with respect to certain staple foods, such as corn and soybeans, is widespread in the United States. Even when these foods are produced in an unmodified form, under current practices they are combined with other biotechnology-derived foods during storage, distribution and processing. It would be difficult and costly, if not impossible in the absence of federal laws and regulations, for the Company to require its vendors to identify the scope of the Company s products that are derived from biotechnology-derived ingredients and identify sources of alternative food ingredients that are not biotechnology-derived.

The Company will continue to develop and revise plans as required to address business and safety issues as they arise. These issues are critical to the Company s business. However, the publication of the Company s business plans would serve only to compromise its efforts and businesses. The proposed report would require the Company (i) to make public confidential and proprietary business information regarding its products and business plans; and (ii) to make highly speculative scientific and environmental judgments about issues which the Company is not in a position to evaluate independently. Such a report would not advance consumer safety, but it would jeopardize the business interests of the Company and its shareholders as a result of the publication of confidential business plans and proprietary information.

The Company opposes this proposal on the basis that it would require significant cost and business risks without the prospect of advancing food safety. The Company emphasizes that it is committed to the use of only those products and ingredients that meet its high quality and safety standards and will continue to support the efforts of regulatory authorities to take whatever steps are necessary to assure that any new food technology is safe for consumers and the environment. The Company s shareholders and consumers can count on its compliance with all such regulations. Particularly in light of the scientific and regulatory attention being given to the use of genetically engineered ingredients, the Company believes that preparation and publication of the report requested in this proposal would not constitute an effective use of the Company s assets. The Company believes that shareholders will be better served if regulatory

22

authorities continue to monitor farmers and scientists to determine the safety of biotechnology-derived food ingredients for both human consumption and the environment while the Company keeps its focus on offering a variety of menu items that comply with applicable food safety regulations.

Accordingly, **the Board of Directors recommends that shareholders vote AGAINST this Shareholder Proposal.**

Vote Required

The affirmative vote of a majority of the common shares that are voted on this Shareholder Proposal is necessary to adopt this Shareholder Proposal. Abstentions and broker non-votes will not be counted in determining the number of common shares necessary for approval. Unless otherwise indicated, the persons named in the Proxy will vote all Proxies against the preceding Shareholder Proposal.

SHAREHOLDER PROPOSAL NO. 2

The People for the Ethical Treatment of Animals, 501 Front Street, Norfolk, Virginia 23510, owner of 120 common shares of the Company, have notified the Company that it intends to propose the following resolution at the Annual Meeting of Shareholders:

Shareholders Resolution

This resolution is submitted by People for the Ethical Treatment of Animals (PETA), which owns 120 shares of Wendy s stock.

In its online Animal Welfare Program Fact Sheet, our company states, [W]e believe it is our obligation to ensure that each of our suppliers exceeds government regulations by meeting Wendy s more exacting standards pertaining to the humane treatment of animals.[1] However, the facilities that supply our restaurants with animal products are still home to abuses that most decent people would deem unacceptable. Our company has taken some laudable first steps to address these issues, but there is much work to be done.

One area in which much improvement is needed is that of chicken slaughter. Currently, chickens raised for Wendy s are hung upside-down by their often-injured legs in painful metal shackles and run through an electrified stun bath that often gives them painful shocks without rendering them insensible to pain. Many are still fully conscious when their throats are slit or when they are dunked into tanks of scalding-hot water for feather removal. Clearly, there are major animal welfare concerns with this outdated process.

Other companies are starting to explore a new slaughter technology known as controlled-atmosphere killing (CAK), which eliminates most if not all of these concerns. When using CAK, chickens are placed into a controlled environment where the oxygen they are breathing is slowly replaced with an inert gas, such as argon or nitrogen, putting the birds to sleep quickly and painlessly. CAK is a USDA-approved method of slaughtering chickens and has been described by animal welfare experts as the most stress-free, humane method of killing poultry ever

developed. The technology also has positive worker and food safety implications, and it has been shown that the resulting savings would recoup the initial investment in a year and a half or less.

Wendy s Animal Welfare Program Fact Sheet also states, To remain an industry leader in the area of animal welfare, we actively work with our suppliers to research, evaluate and implement advances in the science of animal handling and care.[2] CAK is perhaps the single most important scientific advance in the field of chicken slaughter, and our company acknowledges its responsibility to fully explore advances that can improve animal welfare.

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[1] http://www.wendys.com/w-6-3-1.shtml

[2] http://www.wendys.com/w-6-3-1.shtml

23

Table of Contents

RESOLVED:

Shareholders request that the board of directors issue a report to shareholders by October 2005, prepared at reasonable cost and omitting proprietary information, on the feasibility of Wendy s requiring its chicken suppliers to phase in controlled-atmosphere killing within a reasonable timeframe, with a focus on the animal welfare and economic benefits that this technology could eventually bring to all our company s slaughter facilities.

Management s Response

The Board of Directors recommends a vote AGAINST this Shareholder Proposal.

As noted by the proponent in its proposal, the Company actively works with its suppliers to research, evaluate and implement advances in the science of animal handling and care. The Company has a long-standing policy with respect to the humane treatment of animals and of working with its suppliers to ensure humane animal handling and care. Wendy s animal welfare program fact sheet is available on its website under corporate initiatives at *www.wendys.com.* The Company is continually working with its suppliers to ensure that the newest slaughter procedures are thoroughly tested and scientifically evaluated and, if satisfactory to the Company and its suppliers, implemented by its suppliers. Certain of the Company s suppliers have already evaluated, and continue to evaluate, controlled atmosphere stunning. These evaluations considered a number of factors, including: animal welfare; scientific research and studies; production methods used commercially both in the U.S. and internationally; food safety and product quality; the safety of humans involved in the slaughter process; technical difficulties in operating equipment and procedures; environmental factors and expected costs. The Company s suppliers currently believe that the research is incomplete and inconclusive as to whether controlled atmosphere stunning is a better and more humane method of stunning than conventional stunning methods.

Moreover, the Company s suppliers believe that further research should be conducted to evaluate controlled atmosphere stunning and its effects on food safety and product quality issues. The Company s first priority has always been the safety and quality of its products. The Company is also committed to the humane treatment of animals. The Company does not own, raise, transport or process livestock. However, it contracts with suppliers who perform these functions and the Company believes it has the obligation to ensure that each of its suppliers exceeds government regulations by meeting the Company s more exacting standards pertaining to the humane treatment of animals. The Company believes that handling animals in a humane manner, and preventing neglect or abuse, is the right thing to do.

The Company s commitment, leadership and results with respect to animal welfare matters are well established, and recognized, within the industry. The Company works hard to be a good corporate citizen and is a strong advocate of good animal handling practices. Its policies are designed to help to achieve humane treatment of animals. It has been, and will continue to be, committed to upholding and abiding by its established policies and principles. In addition, the Company continually monitors its suppliers for compliance with the policies it establishes. As noted above, the Company and its suppliers have already reviewed and continue to evaluate controlled atmosphere stunning as a new slaughtering technique; however, based on the testing results and scientific data currently available, the Company and its suppliers consider it premature to implement the technique at this time. The Company believes that the proposed animal welfare report is unnecessary and would not result in any additional benefit to shareholders. The proposed report would be costly and time-intensive, and is duplicative of many existing policies, initiatives and efforts.

Accordingly, **the Board of Directors recommends that the shareholders vote AGAINST this Shareholder Proposal.**

Vote Required

The affirmative vote of a majority of the common shares that are voted on this Shareholder Proposal is necessary to adopt this Shareholder Proposal. Abstentions and broker non-votes will not be counted in determining the number of common shares necessary for approval. Unless otherwise indicated, the persons named in the Proxy will vote all Proxies against the preceding Shareholder Proposal.

Table of Contents

OTHER MATTERS

Shareholder Proposals Pursuant to Rule 14a-8

In order to be considered for inclusion in the Proxy Statement distributed to shareholders prior to the Annual Meeting of Shareholders in 2006, a shareholder proposal pursuant to Securities and Exchange Commission Rule 14a-8 must be received by the Company no later than December 1, 2005. Written requests for inclusion should be addressed to: Corporate Secretary, P. O. Box 256, Dublin, Ohio 43017-0256. It is suggested that you mail your proposal by certified mail, return receipt requested.

Shareholder Proposals other than Pursuant to Rule 14a-8

With respect to any shareholder proposal not submitted pursuant to Securities and Exchange Commission Rule 14a-8 in connection with the Annual Meeting of Shareholders in 2006, the proxy for such meeting will confer discretionary authority to vote on such proposal unless (i) the Company is notified of such proposal not later than February 14, 2006, and (ii) the proponent complies with the other requirements set forth in Securities and Exchange Commission Rule 14a-4.

Shareholder Communications to the Board of Directors

Shareholders may communicate with the Board of Directors or one or more Directors by sending a writing addressed to the Board or to any one or more Directors in care of Corporate Secretary, P. O. Box 237, Dublin, Ohio 43017-0237, in an envelope clearly marked shareholder communication . The Corporate Secretary s office will forward such correspondence unopened to either Mr. Pickett or Mr. Lauer, or to another independent Director as the Board of Directors may specify from time to time, unless the envelope specifies that it should be delivered to another Director.

Householding of Annual Meeting Materials

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as householding , potentially provides extra convenience for shareholders and cost savings for companies. The Company and some brokers household proxy materials, delivering a single proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker or us that they or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. You can notify us by sending a written request addressed to Investor Relations Department, P.O. Box 256, 4288 West Dublin-Granville Road, Dublin, Ohio 43017-0256, by calling Investor Relations at 614-764-3138 or by sending an e-mail to Investor Relations at *investor_relations@wendys.com*.

General Information

A COPY OF FORM 10-K AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WILL BE SENT TO ANY SHAREHOLDER WITHOUT CHARGE UPON WRITTEN REQUEST ADDRESSED TO INVESTOR RELATIONS DEPARTMENT, P. O. BOX 256, 4288 WEST DUBLIN-GRANVILLE ROAD, DUBLIN, OHIO 43017-0256.

Management knows of no other business which may be properly brought before the Annual Meeting of Shareholders. However, if any other matters shall properly come before such meeting, it is the intention of the persons named in the enclosed Proxy to vote such Proxy in accordance with their best judgment on such matters.

Table of Contents

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, YOU ARE URGED TO FILL IN, SIGN AND RETURN THE PROXY IN THE ENCLOSED STAMPED, SELF-ADDRESSED ENVELOPE, OR TO VOTE ELECTRONICALLY AS DESCRIBED ON PAGE 1 OF THIS PROXY STATEMENT.

By order of the Board of Directors.

/s/ Leon M. McCorkle, Jr.

LEON M. McCORKLE, JR.

Secretary

Table of Contents

2004 Financial Statements and Other Information

Management s Discussion and Analysis	AA-1
Management s Statement of Responsibility for Financial Statements and Report on Internal Control Over Financial Reporting	AA-24
Report of Independent Registered Public Accounting Firm	AA-24
Consolidated Statements of Income	AA-27
Consolidated Balance Sheets	AA-28
Consolidated Statements of Cash Flows	AA-29
Consolidated Statements of Shareholders Equity	AA-30
Consolidated Statements of Comprehensive Income	AA-31
Notes to the Consolidated Financial Statements	AA-32
Officers and Directors	AA-51
Market for Common Stock and Related Stockholder Matters	AA-52
Selected Financial Data	AA-52
Safe Harbor Statement	AA-53

Table of Contents

Wendy s International, Inc. and Subsidiaries

Management s Discussion and Analysis

Executive Overview

The core Wendy s and Tim Hortons (Hortons) brands for Wendy s International, Inc. and subsidiaries (the Company) delivered record annual revenues and earnings before interest and taxes in 2004, despite facing a challenging competitive environment. The year s results, however, were significantly impacted by a $190.0 million pretax ($186.6 million after tax) goodwill impairment charge for Baja Fresh and restaurant closure and impairment charges of $21.7 million pretax ($13.8 million after tax) related to underperforming Baja Fresh restaurants. As a result, the Company s net income declined from $236.0 million in 2003 to $52.0 million in 2004 and fully diluted earnings per share (EPS) declined from $2.05 in 2003 to $0.45 in 2004. The 2004 EPS impact of the Baja Fresh goodwill impairment charge was $1.61 and the Baja Fresh store closure and impairment charges were $0.12. For the last three years, the Company s reported EPS was $0.45 in 2004, $2.05 in 2003 and $1.89 in 2002. The 2004 sales and income improvements in the Company s two core brands over 2003 were led by increases in average same-store sales, strengthening of the Canadian dollar and continued growth in the number of restaurants operated by the Company and franchisees. Partially offsetting the overall improvements in the core brands were higher food costs due to rising commodity prices, especially beef.

One of the key indicators in the restaurant industry that management monitors to assess the health of the Company is average same-store sales. This metric provides information on total retail sales at restaurants operating during the relevant period and provides a useful comparison between periods, in addition to the opening of new stores. Average same-store sales changes, including company operated and franchised restaurants, for 2004 are shown in the table below on a comparable 52-week basis. Franchisee operations are not included in the Company s financial statements; however, franchisee sales result in royalties and some rental income which are included in franchise revenues. Wendy s U.S. company-operated same-store sales increased 2.9% for the year, the 17th consecutive annual increase; however, sales slowed during the second half. Hortons Canadian same-store sales increased 7.4% in local currency, the 13th consecutive annual increase, with steady increases throughout the year. The declining average same-store sales for Baja Fresh both in 2004 and 2003 (see below) was a significant consideration in the determination that the recorded value of Baja Fresh goodwill was impaired and in management s decision to close or impair the assets of a number of underperforming Baja Fresh restaurants in 2004.

	2004 Average Same-Store Sales Increase /(Decrease)				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
Wendy s U.S. Company	**9.1 %**	**5.9 %**	**2.0 %**	**(4.3)%**	**2.9 %**
Wendy s U.S. Franchise	**7.6 %**	**3.7 %**	**0.9 %**	**(4.0)%**	**1.8 %**
Hortons - Canada[1]	**6.6 %**	**7.8 %**	**8.4 %**	**6.6 %**	**7.4 %**
Hortons - U.S.[1]	**10.3 %**	**10.2 %**	**9.8 %**	**9.1 %**	**9.8 %**
Baja Fresh U.S.[1]	**(4.9)%**	**(6.2)%**	**(7.5)%**	**(6.1)%**	**(6.3)%**

(1) Amounts include both company operated and franchise restaurants.

For comparative purposes, average same-store sales changes, including company operated and franchised restaurants, for 2003 are shown in the table below. The Wendy s U.S. average same-store sales declines in the first half of 2003 had a significant impact on the Company s first half overall results as many restaurant costs are fixed or semi-fixed and the Wendy s U.S. operations represent a significant portion of the Company s results.

	2003 Average Same-Store Sales Increase / (Decrease)				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
Wendy s U.S. Company	(3.1)%	(2.3)%	0.5 %	8.6 %	0.9 %
Wendy s U.S. Franchise	(1.7)%	(2.0)%	0.9 %	7.6 %	1.1 %
Hortons - Canada[(1)]	3.9 %	4.0 %	5.5 %	5.7 %	4.8 %
Hortons - U.S.[(1)]	0.4 %	3.3 %	6.8 %	7.2 %	4.5 %
Baja Fresh U.S.[(1) (2)]	(1.8)%	(6.8)%	(4.1)%	(5.3)%	(4.6)%

(1) *Amounts include both company operated and franchise restaurants.*

(2) *The Company acquired Baja Fresh on June 19, 2002. First and second quarters for 2003 represent a comparison to periods prior to this acquisition date.*

AA-1

Table of Contents

Other financial and operating highlights include:

- Consolidated revenues, which do not include sales in franchise restaurants, increased 15.5% to an annual record $3.6 billion in 2004. The components of and changes in consolidated revenues are shown in the tables on page AA-4.

- Systemwide sales, which include sales at both company operated and franchise restaurants, increased 12.4% in 2004 and 10.9% in 2003.

- The Company continued its growth, opening 552 new restaurants in 2004 (127 company operated and 425 franchised), including 287 Wendy s, 224 Hortons, 40 Baja Fresh and one Cafe Express. New restaurant openings continued to be concentrated in the Wendy s North America and Hortons Canada markets.

- Positively impacting the Company s 2004 results were stronger Canadian dollar exchange rates throughout 2004 and the resulting favorable impact when translating the Canadian results for the Hortons and Wendy s Canadian operations. The stronger Canadian dollar positively impacted the Company s EPS by approximately $0.11 in 2004 compared to 2003 and $0.14 in 2003 compared to 2002.

- Positively impacting 2004 results was one additional operating week (the 53rd week) in the Company s 2004 fiscal year. The additional week occurs periodically because the Company s fiscal year ends on the Sunday nearest to December 31.

- Baja Fresh results were disappointing. In addition to closing underperforming restaurants, the Company made significant management changes at Baja Fresh to position the brand for future growth.

- In late 2004 and early 2005, a number of companies in the restaurant and retail industries announced corrections to their accounting for leases. In the fourth quarter of 2004, the Company corrected its accounting for leases to conform the lease term used to amortize improvements on leased properties with the term used to recognize rent for operating leases on a straight-line basis, including during rent holiday periods while constructing leasehold improvements. In the case of property that is leased or sub-leased by the Company to franchisees, the adjustment also includes recording of straight-line rent revenue. The lease adjustments reduced income for the year by $9.1 million pretax ($5.8 million after-tax) or $.05 per share (see Note 1 to the Consolidated Financial Statements). These adjustments are non-cash and do not affect the timing or amount of lease payments.

- In 2004 the Company repurchased 3.6 million common shares for $138.1 million. In 2003 the Company repurchased 2.1 million common shares for $57.0 million. Since 1998, the Company has repurchased a total of 40.4 million shares for $1.0 billion.

- The Company took steps to implement its integrated Financial Strategy, including doubling dividends paid, share repurchases, beginning to transition to a new equity-based compensation program for its employees that features restricted stock rather than stock options, new stock ownership guidelines for Company officers and a long-term goal for annual EPS growth. Information on these components of the integrated Financial Strategy is included in the Liquidity and Capital Resources and Management s Outlook sections of this report.

See also Management s Outlook section of this report for a discussion on the Company s strategic initiatives and future expectations.

Operating Income

Total operating income (equal to income, before income taxes and interest see chart on page AA-3) for the Company declined in 2004 primarily due to the $190.0 million Baja Fresh goodwill impairment charge and Baja Fresh restaurant closure and impairment charges of $21.7 million. Segment operating income (operating income attributable to the Company s reportable segments which excludes the Baja goodwill impairment charge see chart on page AA-3) increased 3.8% in 2004 and 10.0% in 2003. The improvements primarily relate to Wendy s and Hortons increases in average same-store sales, a stronger Canadian dollar and development of new restaurants. Overall, the Company s total segment operating income from its reportable segments as a percent of total revenues was 13.2%, 14.7% and 15.4% in 2004, 2003 and 2002, respectively.

In 2004, total segment operating income increased $17.6 million primarily driven by Hortons, which increased operating income 21.1% (9.5% excluding currency translation). Hortons increased Canadian average same-store sales 7.4%, continued to develop new restaurants and benefited from a stronger Canadian dollar. Wendy s increased operating income 3.1%, reflecting systemwide average same-store sales increases of 2.1% for U.S. restaurants and food cost pressure, particularly higher beef prices. Wendy s average same-store sales increases were not sufficient to leverage higher restaurant and food costs

Table of Contents

and, as a result, Wendy s operating income as a percent of sales declined from 12.1% in 2003 to 11.2% in 2004. The 2004 operating loss of $38.3 million attributable to the Developing Brands includes $21.7 million in Baja Fresh restaurant closure and impairment charges. Higher 2004 corporate costs include accruals for certain legal proceedings, expensing of restricted stock grants made for the first time in 2004 and higher costs incurred to implement the internal control requirements of the Sarbanes-Oxley Act of 2002.

In 2003, total operating income increased $37.1 million primarily driven by Hortons, which increased operating income 29.3% (15.6% excluding currency translation). Hortons Canadian average same-store sales increased 4.8%, continued to develop new restaurants and benefited from a stronger Canadian dollar. Wendy s operating income increased 0.6%, reflecting systemwide average same-store sales increases of 1.1% for domestic restaurants and cost pressure from beef prices. The Wendy s average same-store sales increases were not sufficient to leverage restaurant costs which tend to be fixed or semi-fixed. Although total operating income increased, as a percent of total revenues, operating income was 13.3% in 2003 versus 14.0% in 2002.

OPERATING INCOME

(In thousands)

	2004 Compared to 2003					
					2004 Change	
	2004	**% of Revenues**	2003	% of Revenues	Dollars	Percentage
Wendy s	**$ 272,362**	**11.2 %**	$ 264,050	12.1 %	$ 8,312	3.1 %
Hortons	**247,485**	**24.9 %**	204,431	25.3 %	43,054	21.1 %
Developing Brands*	**(38,347)**	**(18.6)%**	(4,554)	n/m	(33,793)	n/m
Segment Operating Income	**481,500**	**13.2 %**	463,927	14.7 %	17,573	3.8 %
Baja Fresh Goodwill Impairment	**(190,000)**		0		(190,000)	n/m
Corporate **	**(64,896)**		(45,485)		(19,411)	(42.7)%
Total Operating Income	**$ 226,604**	**6.2 %**	$ 418,442	13.3 %	$ (191,838)	(45.8)%

	2003 Compared to 2002					
					2003 Change	
	2003	% of Revenues	2002	% of Revenues	Dollars	Percentage
Wendy s	$ 264,050	12.1 %	$ 262,541	13.1 %	$ 1,509	0.6 %
Hortons	204,431	25.3 %	158,129	24.3 %	46,302	29.3 %
Developing Brands *	(4,554)	n/m	1,143	n/m	(5,697)	n/m
	463,927	14.7 %	421,813	15.4 %	42,114	10.0 %
Corporate **	(45,485)		(40,445)		(5,040)	(12.5)%
Total Operating Income	$ 418,442	13.3 %	$ 381,368	14.0 %	$ 37,074	9.7 %

* *Developing Brands includes Baja Fresh and Cafe Express. Baja Fresh was acquired by the Company on June 19, 2002. Information prior to that date is not included. Included in Developing Brands operating income in 2003 and 2002 are losses of $2.0 million and $1.2 million, respectively, related to the Company s equity investment in Cafe Express. The Company had previously included these results accounted for using the equity method in corporate charges.*

** *Corporate charges include certain overhead costs which are not allocated to individual business units.*

n/m The comparison is not meaningful.

Table of Contents

RESULTS OF OPERATIONS

Below is a summary of comparative results for the Company s reportable segments and a more detailed discussion of results from 2002 through 2004.

REVENUES

(In thousands)

	2004 Compared to 2003				2004 Change	
	2004	% of Total	2003	% of Total	Dollars	Percentage
Retail sales						
Wendy s	**$ 2,124,973**	**72.4%**	$ 1,899,299	75.0%	$ 225,674	11.9%
Hortons	**613,050**	**20.9%**	492,563	19.4%	120,487	24.5%
Developing Brands*	**197,876**	**6.7%**	142,273	5.6%	55,603	39.1%
	$ 2,935,899	**100.0%**	$ 2,534,135	100.0%	$ 401,764	15.9%
Franchise revenues						
Wendy s	**$ 308,128**	**44.0%**	$ 291,510	47.4%	$ 16,618	5.7%
Hortons	**382,588**	**54.7%**	314,081	51.1%	68,507	21.8%
Developing Brands*	**8,823**	**1.3%**	9,186	1.5%	(363)	(4.0)%
	$ 699,539	**100.0%**	$ 614,777	100.0%	$ 84,762	13.8%
Total revenues						
Wendy s	**$ 2,433,101**	**66.9%**	$ 2,190,809	69.6%	$ 242,292	11.1%
Hortons	**995,638**	**27.4%**	806,644	25.6%	188,994	23.4%
Developing Brands*	**206,699**	**5.7%**	151,459	4.8%	55,240	36.5%
	$ 3,635,438	**100.0%**	$ 3,148,912	100.0%	$ 486,526	15.5%

	2003 Compared to 2002				2003 Change	
	2003	% of Total	2002	% of Total	Dollars	Percentage
Retail sales						
Wendy s	$ 1,899,299	75.0%	$ 1,731,341	79.2%	$ 167,958	9.7%
Hortons	492,563	19.4%	391,779	17.9%	100,784	25.7%
Developing Brands*	142,273	5.6%	64,318	2.9%	77,955	n/m
	$ 2,534,135	100.0%	$ 2,187,438	100.0%	$ 346,697	15.8%
Franchise revenues						
Wendy s	$ 291,510	47.4%	$ 279,100	51.4%	$ 12,410	4.4%
Hortons	314,081	51.1%	259,280	47.8%	54,801	21.1%
Developing Brands*	9,186	1.5%	4,443	0.8%	4,743	n/m
	$ 614,777	100.0%	$ 542,823	100.0%	$ 71,954	13.3%
Total revenues						
Wendy s	$ 2,190,809	69.6%	$ 2,010,441	73.6%	$ 180,368	9.0%
Hortons	806,644	25.6%	651,059	23.9%	155,585	23.9%
Developing Brands*	151,459	4.8%	68,761	2.5%	82,698	n/m
	$ 3,148,912	100.0%	$ 2,730,261	100.0%	$ 418,651	15.3%

* *Developing Brands includes Baja Fresh and Cafe Express. Amounts for 2003 and 2002 do not include Cafe Express, which was accounted for using the equity method in 2003. Baja Fresh was acquired by the Company on June 19, 2002. Information prior to that date is not included.*

n/m The comparison is not meaningful.

AA-4

Table of Contents

WENDY S

Retail Sales

Total Wendy s retail sales include sales from company operated Wendy s restaurants in the U.S. (domestic), Canada, two restaurants located outside of North America and sales of sandwich buns from Wendy s bun baking facilities to Wendy s franchisees. Franchise sales are not included in reported retail sales. Of the total Wendy s retail sales shown in the above tables, domestic Wendy s retail sales were $1.9 billion, $1.7 billion and $1.6 billion in 2004, 2003 and 2002 respectively. This represents an increase of 11.4% in 2004 and 8.6% in 2003. Domestic retail sales increases were due to a combination of increases in average same-store sales, an increase in the number of restaurants and 2004 being a 53-week year compared with 2003 and 2002 being 52-week years.

The following table summarizes the changes in average same-store sales, average number of transactions, average check, selling prices and total restaurants open for domestic company operated Wendy s restaurants for the last three years on a comparable 52-week basis:

	2004	2003	2002
Average same-store sales increase	**2.9%**	0.9%	4.7%
Increase in average number of transactions	**0.3%**	0.4%	2.5%
Increase in average check	**2.6%**	0.4%	2.2%
Increase in selling prices	**0.8%**	0.5%	0.8%
Year-end company operated restaurants open	**1,328**	1,312	1,183

The following chart reflects average unit volumes per domestic Wendy s restaurant for the last three years. Total domestic Wendy s average unit volumes increased 1.9% and 1.1% in 2004 and 2003, respectively. Franchise sales are not included in retail sales recorded on the Company s financial statements. The 2004 amounts have been adjusted to a comparable 52-week basis.

Average Unit Volumes	**2004**	2003	2002
Company	**$ 1,416,000**	$ 1,389,000	$ 1,387,000
Franchise	**$ 1,291,000**	$ 1,268,000	$ 1,251,000
Total domestic	**$ 1,319,000**	$ 1,294,000	$ 1,280,000

Of Wendy s total retail sales, Canadian Wendy s retail sales were $184.2 million, $156.1 million and $121.8 million in 2004, 2003 and 2002, respectively. Canadian Wendy s retail sales increased $28.1 million, or 18.0% in 2004 and $34.3 million, or 28.1%, in 2003. Approximately $13 million, or 46%, of the increase in 2004 and approximately $17 million, or 49%, of the increase in 2003 was due to the strengthening of the Canadian dollar. Canadian Wendy s average same-store sales for company operated restaurants, in local currency, increased 3.1% in 2004 following a 4.2% increase in 2003. Also, the total number of Canadian company operated Wendy s restaurants continued to grow. As of the end of each year, Canadian company operated restaurants totaled 154, 148 and 133 for 2004, 2003 and 2002, respectively.

Franchise Revenues

Total Wendy s franchise revenues primarily consist of royalty income from franchisees, rental income from properties leased to franchisees and franchise fees. Franchise fees cover charges for various costs and expenses related to establishing a franchisee s business. Of the total reported Wendy s franchise revenues, domestic Wendy s represented approximately 91% in 2004 and 92% in both 2003 and 2002, and Canadian Wendy s represented 6%, 5% and 3% in 2004, 2003 and 2002, respectively. Total Wendy s franchise restaurants open at year-end were 5,184, 5,016 and 4,933 for 2004, 2003 and 2002, respectively.

The increases in Wendy s franchise revenues in 2004 and 2003 are primarily due to higher royalties. Royalties increased $16.0 million, or 6.6%, to $257.0 million in 2004, and $9.9 million, or 4.3%, to $241.0 million in 2003. The increases were primarily the result of more domestic Wendy s franchise restaurants open in 2004 compared to 2003, more domestic Wendy s franchise restaurants open in 2003 compared to 2002, and average same-store sales increases at domestic franchise restaurants of 1.8% and 1.1% in 2004 and 2003, respectively.

Canadian Wendy s royalties also increased primarily due to a stronger Canadian dollar in both 2004 and 2003. Average same-store sales realized by Canadian franchisees increased, in local currency, 3.0% and 2.9% in 2004 and 2003, respectively. At year-end, total Canadian franchise Wendy s restaurants open were 230, 219 and 221 for 2004, 2003 and 2002, respectively.

Rental income from restaurants leased by the Company to franchisees of $42.7 million in 2004 increased $0.9 million compared to $41.8 million in 2003 primarily due to the 53rd week in 2004 and an increase in percentage rents (charged as a percentage of sales), partially offset by a decline in the number of restaurants leased to franchisees.

Total restaurants leased to franchisees were 434, 483 and 502 at year-end 2004, 2003 and 2002, respectively. Franchise fees were $4.3 million in 2004, $4.6 million in 2003 and $4.7 million in 2002.

HORTONS

Most of Hortons operations are in Canada. The strengthening of the Canadian dollar in 2004 and 2003 increased amounts reported in U.S. dollars from Hortons on average by approximately 8% in 2004 and 11% in 2003.

Retail Sales

Hortons retail sales primarily include sales of dry goods and supplies from Hortons Canadian distribution warehouses to franchisees as well as sales from company operated Hortons restaurants. Of the total 2,721 Hortons restaurants open at the end of 2004, only 98 were company operated. Beginning in 2004, Hortons retail sales also include the impact of consolidating approximately 80 Hortons franchisees in accordance with Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46R. Although the impact of FIN 46R resulted in the increase or elimination of certain amounts on the Company s financial statements, there was no net operating income impact. Retail sales in 2004 include a 53rd week compared to 52 weeks in 2003 and 2002.

In reviewing the comparative revenue summaries in the table on page AA-4, the strengthening of the Canadian dollar accounted for approximately $38 million of the Hortons $120.5 million retail sales increase in 2004 and approximately $51 million of the Hortons $100.8 million retail sales increase in 2003. The consolidation of approximately 80 franchisees in accordance with FIN 46R also increased Hortons retail sales $46.3 million in 2004.

The remaining increase in retail sales reflected Canadian distribution warehouse sales, which increased $29.1 million, or 6.5%, in 2004 from $451.5 million and increased $60.2 million, or 17.6%, in 2003. These increases reflected higher numbers of Hortons Canadian franchised restaurants serviced and positive average same-store sales growth, in local currency, of 7.4% in 2004 and 4.8% in 2003.

Retail sales from U.S. company operated units increased $8.9 million, or 49.1%, in 2004 due to acquiring 42 restaurants formerly operating under the Bess Easton name. Retail sales decreased $12.1 million, or 24.8%, in 2003 reflecting the Company s franchising of company operated units in the U.S.

Franchise Revenues

Included in Hortons franchise revenues are royalty income from franchisees, rental income from properties leased to franchisees and franchise fees. Franchise fees cover charges for various costs and expenses related to establishing a franchisee s business, and include initial equipment packages for the Hortons franchises. Beginning in 2004, Hortons franchise revenues also includes the impact of consolidating approximately 80

Hortons franchisees in accordance with FIN 46R. Franchise revenue in 2004 includes a 53rd week compared to 52 weeks in 2003 and 2002.

The strengthening of the Canadian dollar accounted for approximately $26 million of the Hortons $68.5 million franchise revenue increase in 2004 and approximately $31 million of the $54.8 million franchise revenue increase in 2003. The consolidation of approximately 80 franchisees in accordance with FIN 46R means the Company no longer recognizes royalty and rental income from the franchisees and resulted in a decrease of $10.5 million in Hortons 2004 franchise revenues. The discussion in the following three paragraphs excludes the impact of the stronger Canadian dollar and FIN 46R.

Canadian rental income from restaurants leased to franchisees increased $28.9 million, or 15.7%, in 2004 compared with $21.4 million, or 14.9%, in 2003 reflecting an additional number of restaurants leased to Canadian franchisees and positive average same-store sales growth (rent is generally charged as a percent of sales). At the end of 2004, total Hortons restaurants leased to franchisees were 2,102 versus 1,977 in 2003 and 1,799 in 2002.

Hortons royalties increased $10.1 million, or 15.2%, in 2004 and $7.7 million, or 14.7%, in 2003. This primarily reflected the increase in the number of Canadian franchise restaurants open and the positive average same-store sales growth in Canada, in local currency, of 7.4% and 4.8% in 2004 and 2003, respectively. At the end of 2004, total Hortons restaurants franchised were 2,623 versus 2,470 in 2003 and 2,277 in 2002.

Total Hortons franchise fees increased $2.3 million, or 4.8%, reflecting higher fees from franchises sold in 2004. In 2003, total Hortons franchise fees decreased $2.7 million, or 5.8%, reflecting a decrease in the number of standard-size businesses sold to franchisees.

DEVELOPING BRANDS

Developing Brands includes Baja Fresh and Cafe Express. The full results of Cafe Express operations have been included in the Company s Consolidated Financial Statements since February 2004 when a controlling interest in Cafe Express was acquired by the Company. Previously, the Company accounted for its investment in Cafe Express using the equity method. The results of Baja Fresh s operations have been included in the Company s Consolidated Financial Statements since June 19, 2002, the date Baja Fresh was acquired by the Company.

Retail Sales

Developing Brands retail sales include sales from company operated Baja Fresh and Cafe Express restaurants. The increase in retail sales in 2004 is due to the consolidation of Cafe Express beginning in the first quarter of 2004 and an increase in the number of Baja Fresh company operated restaurants. The increase in 2003 retail sales over 2002 is substantially due to the timing of the Company s acquisition of Baja Fresh in mid-2002. The 2004 and 2003 increases were partially offset by decreases in Baja Fresh average same-store sales of 7.3% and 3.3%, respectively, for company operated units. At year-end 2004 and 2003, total Baja Fresh company operated restaurants open were 144 and 132, respectively, and at year-end 2004 there were 19 Cafe Express stores.

Franchise Revenues

Baja Fresh comprises all of the Developing Brands franchise revenues as Cafe Express does not have franchised restaurants. Baja Fresh franchise revenues consist of royalty income from franchisees and franchise fees. The decrease in Baja Fresh franchise revenues in 2004 is due to lower franchise fees due to a decrease in the number of franchises sold to franchisees. The increase in Baja Fresh 2003 franchise revenues over 2002 is substantially due to the timing of the Company s acquisition in mid-2002. Additionally, 2003 franchise revenues increased due to an increase in the number of Baja Fresh franchise restaurants, partially offset by a 2003 average same-store sales decrease in franchise operated units of 5.9%. At year-end 2004 and 2003, total Baja Fresh franchise restaurants open were 151.

Table of Contents

COST OF SALES, COMPANY RESTAURANT OPERATING COSTS AND OPERATING COSTS

The following table is a comparative summary of cost of sales, company restaurant operating costs and operating costs from 2002 through 2004, followed by a discussion of those results.

(In thousands)	2004 Compared to 2003					
					2004 Change	
	2004	**% of Total**	2003	% of Total	Dollars	Percentage
Cost of sales						
Wendy s	**$ 1,320,118**	**68.7%**	$ 1,156,141	70.7%	$ 163,977	14.2%
Hortons	**473,408**	**24.7%**	387,731	23.7%	85,677	22.1%
Developing Brands*	**126,776**	**6.6%**	90,690	5.6%	36,086	39.8%
	$ 1,920,302	**100.0%**	$ 1,634,562	100.0%	$ 285,740	17.5%
Company restaurant operating costs						
Wendy s	**$ 556,615**	**85.7%**	$ 479,156	89.7%	$ 77,459	16.2%
Hortons	**25,889**	**4.0%**	11,974	2.2%	13,915	116.2%
Developing Brands*	**66,777**	**10.3%**	42,953	8.1%	23,824	55.5%
	$ 649,281	**100.0%**	$ 534,083	100.0%	$ 115,198	21.6%
Operating costs						
Wendy s	**$ 21,060**	**12.5%**	$ 18,245	13.5%	$ 2,815	15.4%
Hortons	**147,432**	**87.5%**	117,087	86.5%	30,345	25.9%
Developing Brands*	**0**	**0.0%**	0	0.0%	0	0.0%
	$ 168,492	**100.0%**	$ 135,332	100.0%	$ 33,160	24.5%

	2003 Compared to 2002					
					2003 Change	
	2003	% of Total	2002	% of Total	Dollars	Percentage
Cost of sales						
Wendy s	$ 1,156,141	70.7%	$ 1,036,331	74.9%	$ 119,810	11.6%
Hortons	387,731	23.7%	305,323	22.1%	82,408	27.0%
Developing Brands*	90,690	5.6%	42,011	3.0%	48,679	n/m
	$ 1,634,562	100.0%	$ 1,383,665	100.0%	$ 250,897	18.1%
Company restaurant operating costs						
Wendy s	$ 479,156	89.7%	$ 428,067	93.2%	$ 51,089	