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

FORM 8-K

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

Date of Report (Date of earliest event reported): August 8, 2013

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

Canada
(State or other jurisdiction
of incorporation)

001-32843
(Commission
File Number)

98-0641955
(IRS Employer
Identification No.)

874 Sinclair Road, Oakville, ON, Canada
(Address of principal executive offices)

L6K 2Y1
(Zip Code)

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On August 8, 2013, Tim Hortons Inc. (the “Corporation”) issued a press release containing financial information regarding its second quarter 2013 financial results and certain other information. The press release is attached hereto as Exhibit 99.1.

Item 7.01 Regulation FD Disclosure.

The Corporation will host a quarterly conference call to discuss its second quarter 2013 results on Thursday, August 8, 2013 at 2:30 p.m. (Eastern Daylight Time). Investors and the public may listen to the conference call in the manner described in the Corporation’s press release attached hereto as Exhibit 99.1.

Item 8.01 Other Events.

Dividends. On August 8, 2013, the Corporation also announced that its Board of Directors has declared a Cdn.\$0.26 per common share quarterly dividend. The dividend is payable on September 4, 2013 to shareholders of record at the close of business on August 19, 2013. The declaration of any future dividends is subject to the Board’s discretion. The full text of the Corporation’s press release issued today regarding this dividend is attached hereto as Exhibit 99.2.

Share Repurchase Program. On August 8, 2013, the Corporation announced that it had obtained regulatory approval from the Toronto Stock Exchange (the “TSX”) to amend its Normal Course Issuer Bid (“NCIB”) to remove the former maximum dollar cap of \$250 million. As a result, under the amended NCIB, subject to the execution of an amended broker agreement, the Corporation will be entitled to purchase up to the regulatory maximum of 15,239,531 shares, representing 10% of the Corporation’s “public float” as of February 14, 2013 (as defined under TSX rules).

Subject to the negotiation and execution of an amended broker agreement, the Corporation’s common shares will be purchased under the program through a combination of a 10b5-1 automatic trading plan, and at management’s discretion in compliance with regulatory requirements, and given prevailing market, cost, and other considerations.

Repurchases will be made through the facilities of the TSX (and/or other Canadian marketplaces), the New York Stock Exchange (“NYSE”), or by such other means as may be permitted by the TSX and/or NYSE, and under applicable laws, including private agreements permitted under issuer bid exemption orders issued by a securities regulatory authority in Canada. Purchases made by way of private agreements under an issuer bid exemption order by a securities regulatory authority will be at a discount to the prevailing market price as provided in the exemption order.

There can be no assurance as to the precise number of shares that will be repurchased under the share repurchase program, or the aggregate dollar amount of the shares purchased. The Corporation may discontinue purchases at any time, subject to compliance with applicable regulatory requirements. Shares purchased pursuant to the share repurchase program will be cancelled.

Further information regarding the amended NCIB is set forth in the press release attached hereto as Exhibit 99.3.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 99.1 Press release dated August 8, 2013 issued by the Corporation regarding the release of quarterly financial results and other information.

Exhibit 99.2 Press release dated August 8, 2013 issued by the Corporation announcing the declaration of Cdn.\$0.26 per common share quarterly dividend.

Exhibit 99.3 Press release dated August 8, 2013 issued by the Corporation announcing amendments to the 2013 share repurchase program.

Exhibit 99.4 Safe Harbor Statement.

SIGNATURE

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

TIM HORTONS INC.

Date: August 8, 2013

By: /s/ JILL E. AEBKER
Jill E. Aebker
Executive Vice President, General Counsel and Secretary

FOR IMMEDIATE RELEASE

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



Tim Hortons Inc. announces 2013 second quarter results:

Same-store sales return to positive growth; solid earnings performance

**Updated capital structure announced to include
planned recapitalization and expanded share repurchase program**

Financial & Sales Highlights

<u>Performance</u>	<u>Q2 2013</u>	<u>Q2 2012</u>	<u>Year-over- Year Change</u>	<u>YTD 2013</u>
Total revenues	\$800.1	\$785.6	1.9%	\$1,531.7
Operating income	\$176.6	\$158.8	11.2%	\$ 304.5
Adjusted operating income ⁽¹⁾	\$177.2	\$160.1	10.7%	\$ 314.6
Effective tax rate	26.1%	27.6%		26.7%
Net income attributable to THI	\$123.7	\$108.1	14.5%	\$ 209.9
Diluted earnings per share attributable to THI ("EPS")	\$ 0.81	\$ 0.69	17.0%	\$ 1.37
Fully diluted shares	152.6	156.0	(2.2)%	153.1

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

⁽¹⁾ Adjusted operating income is a non-GAAP measure, and excludes corporate reorganization expenses of \$0.6 million in Q2 2013 (\$10.1 million YTD 2013) and \$1.3 million in Q2 2012 (\$1.3 million YTD 2012). Please refer to "Information on non-GAAP Measure" and the reconciliation information in footnote (3) of this release for details of reconciling items.

<u>Same-Store Sales ⁽²⁾</u>	<u>Q2 2013</u>	<u>Q2 2012</u>	<u>YTD 2013</u>
Canada	1.5%	1.8%	0.6%
U.S.	1.4%	4.9%	0.5%

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

Highlights

- EPS growth of 17.0% in the quarter, Adjusted operating income up 10.7%⁽³⁾
- Company returns to positive same-store sales growth in both Canada and the U.S.
- Maintaining 2013 EPS targets, but expecting full-year same-store sales growth in Canada and the U.S. to be below targeted ranges based on year-to-date performance
- Company plans to maximize strong financial position through a \$900 million recapitalization and expanded share repurchase program, while maintaining investment grade credit rating
- Company committed to driving U.S. market success; focused on initiatives to improve returns including working with well-capitalized franchises
- Sherri Brillon and Thomas V. Milroy appointed to Board of Directors, bringing additional financial and strategic expertise to the Board

OAKVILLE, ONTARIO, (August 8th, 2013): Tim Hortons Inc. (TSX: THI, NYSE: THI) today announced results for the second quarter ended June 30th, 2013.

“We delivered solid profitability in the quarter and progression in same-store sales. Although the operating environment remains challenging, we are focused on building our market leadership to drive top line growth,” said Marc Caira, president and CEO.

“Following a comprehensive review, we plan to take advantage of our considerable financial strength and the historic low interest rate environment by adding \$900 million in incremental leverage to repurchase shares. Adding leverage to repurchase shares while maintaining our investment grade rating is consistent with our ongoing focus on shareholder value creation, while preserving our strategic flexibility to invest in the business for the long-term benefit of all shareholders,” added Caira.

Consolidated Results

All percentage increases and decreases represent year-over-year changes for the second quarter of 2013 compared to the second quarter of 2012, unless otherwise noted.

Systemwide sales⁽⁴⁾ increased 5.0% on a constant currency basis. This growth resulted from new restaurant development in Canada and the U.S., with net growth of 233 restaurants systemwide in the past year, and from same-store sales growth of 1.5% in Canada and 1.4% in the U.S.

Our total revenues increased 1.9% to \$800.1 million, compared to \$785.6 million last year. The revenue growth rate was below that of systemwide sales due to a decline in distribution sales, the largest component of revenues. Distribution sales decreased due to lower prices for coffee and other commodities, which were also reflected in lower cost of sales. The decrease in distribution sales was partially offset by the growth in systemwide sales.

Variable interest entities (“VIEs”) sales increased 9.4%. While the number of non-owned restaurants consolidated for accounting purposes has decreased since the start of fiscal 2013, it remains higher than it was a year ago, driven primarily by the addition of U.S. restaurants.

Rents and royalties grew by 5.2% in the second quarter, consistent with the growth in systemwide sales. Franchise fees decreased by 2.4%, due to a lower number and the type of restaurant sales, partially offset by a higher number of renovations during the quarter.

Total costs and expenses declined 0.5% in the second quarter, driven by lower cost of sales and general and administrative (G&A) expense, partly offset by higher operating expenses.

Cost of sales decreased by 0.8% due to the reduced commodity prices and operational improvements in our distribution centres, partially offset by increased VIE cost of sales. Operating expenses increased by 6.5%, due largely to increased depreciation and rent expenses associated with the new properties added to the system, as well as the depreciation impact of the digital menu board program. Franchise fee costs fell by 5.9% due to a lower number and the type of restaurant sales, partially offset by increased renovation activity.

G&A expenses decreased by 5.5% due to lower salaries and benefits, driven by vacancies, some of which are expected to be filled during fiscal 2013, and lower stock-based compensation expense.

We incurred \$0.6 million of corporate reorganization expenses in the second quarter relating to the CEO transition, compared to \$1.3 million of professional fees a year earlier.

Operating income of \$176.6 million was up 11.2% from \$158.8 million in the second quarter of 2012. The growth was driven by increased systemwide sales, combined with reduced expenses, particularly G&A. Adjusted operating income⁽³⁾, which excludes the impact of the corporate reorganization expenses, increased 10.7% to \$177.2 million. (Please refer to “Information on non-GAAP Measure” below for a reconciliation of adjusted operating income to operating income, the most directly comparable GAAP measure).

Net income attributable to Tim Hortons Inc. was \$123.7 million, an increase of 14.5% from \$108.1 million a year earlier. The improvement resulted from higher operating income, as well as a lower effective tax rate due to discrete items that occurred during the quarter.

EPS of \$0.81 grew by \$0.12 or 17.0% due to the increase in net income attributable to THI, as well as the positive, cumulative impact of our share repurchase programs. On average we had 2.2% fewer fully-diluted common shares outstanding in the second quarter compared to the same period last year. We have maintained our previously established fiscal 2013 EPS target range of \$2.87 to \$2.97 per share.

Segmented Performance Commentary

The operating environment continued to be challenging in the second quarter. We believe ongoing macro-economic uncertainty and low growth has been impacting consumer confidence and discretionary spending in both Canada and the U.S, leading to an overall intensified competitive environment, and ultimately, a negative impact on the performance of several restaurant chains and consumer companies.

Despite these challenges, we returned to positive same-store sales growth in the second quarter of 2013 after experiencing declines in the first quarter. Although we anticipate further positive growth in the second half of the year, given our year-to-date performance, we expect full-year same-store sales growth to be below our previously established targeted ranges of 2% to 4% in Canada and 3% to 5% in the U.S.

We have reclassified the segment data for the second quarter of 2012 to conform to the current period's presentation, which has been revised consistent with changes to our reportable segments announced last quarter.

Canada

Same-store sales in our Canadian segment grew by 1.5%. The increase was driven by gains in average cheque resulting from pricing, and to a lesser extent, favourable product mix, partially offset by a decrease in transactions. Systemwide transactions grew as we added more restaurants to our system.

Operating income in the Canadian segment was \$174.8 million, an increase of \$9.4 million or 5.7%. Systemwide sales growth of 4.4% in Canada resulted in higher rents and royalties income and a higher allocation of supply chain income. Segment operating income also benefited from increased franchise fee income and lower G&A expenses. We opened 21 restaurants in Canada during the quarter.

United States

U.S. same-store sales increased by 1.4% in the quarter, driven primarily by an increase in transactions. Operating income was \$2.6 million in the U.S. segment, a decrease of \$1.5 million from the second quarter of 2012. Systemwide sales growth of 8.6% led to increased rents and royalties revenues, which were more than offset by an increase in relief primarily related to restaurants opened in fiscal 2012, as well as higher operating expenses resulting from an increase in the number of properties owned or leased. In the second quarter of 2012, operating income benefitted from a \$0.7 million reversal of previously accrued closure costs related to our New England markets. We opened 5 standard and non-standard restaurants in the U.S. during the quarter.

We believe the U.S. market has the potential to significantly contribute to the Company's long-term earnings growth, and we are committed to driving market success. Our sales progression in many U.S. markets mirrors that of many of our Canadian markets in their early development stages. However, overall sales volumes in our newer U.S. markets do not yet match our larger, more developed markets in the U.S., and, as a result, do not generate a strong return. We are seeking meaningful improvement in the returns on the capital we have deployed in the U.S. segment, and we have accordingly begun to accelerate our initiative to partner with well-capitalized franchisees in the U.S. as part of our development approach. While development capital in 2013 is mostly committed, starting in 2014, we expect to reduce capital being deployed in the U.S. segment as we look to new ways to profitably develop the U.S. market.

Corporate services

The Corporate services segment incurred an operating loss of \$1.4 million, compared to a loss of \$11.1 million in the second quarter of 2012. The improvement was driven by distribution services income resulting from operational improvements in our distribution centres, and favourable product margin variability which will partially reverse in the second half of 2013. Also contributing to the reduced operating loss were lower G&A expenses and lower manufacturing costs.

Our International operations also contributed positively, due in part to our expansion into Saudi Arabia. We opened 2 restaurants in the Gulf Cooperation Council (GCC) during the quarter.

Significant Developments & Initiatives

Board approves expanded share repurchase program, to be funded by new debt

We are acting to take advantage of the Company's considerable balance sheet strength and cash flows, with Board approval of \$900 million in additional debt, expected to be in the form of bank debt and/or newly issued bonds, which the Company plans to use to repurchase shares subject to market conditions, the negotiation and execution of agreements, and regulatory approvals.

We are targeting \$1 billion in share repurchases over the next 12 months, including the remaining authorization in the existing program, and the deployment of the \$900 million in planned debt proceeds. We expect our credit metrics to remain investment grade following the recapitalization, thereby preserving our strong balance sheet, cash flows, and access to capital as we pursue our strategic planning work.

Consistent with these plans, the Company has obtained regulatory approval from the Toronto Stock Exchange ("TSX") to amend its Normal Course Issuer Bid (NCIB) to remove the former maximum dollar cap of \$250 million. As a result, under our amended NCIB, we will be entitled to purchase up to 10% of our "public float" as at February 14, 2013 (being 15,239,531 common shares), subject to the negotiation and execution of an amended broker agreement. We plan to retain flexibility and evaluate alternative means of purchasing shares, including, for example, implementing a new normal course or substantial issuer bid, subject to market conditions, the negotiation and execution of agreements, and regulatory approvals, for the remainder of the targeted \$1 billion in share repurchases in the most effective, efficient means possible.

Sherri Brillon and Thomas V. Milroy appointed to Board of Directors

Sherri Brillon and Thomas V. Milroy have been appointed to the Tim Hortons Board of Directors, effective August 8th, 2013. Both new directors bring considerable financial expertise and leadership experience to the Board. Ms. Brillon is Executive Vice-President and Chief Financial Officer of Encana Corporation, a leading North American energy producer. Mr. Milroy is Chief Executive Officer of BMO Capital Markets, and is responsible for all of BMO Financial Group's businesses involving corporate, institutional and government clients in North America and globally.

Board declares dividend payment of \$0.26 per common share

The Board of Directors has declared a quarterly dividend of \$0.26 per common share, payable on September 4th, 2013 to shareholders of record as of August 19th, 2013. Dividends are declared and paid in Canadian dollars to all shareholders with Canadian resident addresses. For U.S. resident shareholders, dividends paid will be converted to U.S. dollars based on prevailing exchange rates at the time of conversion by Tim Hortons for registered shareholders and by Clearing and Depository Services Inc. for beneficial shareholders.

Tim Hortons conference call today at 2:30 p.m. (EDT) Thursday, August 8th, 2013

Tim Hortons will host a conference call today to discuss second quarter results, scheduled to begin at 2:30 p.m. (EDT). The dial-in number is (416) 641-6712 or (800) 773-0497. No access code is required. A simultaneous web cast of the call, including presentation material, will be available at www.timhortons-invest.com. A replay of the call will be available until August 15th, 2013 and can be accessed at (416) 626-4100 or (800) 558-5253. The call replay reservation number is 21668941. The call and presentation material will also be archived for a period of one year in the Events and Presentations section.

Safe Harbor Statement

Certain information in this news release, particularly information regarding future economic performance, finances, and plans, expectations and objectives of management, and other information, constitutes forward-looking information within the meaning of Canadian securities laws and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We refer to all of these as forward-looking statements. Various factors including competition in the quick service segment of the food service industry, general economic conditions and others described as “risk factors” in the Company’s 2012 Annual Report on Form 10-K filed February 21st, 2013, and our Quarterly Report on Form 10-Q to be filed on August 8th, 2013 with the U.S. Securities and Exchange Commission and Canadian Securities Administrators, could affect the Company’s actual results and cause such results to differ materially from those expressed in forward-looking statements. As such, readers are cautioned not to place undue reliance on forward-looking statements contained in this news release, which speak only as to management’s expectations as of the date hereof.

Forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: the absence of an adverse event or condition that damages our strong brand position and reputation; the absence of a material increase in competition or in volume or type of competitive activity within the quick service restaurant segment of the food service industry; ability to obtain financing on favourable terms; ability to maintain investment grade credit ratings; prospects and execution risks concerning the U.S. market strategy; general worldwide economic conditions; cost and availability of commodities; the ability to retain our senior management team or the inability to attract and retain new qualified personnel; continuing positive working relationships with the majority of the Company’s restaurant owners; the absence of any material adverse effects arising as a result of litigation; and there being no significant change in the Company’s ability to comply with current or future regulatory requirements.

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

(3) Information on non-GAAP Measure

Adjusted operating income is a non-GAAP measure. See below reconciliations for adjusting items to calculate adjusted operating income. Management uses adjusted operating income to assist in the evaluation of year-over-year performance, and believes that it will be helpful to investors as a measure of underlying operational growth rates. This non-GAAP measure is not intended to replace the presentation of our financial results in accordance with GAAP. The Company's use of the term adjusted operating income may differ from similar measures reported by other companies. The reconciliation of operating income, a GAAP measure, to adjusted operating income, a non-GAAP measure, is set forth in the table below:

Reconciliation of Adjusted Operating Income

	<u>Q2 2013</u>	<u>Q2 2012</u>	<u>YTD 2013</u>	<u>YTD 2012</u>
	(in millions)	(in millions)	(in millions)	(in millions)
Operating income	\$176.6	\$158.8	\$304.5	\$290.5
Add: Corporate reorganization expenses	0.6	1.3	10.1	1.3
Adjusted operating income	\$177.2	\$160.1	\$314.6	\$291.7

All numbers rounded

(4) Total systemwide sales growth includes restaurant level sales at both Company and Franchised restaurants. Approximately 99.5% of our systemwide restaurants were franchised as at June 30th, 2013. Systemwide sales growth is determined using a constant exchange rate where noted, to exclude the effects of foreign currency translation. U.S. dollar sales are converted to Canadian dollar amounts using the average exchange rate of the base year for the period covered. For the second quarter of 2013, systemwide sales on a constant currency basis increased 5.0% compared to the second quarter of 2012. Systemwide sales are important to understanding our business performance as they impact our franchise royalties and rental income, as well as our distribution income. Changes in systemwide sales are driven by changes in average same-store sales and changes in the number of systemwide restaurants, and are ultimately driven by consumer demand.

We believe systemwide sales and same-store sales growth provide meaningful information to investors regarding the size of our system, the overall health and financial performance of the system, and the strength of our brand and restaurant owner base, which ultimately impacts our consolidated and segmented financial performance. Franchised restaurant sales are not generally included in our Condensed Consolidated Financial Statements (except for certain non-owned restaurants consolidated in accordance with applicable accounting rules). The amount of systemwide sales impacts our rental and royalties revenues, as well as distribution revenues.

Tim Hortons Inc. Overview

Tim Hortons is one of the largest publicly-traded restaurant chains in North America based on market capitalization, and the largest in Canada. Operating in the quick service segment of the restaurant industry, Tim Hortons appeals to a broad range of consumer tastes, with a menu that includes premium coffee, espresso-based hot and cold specialty drinks (including lattes, cappuccinos and espresso shots), specialty teas and fruit smoothies, fresh baked goods, grilled Panini and classic sandwiches, wraps, soups, prepared foods and other food products. As of June 30th, 2013, Tim Hortons had 4,304 systemwide restaurants, including 3,468 in Canada, 807 in the United States and 29 in the Gulf Cooperation Council. More information about the Company is available at www.timhortons.com.

For Further information:

Scott Bonikowsky, (905) 339-6186 or bonikowsky_scott@timhortons.com

TIM HORTONS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands of Canadian dollars, except share and per share data)
(Unaudited)

	Second quarter ended		\$ Change	% Change
	June 30, 2013	July 1, 2012		
REVENUES				
Sales	\$ 568,562	\$563,772	\$ 4,790	0.8%
Franchise revenues				
Rents and royalties	209,289	198,973	10,316	5.2%
Franchise fees	22,288	22,836	(548)	(2.4%)
	<u>231,577</u>	<u>221,809</u>	<u>9,768</u>	<u>4.4%</u>
TOTAL REVENUES	<u>800,139</u>	<u>785,581</u>	<u>14,558</u>	<u>1.9%</u>
COSTS AND EXPENSES				
Cost of sales	489,092	492,900	(3,808)	(0.8%)
Operating expenses	76,986	72,314	4,672	6.5%
Franchise fee costs	23,326	24,794	(1,468)	(5.9%)
General and administrative expenses	38,038	40,272	(2,234)	(5.5%)
Equity income	(3,916)	(3,859)	(57)	1.5%
Corporate reorganization expenses	604	1,277	(673)	(52.7%)
Other (income) expense, net	(570)	(956)	386	(40.4%)
TOTAL COSTS AND EXPENSES, NET	<u>623,560</u>	<u>626,742</u>	<u>(3,182)</u>	<u>(0.5%)</u>
OPERATING INCOME	176,579	158,839	17,740	11.2%
Interest expense	(8,922)	(8,650)	(272)	3.1%
Interest income	791	723	68	9.4%
INCOME BEFORE INCOME TAXES	168,448	150,912	17,536	11.6%
Income taxes	43,886	41,675	2,211	5.3%
Net income	124,562	109,237	15,325	14.0%
Net income attributable to noncontrolling interests	826	1,170	(344)	(29.4%)
NET INCOME ATTRIBUTABLE TO TIM HORTONS INC.	<u>\$ 123,736</u>	<u>\$108,067</u>	<u>\$15,669</u>	<u>14.5%</u>
Basic earnings per common share attributable to Tim Hortons Inc.	<u>\$ 0.81</u>	<u>\$ 0.70</u>	<u>\$ 0.11</u>	<u>17.0%</u>
Diluted earnings per common share attributable to Tim Hortons Inc.	<u>\$ 0.81</u>	<u>\$ 0.69</u>	<u>\$ 0.12</u>	<u>17.0%</u>
Weighted average number of common shares outstanding (in thousands) -				
Basic	<u>152,083</u>	<u>155,351</u>	<u>(3,268)</u>	<u>(2.1%)</u>
Weighted average number of common shares outstanding (in thousands) -				
Diluted	<u>152,637</u>	<u>155,995</u>	<u>(3,358)</u>	<u>(2.2%)</u>
Dividends per common share	<u>\$ 0.26</u>	<u>\$ 0.21</u>	<u>\$ 0.05</u>	

(all numbers rounded)

TIM HORTONS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands of Canadian dollars, except share and per share data)
(Unaudited)

	Year-to-date period ended		\$ Change	% Change
	June 30, 2013	July 1, 2012		
REVENUES				
Sales	\$1,092,449	\$1,087,074	\$ 5,375	0.5%
Franchise revenues				
Rents and royalties	396,743	379,159	17,584	4.6%
Franchise fees	42,484	40,632	1,852	4.6%
	<u>439,227</u>	<u>419,791</u>	<u>19,436</u>	<u>4.6%</u>
TOTAL REVENUES	<u>1,531,676</u>	<u>1,506,865</u>	<u>24,811</u>	<u>1.6%</u>
COSTS AND EXPENSES				
Cost of sales	950,446	957,820	(7,374)	(0.8%)
Operating expenses	152,719	138,239	14,480	10.5%
Franchise fee costs	45,878	45,076	802	1.8%
General and administrative expenses	76,706	81,695	(4,989)	(6.1%)
Equity income	(7,265)	(7,105)	(160)	2.3%
Corporate reorganization expenses	10,079	1,277	8,802	n/m
Other (income) expense, net	(1,383)	(599)	(784)	n/m
TOTAL COSTS AND EXPENSES, NET	<u>1,227,180</u>	<u>1,216,403</u>	<u>10,777</u>	<u>0.9%</u>
OPERATING INCOME	304,496	290,462	14,034	4.8%
Interest expense	(17,585)	(16,548)	(1,037)	6.3%
Interest income	1,719	1,434	285	19.9%
INCOME BEFORE INCOME TAXES	288,630	275,348	13,282	4.8%
Income taxes	77,145	76,132	1,013	1.3%
Net income	211,485	199,216	12,269	6.2%
Net income attributable to noncontrolling interests	1,578	2,370	(792)	(33.4%)
NET INCOME ATTRIBUTABLE TO TIM HORTONS INC.	<u>\$ 209,907</u>	<u>\$ 196,846</u>	<u>\$13,061</u>	<u>6.6%</u>
Basic earnings per common share attributable to Tim Hortons Inc.	<u>\$ 1.38</u>	<u>\$ 1.27</u>	<u>\$ 0.11</u>	<u>8.7%</u>
Diluted earnings per common share attributable to Tim Hortons Inc.	<u>\$ 1.37</u>	<u>\$ 1.26</u>	<u>\$ 0.11</u>	<u>8.8%</u>
Weighted average number of common shares outstanding (in thousands) -				
Basic	<u>152,597</u>	<u>155,589</u>	<u>(2,992)</u>	<u>(1.9%)</u>
Weighted average number of common shares outstanding (in thousands) -				
Diluted	<u>153,133</u>	<u>156,207</u>	<u>(3,074)</u>	<u>(2.0%)</u>
Dividends per common share	<u>\$ 0.52</u>	<u>\$ 0.42</u>	<u>\$ 0.10</u>	

n/m - not meaningful
(all numbers rounded)

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

	<u>June 30, 2013</u>	As at <u>December 30, 2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 86,603	\$ 120,139
Restricted cash and cash equivalents	104,780	150,574
Accounts receivable, net	188,989	171,605
Notes receivable, net	5,946	7,531
Deferred income taxes	6,844	7,142
Inventories and other, net	109,639	107,000
Advertising fund restricted assets	<u>38,264</u>	<u>45,337</u>
Total current assets	541,065	609,328
Property and equipment, net	1,588,991	1,553,308
Intangible assets, net	3,195	3,674
Notes receivable, net	5,662	1,246
Deferred income taxes	11,540	10,559
Equity investments	41,830	41,268
Other assets	<u>72,603</u>	<u>64,796</u>
Total assets	<u>\$2,264,886</u>	<u>\$ 2,284,179</u>

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

	June 30, 2013	As at December 30, 2012
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 140,648	\$ 169,762
Accrued liabilities		
Salaries and wages	14,642	21,477
Taxes	12,574	8,391
Tim Card Obligation and other	147,913	197,871
Deferred income taxes	1,052	197
Advertising fund liabilities	42,624	44,893
Current portion of long-term obligations	20,130	20,781
Total current liabilities	<u>379,583</u>	<u>463,372</u>
Long-term obligations		
Long-term debt	364,335	359,471
Long-term debt - Advertising fund	44,393	46,849
Capital leases	115,645	104,383
Deferred income taxes	8,468	10,399
Other long-term liabilities	116,601	109,614
Total long-term obligations	<u>649,442</u>	<u>630,716</u>
Commitments and contingencies		
Equity		
Equity of Tim Hortons Inc.		
Common shares		
\$2.84 stated value per share, Authorized: unlimited shares, Issued: 151,319,384 and 153,404,839 shares, respectively	429,105	435,033
Common shares held in Trust, at cost: 340,314 and 316,923 shares, respectively	(14,969)	(13,356)
Contributed surplus	13,388	10,970
Retained earnings	916,421	893,619
Accumulated other comprehensive loss	(108,851)	(139,028)
Total equity of Tim Hortons Inc.	<u>1,235,094</u>	<u>1,187,238</u>
Noncontrolling interests	767	2,853
Total equity	<u>1,235,861</u>	<u>1,190,091</u>
Total liabilities and equity	<u>\$2,264,886</u>	<u>\$ 2,284,179</u>

TIM HORTONS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands of Canadian dollars)
(Unaudited)

	Year-to-date period ended	
	June 30, 2013	July 1, 2012
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Net income	\$ 211,485	\$ 199,216
Adjustments to reconcile net income to net cash provided from operating activities		
Depreciation and amortization	72,368	62,379
Stock-based compensation expense	12,535	11,869
Deferred income taxes	(2,539)	(2,081)
Changes in operating assets and liabilities		
Restricted cash and cash equivalents	46,356	43,290
Accounts receivable	(8,254)	(32,425)
Inventories and other	(5,218)	7,285
Accounts payable and accrued liabilities	(75,262)	(64,156)
Taxes	4,144	(8,674)
Other	2,714	(352)
Net cash provided from operating activities	<u>258,329</u>	<u>216,351</u>
CASH FLOWS (USED IN) PROVIDED FROM INVESTING ACTIVITIES		
Capital expenditures	(88,272)	(66,628)
Capital expenditures - Advertising fund	(5,224)	(30,830)
Other investing activities	6,125	(8,710)
Net cash (used in) investing activities	<u>(87,371)</u>	<u>(106,168)</u>
CASH FLOWS (USED IN) PROVIDED FROM FINANCING ACTIVITIES		
Repurchase of common shares	(113,803)	(136,509)
Dividend payments to common shareholders	(79,348)	(65,661)
Net proceeds from issue of debt - Advertising fund	0	32,262
Principal payments on long-term debt obligations	(8,543)	(4,078)
Other financing activities	(5,001)	(4,739)
Net cash (used in) financing activities	<u>(206,695)</u>	<u>(178,725)</u>
Effect of exchange rate changes on cash	<u>2,201</u>	<u>(222)</u>
(Decrease) in cash and cash equivalents	(33,536)	(68,764)
Cash and cash equivalents at beginning of period	<u>120,139</u>	<u>126,497</u>
Cash and cash equivalents at end of period	<u>\$ 86,603</u>	<u>\$ 57,733</u>

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

	Second quarter ended	
	June 30, 2013	July 1, 2012
REVENUES ⁽¹⁾		
Canada	\$ 657,682	\$651,361
U.S.	41,220	43,154
Corporate services	5,204	4,551
Total reportable segments	704,106	699,066
Variable interest entities	96,033	86,515
Total	\$ 800,139	\$785,581
SEGMENT OPERATING INCOME (LOSS)		
Canada	\$ 174,760	\$165,360
U.S.	2,587	4,101
Corporate services	(1,424)	(11,117)
Total reportable segments	175,923	158,344
Variable interest entities	1,260	1,772
Corporate reorganization expenses	(604)	(1,277)
Consolidated Operating Income	176,579	158,839
Interest, net	(8,131)	(7,927)
Income before income taxes	\$ 168,448	\$150,912

⁽¹⁾ Inter-segment revenues have been eliminated.

	Second quarter ended			
	June 30, 2013	July 1, 2012	\$ Change	% Change
<i>Consolidated Sales is comprised of:</i>				
Distribution sales	\$ 468,597	\$471,274	(\$2,677)	(0.6)%
Company-operated restaurant sales	6,501	7,039	(538)	(7.6)%
Sales from variable interest entities	93,464	85,459	8,005	9.4 %
Total Sales	\$ 568,562	\$563,772	\$ 4,790	0.8 %

	Second quarter ended			
	June 30, 2013	July 1, 2012	\$ Change	% Change
<i>Consolidated Cost of sales is comprised of:</i>				
Distribution cost of sales	\$ 399,019	\$410,224	(\$11,205)	(2.7)%
Company-operated restaurant cost of sales	6,613	7,697	(1,084)	(14.1)%
Cost of sales of variable interest entities	83,460	74,979	8,481	11.3 %
Total Cost of sales	\$ 489,092	\$492,900	(\$ 3,808)	(0.8)%

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

	Year-to-date period ended	
	June 30, 2013	July 1, 2012
REVENUES ⁽¹⁾		
Canada	\$1,251,355	\$1,251,244
U.S.	85,668	81,583
Corporate services	9,329	9,022
Total reportable segments	1,346,352	1,341,849
Variable interest entities	185,324	165,016
Total	<u>\$1,531,676</u>	<u>\$1,506,865</u>
SEGMENT OPERATING INCOME (LOSS)		
Canada	\$ 320,581	\$ 312,586
U.S.	3,497	5,755
Corporate services	(12,089)	(29,902)
Total reportable segments	311,989	288,439
Variable interest entities	2,586	3,300
Corporate reorganization expenses	(10,079)	(1,277)
Consolidated Operating Income	304,496	290,462
Interest, net	(15,866)	(15,114)
Income before income taxes	<u>\$ 288,630</u>	<u>\$ 275,348</u>

⁽¹⁾ Inter-segment revenues have been eliminated.

	Year-to-date period ended			
	June 30, 2013	July 1, 2012	\$ Change	% Change
<i>Consolidated Sales is comprised of:</i>				
Distribution sales	\$ 899,748	\$ 911,002	(\$11,254)	(1.2)%
Company-operated restaurant sales	12,477	12,599	(122)	(1.0)%
Sales from variable interest entities	180,224	163,473	16,751	10.2 %
Total Sales	<u>\$1,092,449</u>	<u>\$1,087,074</u>	<u>\$ 5,375</u>	<u>0.5 %</u>

	Year-to-date period ended			
	June 30, 2013	July 1, 2012	\$ Change	% Change
<i>Consolidated Cost of sales is comprised of:</i>				
Distribution cost of sales	\$ 774,572	\$800,172	(\$25,600)	(3.2)%
Company-operated restaurant cost of sales	13,623	13,777	(154)	(1.1)%
Cost of sales of variable interest entities	162,251	143,871	18,380	12.8 %
Total Cost of sales	<u>\$ 950,446</u>	<u>\$957,820</u>	<u>(\$ 7,374)</u>	<u>(0.8)%</u>

TIM HORTONS INC. AND SUBSIDIARIES
SYSTEMWIDE RESTAURANT COUNT

	As at <u>June 30, 2013</u>	As at <u>December 30, 2012</u>	Increase/ (Decrease) <u>From Year End</u>	As at <u>July 1, 2012</u>	Increase/ (Decrease) <u>From Prior Year</u>
Canada					
Company-operated	17	18	(1)	11	6
Franchised - standard and non-standard	3,324	3,294	30	3,200	124
Franchised - self-serve kiosks	<u>127</u>	<u>124</u>	<u>3</u>	<u>115</u>	<u>12</u>
Total	3,468	3,436	32	3,326	142
<i>% Franchised</i>	<i>99.5 %</i>	<i>99.5 %</i>		<i>99.7 %</i>	
U.S.					
Company-operated	3	4	(1)	10	(7)
Franchised - standard and non-standard	627	621	6	551	76
Franchised - self-serve kiosks	<u>177</u>	<u>179</u>	<u>(2)</u>	<u>173</u>	<u>4</u>
Total	807	804	3	734	73
<i>% Franchised</i>	<i>99.6 %</i>	<i>99.5 %</i>		<i>98.6 %</i>	
International (Gulf Cooperation Council)					
Franchised - standard and non-standard	<u>29</u>	<u>24</u>	<u>5</u>	<u>11</u>	<u>18</u>
Total	29	24	5	11	18
<i>% Franchised</i>	<i>100.0 %</i>	<i>100.0 %</i>		<i>100.0 %</i>	
Total system					
Company-operated	20	22	(2)	21	(1)
Franchised - standard and non-standard	3,980	3,939	41	3,762	218
Franchised - self-serve kiosks	<u>304</u>	<u>303</u>	<u>1</u>	<u>288</u>	<u>16</u>
Total	<u>4,304</u>	<u>4,264</u>	<u>40</u>	<u>4,071</u>	<u>233</u>
<i>% Franchised</i>	<i>99.5 %</i>	<i>99.5 %</i>		<i>99.5 %</i>	

TIM HORTONS INC. AND SUBSIDIARIES
Income Statement Definitions

Sales	Sales include Distribution sales, sales from company-operated restaurants, and sales from consolidated Non-owned restaurants. Distribution sales comprise sales of products (including a minimal amount of manufacturing product sales to third parties), supplies, and restaurant equipment outside of initial restaurant establishment or renovations (see “Franchise Fees”) that are shipped directly from our warehouses or by third-party distributors to restaurants or retailers through our supply chain. Sales from company-operated restaurants and consolidated Non-owned restaurants comprise restaurant-level sales to our guests. The consolidation of Non-owned restaurants essentially replaces our rents and royalties with restaurant sales, which are included in VIEs’ sales.
Rents and royalties	Includes royalties and rental revenues earned, net of relief, and certain advertising levies associated with our Canadian Advertising Fund relating primarily to the Expanded Menu Board Program.
Franchise fees	Includes license fees and equipment packages, at initiation of a restaurant and in connection with the renewal or renovation, and revenues related to master license agreements.
Cost of sales	Cost of sales includes costs associated with the management of our supply chain, including cost of goods, direct labour and depreciation, as well as the cost of goods delivered by third-party distributors to restaurants for which we manage the supply chain logistics, and for canned coffee sold through grocery stores. Cost of sales also includes food, paper and labour costs of Company-operated restaurants and consolidated Non-owned restaurants.
Operating expenses	Includes rent expense related to properties leased to restaurant owners and other property-related costs including depreciation. Also included are certain operating expenses related to our distribution business such as warehouse technology costs and utilities, and product development costs.
Franchise fee costs	Includes the cost of equipment sold to restaurant owners at the commencement or in connection with the renovation of their restaurant business, including training and other costs necessary to assist with a successful restaurant opening, and/or the introduction of our Cold Stone Creamery® co-branding offering into existing locations. Also includes support costs related to project-related and/or operational initiatives.
General and administrative expenses	Includes costs that cannot be directly related to generating revenue, including expenses associated with our corporate and administrative functions, depreciation of head office buildings and office equipment, and the majority of our information technology systems.
Corporate reorganization expenses	Includes termination costs and professional fees related to the implementation of our new Corporate Centre and Business Unit organizational structure, as well as CEO transition costs.
Equity income	Includes income from equity investments in partnerships and joint ventures and other minority investments over which we exercise significant influence. Equity income from these investments is considered to be an integrated part of our business operations and is therefore included in operating income.
Other (income) expense, net	Includes (income) expenses that are not directly derived from the Company’s primary businesses, such as foreign currency adjustments, gains and losses on asset sales, and other asset write-offs.
Net income attributable to noncontrolling interests	Relates to the consolidation of Non-owned restaurants pursuant to applicable accounting rules.

FOR IMMEDIATE RELEASE
(All amounts in Canadian dollars)



**Tim Hortons Inc. declares quarterly dividend
of \$0.26 per common share**

OAKVILLE, ONTARIO, (August 8th, 2013): Tim Hortons Inc. (TSX: THI, NYSE: THI) today announced the Board of Directors has declared a dividend of \$0.26 per common share payable to shareholders of record as of August 19th, 2013. The dividend is payable on September 4th, 2013.

Dividends are declared and paid in Canadian dollars to all shareholders with Canadian resident addresses. For U.S. shareholders, dividends paid will be converted to U.S. dollars based on prevailing exchange rates at the time of conversion by Tim Hortons for registered shareholders and by Clearing and Depository Services Inc. for beneficial shareholders. The declaration and payment of all future dividends remain subject to the discretion of the Company's Board of Directors.

Tim Hortons Inc. Overview

Tim Hortons is one of the largest publicly-traded restaurant chains in North America based on market capitalization, and the largest in Canada. Operating in the quick service segment of the restaurant industry, Tim Hortons appeals to a broad range of consumer tastes, with a menu that includes premium coffee, espresso-based hot and cold specialty drinks (including lattes, cappuccinos and espresso shots), specialty teas and fruit smoothies, fresh baked goods, grilled Panini and classic sandwiches, wraps, soups, prepared foods and other food products. As of June 30th, 2013, Tim Hortons had 4,304 systemwide restaurants, including 3,468 in Canada, 807 in the United States and 29 in the Gulf Cooperation Council. More information about the Company is available at www.timhortons.com.

CONTACTS:

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

FOR IMMEDIATE RELEASE
(All amounts in Canadian dollars)



Tim Hortons Inc. amends Normal Course Issuer Bid to repurchase up to 10% of its common shares

OAKVILLE, ONTARIO, (August 8th, 2013): Tim Hortons Inc. (TSX: THI, NYSE: THI) today announced that it has obtained regulatory approval from the Toronto Stock Exchange (“TSX”) to amend its Normal Course Issuer Bid (“NCIB”) to remove the former maximum dollar cap of \$250 million. As a result, under our amended NCIB, as approved by the Company’s Board of Directors and subject to the execution of an amended broker agreement, we will be entitled to purchase up to 10% of our “public float” as at February 14, 2013 (the reference date for our original NCIB), being 15,239,531 common shares.

The Company’s common shares under the amended bid will be purchased under the program through a combination of a 10b5-1 automatic trading plan as well as at management’s discretion in compliance with regulatory requirements, and given market, cost and other considerations.

Repurchases will be made through the facilities of the TSX (and/or other Canadian marketplaces), the New York Stock Exchange (“NYSE”), or by such other means as may be permitted by the TSX and/or the NYSE, and under applicable laws, including private agreements permitted under issuer bid exemption orders issued by a securities regulatory authority in Canada. Purchases made by way of private agreements under an issuer bid exemption order issued by a securities regulatory authority will be at a discount to the prevailing market price, as provided in the exemption order.

There can be no assurance as to the precise number of shares that will be repurchased under the share repurchase program, or the aggregate dollar amount of the shares purchased. Tim Hortons may discontinue purchases at any time, subject to compliance with applicable regulatory requirements. Shares purchased pursuant to the share repurchase program will be cancelled.

The maximum number of shares that may be purchased during any trading day may not exceed 25% of the average daily trading volume on the TSX (as defined in Section 628 of the TSX Company Manual) for a daily total of 122,790 common shares. This limit, for which there are permitted exceptions, is determined in accordance with regulatory requirements.

From February 26, 2013 until July 31, 2013, approximately 2.4 million shares have been purchased under the NCIB at an average price of \$55.01 per share, for a total of approximately \$132.1 million.

Safe Harbor Statement

Certain information in this news release, particularly information regarding future economic performance, finances, and plans, expectations and objectives of management, and other information, constitutes forward-looking information within the meaning of Canadian securities laws and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We refer to all of these as forward-looking statements. Various factors including competition in the quick service segment of the food service industry, general economic conditions and others described as “risk factors” in the Company’s 2012 Annual Report on Form 10-K filed February 21st, 2013, and our Quarterly Report on Form 10-Q to be filed on August 8th, 2013 with the U.S. Securities and Exchange Commission and Canadian Securities Administrators, could affect the Company’s actual results and cause such results to differ materially from those expressed in forward-looking statements. As such, readers are cautioned not to place undue reliance on forward-looking statements contained in this news release, which speak only as to management’s expectations as of the date hereof.

Forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: the absence of an adverse event or condition that damages our strong brand position and reputation; the absence of a material increase in competition or in volume or type of competitive activity within the quick service restaurant segment of the food service industry; ability to obtain financing on favorable terms; ability to maintain investment grade credit ratings; prospects and execution risks concerning the U.S. market strategy; general worldwide economic conditions; cost and availability of commodities; the ability to retain our senior management team or the inability to attract and retain new qualified personnel; continuing positive working relationships with the majority of the Company’s restaurant owners; the absence of any material adverse effects arising as a result of litigation; and there being no significant change in the Company’s ability to comply with current or future regulatory requirements.

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

Tim Hortons Inc. Overview

Tim Hortons is one of the largest publicly-traded restaurant chains in North America based on market capitalization, and the largest in Canada. Operating in the quick service segment of the restaurant industry, Tim Hortons appeals to a broad range of consumer tastes, with a menu that includes premium coffee, espresso-based hot and cold specialty drinks (including lattes, cappuccinos and espresso shots), specialty teas and fruit smoothies, fresh baked goods, grilled Panini and classic sandwiches, wraps, soups, prepare foods and other food products. As of June 30th, 2013, Tim Hortons had 4,304 systemwide restaurants, including 3,468 in Canada, 807 in the United States and 29 in the Gulf Cooperation Council. More information about the Company is available at www.timhortons.com.

For Further information:

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

TIM HORTONS INC.

Safe Harbor Under the Private Securities Litigation Reform Act of 1995 and Canadian Securities Laws

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

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “seeks,” “outlook,” “forecast” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could” or “may.” Examples of forward-looking statements that may be contained in our public disclosure from time-to-time include, but are not limited to, statements concerning management’s expectations relating to possible or assumed future results, our strategic goals and our priorities, and the economic and business outlook for us, for each of our business segments and for the economy generally. Many of the factors that could determine our future performance are beyond our ability to control or predict. The following factors, in addition to other factors set forth in our Form 10-K filed on February 21, 2013 (“Form 10-K”), and in our Form 10-Q filed on August 8, 2013 (the “Form 10-Q”) with the U.S. Securities and Exchange Commission (“SEC”) and the Canadian Securities Administrators (“CSA”), and in other press releases, communications, or filings made with the SEC or the CSA, could cause our actual results to differ materially from the expectation(s) included in forward-looking statements and, if significant, could materially affect the Company’s business, sales revenue, share price, financial condition, and/or future results, including causing the Company to (i) close restaurants, (ii) fail to realize same-store sales growth targets, which are critical to achieving our financial targets, (iii) fail to meet the expectations of our securities analysts or investors, or otherwise fail to perform as expected, (iv) experience a decline and/or increased volatility in the market price of its stock, (v) have insufficient cash to engage in or fund expansion activities, dividends, or share repurchase programs, or (vi) increase costs, corporately or at restaurant-level, which may result in increased restaurant-level pricing, which in turn may result in decreased guest demand for our products resulting in lower sales, revenue, and earnings. Additional risks and uncertainties not currently known to us or that we currently believe to be immaterial may also materially adversely affect our business, financial condition, and/or operating results. We assume no obligation to update or alter any forward-looking statements after they are made, whether as a result of new information, future events, or otherwise, except as required by applicable law.

Forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: the absence of an adverse event or condition that damages our strong brand position and reputation; the absence of a material increase in competition or in volume of type of competitive activity within the quick service restaurant segment of the food service industry; ability to obtain financing on favorable terms; ability to maintain investment grade credit ratings; prospects and execution risks concerning the U.S. market strategy; general worldwide economic conditions; cost and availability of commodities; the ability to retain our senior management team or the inability to attract and retain new qualified personnel; continuing positive working relationships with the majority of the Company’s restaurant owners; the absence of any material adverse effects arising as a result of litigation; and there being no significant change in the Company’s ability to comply with current or future regulatory requirements. We are presenting this information for the purpose of informing you of management’s current expectations regarding these matters, and this information may not be appropriate for any other purposes.

Factors Affecting Growth and Other Important Strategic Initiatives. There can be no assurance that the Company will be able to achieve new restaurant or same-store sales growth objectives, that new restaurants will be profitable or that strategic initiatives will be successfully implemented. Early in the development of new markets, the opening of new restaurants may have a negative effect on the same-store sales of existing restaurants in the market. The Company may also enter markets where its brand is not well-known and where it has little or no operating experience and, as a result, may not achieve the level of penetration needed in order to drive brand recognition, convenience, increased leverage to marketing dollars, and other benefits the Company believes penetration yields. When the Company enters new markets, it may be necessary to increase restaurant owner relief and support costs, which lowers its earnings. There can be no assurance that the Company will be able to successfully adapt its brand, development efforts, and restaurants to these differing market conditions. The Company’s failure to successfully implement growth and various other strategies and initiatives related to international development may have a negative impact on the overall operation of its business and may result in increased costs or inefficiencies that it cannot currently anticipate. The Company may also continue to selectively close restaurants

that are not achieving acceptable levels of profitability or change its growth strategies over time, where appropriate. Such closures may be accompanied by impairment charges that may have a negative impact on the Company's earnings. The success of any restaurant depends in substantial part on its location. There can be no assurance that current locations will continue to be attractive as demographic patterns or economic conditions change. If we cannot obtain desirable locations for restaurants at reasonable prices, the Company's ability to affect its growth strategy will be adversely affected. The Company has vertically integrated manufacturing, warehouse and distribution capabilities which may at times result in delays or difficulties. The Company also intends to evaluate potential mergers, acquisitions, joint-venture investments, alliances, vertical integration opportunities and divestitures, which are subject to many of the same risks that also affect new store development as well as various other risks. In addition, there can be no assurance that the Company will be able to complete the desirable transactions, for reasons including restrictive covenants in debt instruments or other agreements with third parties. The Company may continue to pursue strategic alliances (including co-branding) with third parties for different types of development models and products and there can be no assurance that: significant value will be recognized through such strategic alliances; the Company will be able to maintain its strategic alliances; or, the Company will be able to enter into new strategic relationships in the future. Entry into such relationships as well as the expansion of the Company's current business through such initiatives may expose it to additional risks that may adversely affect the Company's brand and business. The Company's financial outlook and long-range targets are based on the successful implementation, execution and guest acceptance of the Company's strategic plans and initiatives; accordingly, the failure of any of these criteria could cause the Company to fall short of achievement of its financial objectives and long-range aspirational goals.

The Importance of Canadian Segment Performance and Brand Reputation. The Company's financial performance is highly dependent upon its Canadian operating segment, which accounted for 94.0% of our reportable segment revenues, and 97.5% of our reportable segment operating income in fiscal 2012. Any substantial or sustained decline in the Company's Canadian business would materially and adversely affect its financial performance. The Company's success is also dependent on its ability to maintain and enhance the value of its brand, its guests' connection to and perception of its brand, and a positive relationship with its restaurant owners. Brand value can be severely damaged, even by isolated incidents, including those that may be beyond the Company's control such as: actions taken or not taken by its restaurant owners relating to health, safety, environmental, welfare, labour, public policy or social issues; contaminated food; litigation and claims (including litigation by, other disputes with, or negative relationship with restaurant owners); failure of security breaches or other fraudulent activities associated with its networks and systems; illegal activity targeted at the Company; and negative incidents occurring at or affecting its strategic business partners (including in connection with co-branding initiatives, international licensing arrangements and its self-serve kiosk model), affiliates, and corporate social responsibility programs. The Company's brand could also be damaged by falsified claims or the quality of products from its vertically integrated manufacturing plants, and potentially negative publicity from various sources, including social media sites on a variety of topics and issues, whether true or not, which are beyond its control.

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

Economic Conditions. The Company's operating results and financial condition are sensitive to and dependent upon discretionary spending by guests, which may be affected by uncertainty in general economic conditions that could drive down demand for its products and result in fewer transactions or decrease average cheque per transaction at our restaurants. The Company cannot predict the timing or duration of suppressed economic conditions which could have an adverse effect on our business, results of operations and financial condition.

Product Innovation and Extensions. Achievement of the Company's same-store sales strategy is dependent, among other things, on its ability to extend the product offerings of its existing brands and introduce innovative new products. Although it devotes significant focus to the development of new products, the Company may not be successful in developing innovative new products or its new products may not be commercially successful. The Company's financial results and its ability to maintain or improve its competitive position will depend on its ability to effectively gauge the direction of the market and consumer trends and initiatives and successfully identify, develop, manufacture, market and sell new or improved products in response to such trends.

Senior Management Team. Our success will continue to depend to a significant extent on our executive management team and the ability of other key management personnel to replace executives who retire or resign. We may not be able to retain our executive officers and key personnel or attract additional qualified management personnel to replace executives who retire or resign. Failure to retain our leadership team and attract and retain other important personnel could lead to ineffective management and operations, which would likely decrease our profitability. We are currently in a CEO transition period and our Board of Directors has appointed

Mr. Marc Caira to the position of President and Chief Executive Officer, effective July 2, 2013. With the change in leadership, there is a risk to retention of other members of senior management, even with the existing retention program in place, as well as to continuity of business initiatives, plans and strategies through the transition period. In August 2012, we announced the implementation of an organizational structure which includes a Corporate Centre and Business Unit design. We completed the process of realigning roles and responsibilities under that new structure at the end of the first quarter of 2013. As a result of the Corporate reorganization, there has been a slight net reduction in the size of our employee base due to the departure of certain employees, and we currently have vacancies in certain positions. Any lack of required resources for a prolonged period of time could negatively impact our operations and ability to execute our strategic initiatives; harm our ability to retain and motivate employees; and negatively impact our ability to attract new employees.

Commodities. The Company is exposed to price volatility in connection with certain key commodities that it purchases in the ordinary course of business such as coffee, wheat, edible oils, sugar, and other product costs which can impact revenues, costs and margins. Although the Company monitors its exposure to commodity prices and its forward hedging program partially mitigates the negative impact of any costs increases, price volatility for commodities it purchases has increased due to conditions beyond its control, including recent economic and political conditions, currency fluctuations, availability of supply, weather conditions, pest damage and consumer demand and consumption patterns. Increases and decreases in commodity costs are largely passed through to restaurant owners and the Company and its restaurant owners have some ability to increase product pricing to offset a rise in commodity prices, subject to restaurant owner and guest acceptance, respectively. Notwithstanding the foregoing, while it is not our operating practice, we may choose not to pass along all price increases to our restaurant owners. As a result, commodity cost increases could have a more significant effect on our business and results of operations than if we had passed along all increases to our restaurant owners. Price fluctuations may also impact margins as many of these commodities are typically priced based on a fixed-dollar mark-up. Although the Company generally secures commitments for most of its key commodities that generally extend over a six-month period, these may be at higher prices than its previous commitments. If the supply of commodities, including coffee, fails to meet demand, the Company's restaurant owners may experience reduced sales which in turn, would reduce our rents and royalty income as well as distribution income. Such a reduction in the Company's income may adversely impact the Company's business and financial results.

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

Distribution Operations and Supply Chain. The occurrence of any of the following factors is likely to result in increased operating costs and decreased profitability of the Company's distribution operations and supply chain and may also injure its brand, negatively affect its results of operations and its ability to generate expected earnings and/or increase costs, and/or negatively impact the Company's relationship with its restaurant owners: higher transportation or shipping costs; inclement weather; increased food and other supply costs; having a single source of supply for certain of its food products; potential cost and disruption of a product recall; shortages or interruptions in the availability or supply of perishable food products and/or their ingredients; potential negative impacts on our relationship with our restaurant owners associated with an increase of required purchases, or prices, of products purchased from the Company's distribution business; and political, physical, environmental, labour or technological disruptions in the Company's or its suppliers' manufacturing and/or warehouse plants, facilities or equipment.

Importance of Restaurant Owners. A substantial portion of the Company's earnings come from royalties and other amounts paid by restaurant owners, who operated 99.5% of the Tim Hortons restaurants as of December 30, 2012. The Company's revenues and profits would decline and its brand reputation could also be harmed if a significant number of restaurant owners were to experience, among other things, operational or financial difficulties or labour shortages or significant increases in labour costs. Although the Company generally enjoys a positive working relationship with the vast majority of its restaurant owners, active and/or potential disputes with restaurant owners could damage its reputation and/or its relationships with the broader restaurant owner group. The Company's restaurant owners are independent contractors and, as a result, the quality of their operations may be diminished by factors beyond the Company's control. Any operational shortcoming of a franchise restaurant is likely to be attributed by consumers to the Company's entire system, thus damaging its brand reputation and potentially affecting revenues and profitability. There can be no assurance that the Company will be able to continue to attract, retain and motivate higher performing restaurant owners.

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

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

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

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

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

Reliance on Systems. If the network and information systems and other technology systems that are integral to retail operations at system restaurants and at the Company's manufacturing and distribution facilities, and at its office locations are damaged or interrupted from power outages, computer and telecommunications failures, computer worms, viruses, phishing and other destructive or disruptive software, security breaches, catastrophic events and improper or personal usage by employees, such an event could have an adverse impact on the Company and its guests, restaurant owners and employees, including a disruption of its operations, guest dissatisfaction or a loss of guests or revenues. The Company relies on third-party vendors to retain data, process transactions and provide certain services. In the event of failure in such third-party vendors' systems and processes, the Company could experience business interruptions or privacy and/or security breaches surrounding its data. The Company continues to enhance its integrated enterprise resource planning system. The introduction of new modules for inventory replenishment, sustainability, and business reporting and analysis will be implemented. There may be risks associated with adjusting to and supporting the new modules which may impact the Company's relations with its restaurant owners, vendors and suppliers and the conduct of its business generally. If the Company fails to comply with new and/or increasingly demanding laws and regulations regarding the protection of guest, supplier, vendor, restaurant owner, employee and/or business data, or if the Company (or a third-party with which it has entered into a strategic alliance) experiences a significant breach of guest, supplier, vendor, restaurant owner, employee or Company data, the Company's reputation could be damaged and result in lost sales, fines, lawsuits and diversion of management attention. The use of electronic payment systems and the Company's reloadable cash card makes it more susceptible to a risk of loss in connection with these issues, particularly with respect to an external security breach of guest information that the Company, or third parties under arrangement(s) with it, control.

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

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