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

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**FORM 8-K**

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

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

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

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**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)

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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 May 8, 2013, Tim Hortons Inc. (the “Corporation”) issued a press release containing financial information regarding its first 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 first quarter 2013 results on Wednesday, May 8, 2013 at 2:30 p.m. (Eastern Daylight Savings 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.

The Corporation will also hold its annual meeting of shareholders on Thursday, May 9, 2013 at 10:30 a.m. (Eastern Daylight Savings Time) at the Westin Harbour Castle, 1 Harbour Square, Frontenac Ballroom, Toronto, Ontario. A live webcast of the event will be available at [www.timhortons-invest.com](http://www.timhortons-invest.com) through the “Events and Presentations” tab, as more fully described in the Corporation’s press release attached hereto as Exhibit 99.1.

On May 8, 2013, the Corporation issued a press release announcing the appointment of Mr. Marc Caira as the Corporation’s President and Chief Executive Officer effective July 2, 2013. The full text of the Corporation’s press release issued today is attached hereto as Exhibit 99.2.

**Item 8.01 Other Events.**

On May 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 June 7, 2013 to shareholders of record at the close of business on May 23, 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 99.3.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

- Exhibit 99.1 Press release dated May 8, 2013 issued by the Corporation regarding the release of quarterly financial results and other information.
- Exhibit 99.2 Press release dated May 8, 2013 issued by the Corporation announcing the appointment of a new Chief Executive Officer and President.
- Exhibit 99.3 Press release dated May 8, 2013 issued by the Corporation announcing the declaration of Cdn.\$0.26 per common share quarterly dividend.
- 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: May 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 first quarter results:**

**Global foodservices and beverage leader Marc Caira appointed new President and CEO**

**New products performing well;  
first quarter sales constrained by weather and challenging industry conditions**

**Financial & Sales Highlights**

<u>Performance</u>	<u>Q1 2013</u>	<u>Q1 2012</u>	<u>% Year-over-Year Change</u>
Total revenues	\$731.5	\$721.3	1.4%
Operating income	\$127.9	\$131.6	(2.8)%
Adjusted operating income <sup>(1)</sup>	\$137.4	\$131.6	4.4%
Effective tax rate	27.7%	27.7%	
Net income attributable to THI	\$ 86.2	\$ 88.8	(2.9)%
Diluted earnings per share attributable to THI ("EPS") <sup>(2)</sup>	\$ 0.56	\$ 0.56	(0.4)%
Fully diluted shares	153.5	157.5	(2.5)%

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

- (1) Adjusted operating income is a non-GAAP measure, and excludes a \$9.5 million charge for corporate reorganization expenses in Q1 2013. Please refer to "Information on non-GAAP Measure" and the reconciliation information in footnote (5) of this release for details of reconciling items.
- (2) The impact of corporate reorganization expenses on EPS was \$0.05 in Q1 2013.

<u>Same-Store Sales</u> <sup>(3)</sup>	<u>Q1 2013</u>	<u>Q1 2012</u>
Canada	(0.3)%	5.2%
U.S.	(0.5)%	8.5%

- (3) 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**

- Global foodservices and beverage executive Marc Caira appointed President and CEO, will commence his duties with the Company on July 2<sup>nd</sup>, 2013
- Continued challenges due to economy and weather, but Panini sandwich and single-serve coffee platforms contributed positively to first quarter sales
- Operating income of \$127.9 million in the quarter. Operating income and EPS impacted by \$9.5 million (\$0.05 per share) in corporate reorganization expenses; adjusted operating income<sup>(1)</sup>, which excludes this impact, grew 4.4%
- New 5-year agreement signed to develop up to 100 restaurants in Saudi Arabia
- Announced extension of single-serve coffee offering to include K-Cup<sup>®</sup> brewer-compatible capsules

**OAKVILLE, ONTARIO**, (May 8<sup>th</sup>, 2013): Tim Hortons Inc. (TSX: THI, NYSE: THI) today announced results for the first quarter ended March 31<sup>st</sup>, 2013.

“While it was a soft quarter as expected, we are taking important steps to continue to expand and enhance our system, improve the guest experience and build value for our shareholders. I’m delighted that today we have announced Marc Caira will be joining us as our new President and CEO. Marc, a longtime senior Nestlé executive, has a keen understanding of the global foodservices industry, and specifically the hot beverage and food sectors, that is second to none. We look forward to his leadership as we continue to hone our strategies to support future growth and fulfill our ongoing commitment to generating strong shareholder returns,” said Paul House, executive chairman, president and CEO.

### **Consolidated Results**

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

Systemwide sales<sup>(4)</sup> increased 3.2% on a constant currency basis. This growth was driven by new restaurant development in Canada and the U.S., with net growth of 246 restaurants systemwide in the past year.

Our total revenues increased 1.4% to \$731.5 million, compared to \$721.3 million last year. The revenue growth rate was below that of systemwide sales due to a 2.0% decline in distribution sales, the largest component of revenues.

Distribution sales were impacted by lower commodity prices, which were also reflected in lower cost of sales. We typically pass commodity price increases and decreases on to our owners, but there can be variability in timing of when we pass through these costs quarter-to-quarter. The decrease was partially offset by the growth in systemwide sales.

Rents and royalties increased 4.0% in the first quarter, driven primarily by growth in the number of systemwide restaurants. Franchise fees grew 13.5%, due to a higher number of renovations during the quarter, partially offset by fewer restaurant sales, as we opened more restaurants under operating agreements. Variable interest entities (“VIEs”) sales were up 11.2%, driven by an increase in the number of non-owned restaurants, primarily in the U.S., that were consolidated for accounting purposes.

Total costs and expenses were up 2.4%, with increases in operating expenses and corporate reorganization expenses offsetting decreases in cost of sales and general and administrative expenses. Absent the corporate reorganization expenses, total costs and expenses would have increased by 0.8%.

Cost of sales declined by 0.8% due to the reduced commodity prices, partially offset by increased VIE cost of sales. Operating expenses increased by 14.9%, due largely to increased depreciation and rent expenses associated with the new properties added to the system. Higher property maintenance expenses and the depreciation impact of the digital menu board program also contributed to the increase.

Franchise fee costs grew by 11.2%, due to increased renovation activity, partially offset by fewer restaurant sales. General and administrative expenses were down 6.7% due to lower salaries and benefits, driven by lower stock-based compensation expense and vacancies expected to be filled in coming months, partially offset by the favourable timing of certain benefit costs in the first quarter of 2012.

At the end of the first quarter of 2013, we completed the implementation of the new organizational structure we began in the second half of 2012. We incurred \$9.5 million of corporate reorganization expenses in the quarter, consisting primarily of termination costs, professional fees and other costs.

First quarter operating income of \$127.9 million was down by 2.8% compared to \$131.6 million a year earlier. The decrease was largely attributable to the corporate reorganization expenses. Adjusted operating income<sup>(5)</sup>, which excludes the impact of the corporate reorganization expenses, increased 4.4% to \$137.4 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. in the first quarter was \$86.2 million, a decrease of 2.9% compared to \$88.8 million last year. The decrease resulted from reduced operating income, which was significantly impacted by the corporate reorganization expenses.

EPS of \$0.56 was flat compared to the first quarter of last year. The decrease in net income attributable to THI was largely offset by the positive, cumulative impact of our share repurchase program. On average we had 2.5% fewer fully-diluted common shares outstanding in the first quarter compared to the same period last year. The corporate reorganization expenses incurred in the first quarter of 2013 reduced EPS by approximately \$0.05.

## **Segmented Performance Commentary**

### Changes to Reportable Segments

Effective in the first quarter of 2013, we revised our reportable segments to align with the roles and responsibilities within our new corporate structure. Our three reportable segments are the Canada business unit, the U.S. business unit, and Corporate services. The two business units comprise restaurant-related operations, including rents and royalties, sales of product through our supply chain and an allocation of supply chain income based on the unit’s respective systemwide sales, franchise fees, corporate restaurants, and business-unit-related general and administrative expenses. Our business unit results exclude the effect of VIEs.

Corporate services consists of services supporting the business units, including general and administrative expenses, and manufacturing and distribution activities. The results of our International operations, which are not significant, are included in Corporate services. Previously, the results of manufacturing and distribution activities were included within their respective geographic segment. Additionally, we have revised the allocation of shared restaurant services between the Canadian and U.S. business units.

We have reclassified the segment data for the first quarter of 2012 to conform to the current period’s presentation. Further details are included in the Management’s Discussion and Analysis section of our Quarterly Report on Form 10-Q for the period ended March 31, 2013 (“Form 10-Q”), filed today with the U.S. Securities and Exchange Commission and Canadian Securities Administrators.

## Overall Commentary

The operating environment remained challenging in the first quarter. In Canada, we believe consumer confidence and discretionary spending have been negatively impacted by rising unemployment, high consumer debt and the cooling housing market. U.S. consumers are also facing elevated unemployment relative to pre-recessionary levels, as well as concerns arising from changes to fiscal policy. In response to the low-growth environment, competitive activity in the consumer sector remains intense, impacting the performance of many participants in the sector.

Our same-store sales results were negatively affected by the inclusion of both New Year's Day and the Easter weekend in the first quarter of 2013, as these holidays fell within different reporting periods in 2012. In both Canada and the U.S., we also had very strong prior year comparables in 2012, which benefited in part from unseasonably warm winter weather in our largest markets during the first quarter of last year. In comparison, we experienced more traditional winter weather throughout the first quarter of 2013.

We have a number of initiatives planned for the balance of fiscal 2013 which we believe will help drive same-store sales growth in both Canada and the U.S., including marketing, promotional and operational programs and ongoing menu innovation. We will also continue to focus on our long-term initiatives to increase capacity, such as our drive-thru enhancements currently planned at more than 1,000 locations in Canada including new menu boards and, in some cases, order station relocations and double order stations.

## Canada

Same-store sales in our Canadian segment declined by 0.3% in the first quarter. A higher average cheque, driven by both pricing and product mix, was offset by a decrease in transactions. Panini sandwiches and single-serve coffee, both introduced late last year, positively contributed to same-store sales in the quarter, helping to offset a decrease in hot beverage sales. New products introduced in the first quarter, including flatbread Breakfast Panini sandwiches and vanilla bean lattes, were well received, but did not have a significant impact on same-store sales results due to the timing of their launch towards the end of the quarter.

Operating income in the Canadian segment was \$145.8 million, a decrease of 1.0% compared to \$147.2 million in the first quarter last year. Systemwide sales growth of 2.5% in Canada led to increased rents and royalties revenues, but this was more than offset by increased operating expenses driven by an overall increase in the number of properties owned or leased, and higher support costs related to property maintenance. This decrease was partially offset by an increase in supply chain income, driven by the growth in systemwide sales. Systemwide transactions experienced a slight decline, due largely, we believe, to general operating conditions.

We opened 24 restaurants in Canada during the quarter.

## United States

U.S. same-store sales declined by 0.5%. A higher average cheque, due primarily to pricing, was offset by a decline in same-store transactions. Systemwide transactions continued to increase, reflecting the ongoing development of new restaurants, which also drove systemwide sales growth of 7.8%.

In the U.S., the weather had a negative effect on sales of both our cold specialty drinks and our Cold Stone Creamery products.

Operating income in the U.S. segment was \$0.9 million, a decrease of \$0.7 million from the first quarter of 2012. Rents and royalties revenues increased, driven by systemwide sales growth, but were more than offset by an increase in relief primarily related to restaurants opened in fiscal 2012 and higher operating expenses resulting from the expansion of the system and increased renovation activity. This decrease was partially offset by an increase in supply chain income, driven by the growth in systemwide sales.

We opened 8 restaurants in the U.S. during the quarter.

#### Corporate services

The Corporate services segment incurred an operating loss of \$10.7 million, compared to a loss of \$18.8 million in the first quarter of 2012. The improvement was driven by income from distribution services, resulting from operational improvements, the timing of certain expenses, and variability related to commodity cost volatility which is expected to reverse in the latter part of fiscal 2013. Also contributing to the reduced operating loss were lower general and administrative expenses, as described above. Other income, related primarily to a corporate property sale in the first quarter of 2013, was also recognized in Corporate services.

We opened 3 restaurants in the Gulf Cooperation Council (GCC) during the quarter.

#### **Significant Developments & Initiatives**

##### Marc Caira appointed President and CEO, related board changes announced

Marc Caira has been appointed President and CEO effective July 2nd, 2013. Mr. Caira, a Canadian, 59, was most recently Global CEO of Nestlé Professional and a member of the Executive Board of Nestlé SA, the world's largest food and beverage company, and recognized leader in nutrition, health and wellness. Nestlé Professional is one of the world's largest organizations in the hot and cold beverage and food industry, operating in approximately 100 countries.

He will replace Paul House, who will become non-Executive Chairman of the Board of Directors at the effective time of Mr. Caira's appointment. Mr. House has led the Company since May of 2011 serving as Executive Chairman, President and CEO. Mr. Caira will be nominated for election as a director at the Annual Meeting of Shareholders to be held on May 9<sup>th</sup>, 2013, in accordance with applicable requirements, instead of Mr. Ronald Osborne, who sadly passed away on April 9<sup>th</sup>. The Board of Directors has commenced a search process for two replacement directors, and has retained a highly-regarded search firm to conduct the process.

"We are delighted to announce Marc's appointment as President and CEO. His knowledge and experience in the global foodservices and beverage industry, and his strong leadership, make him the ideal person to lead the Company into the future. We are also indebted to Paul House for his significant ongoing commitment and contributions to the organization, and are pleased that he will take on the exclusive role of Chairman," said Frank Iacobucci, lead director.

### Saudi Arabia area development agreement signed

The Company has signed an area development agreement (ADA) with Apparel FZCO (“Apparel”) to develop up to 100 Tim Hortons multi-format restaurants in Saudi Arabia over the next 5 years. This ADA complements the existing agreement with Dubai-based Apparel to open up to 120 restaurants over 5 years in the GCC including United Arab Emirates, Oman, Bahrain, Kuwait and Qatar. A total of 27 restaurants have been opened in these markets, with a total of 20 locations planned in 2013. Development in Saudi Arabia will be managed by Apparel and will focus on major urban markets, with opportunity for development beyond the initial 100 targeted locations. We continue to assess additional international markets for development in various regions of the world as part of our international strategy.

### Tim Hortons to launch new K-Cup® compatible single-serve coffee platform

Following the successful 2012 launch of the Company’s single-serve coffee offering on the TASSIMO® system, we have reached an agreement to introduce premium Tim Hortons coffee on the Mother Parkers Tea & Coffee RealCup™ platform. The RealCup™ system uses a unique filter design that is compatible with K-Cup® brewers, but is not affiliated with K-Cup® or Keurig®. Under the terms of the agreement, Tim Hortons premium-blend coffee and decaf coffee will be sold in Tim Hortons restaurants in Canada and the U.S., and online in a single-serve format. This market introduction, anticipated in July of this year, will provide access to approximately half of the Canadian market not currently reached by our existing single-serve coffee offering.

### 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 June 7<sup>th</sup>, 2013 to shareholders of record as of May 23<sup>rd</sup>, 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.

### Annual Meeting of Shareholders

The Tim Hortons annual meeting of shareholders will be held on Thursday, May 9<sup>th</sup>, 2013 at 10:30 a.m. (EDT). A live web cast of the meeting, including presentation material, will be available at [www.timhortons-invest.com](http://www.timhortons-invest.com) in the Events and Presentations section, where an archive of the web cast and presentation material will also be available for a period of one year.

### **Tim Hortons conference call today at 2:30 p.m. (EDT) Wednesday, May 8<sup>th</sup>, 2013**

Tim Hortons will host a conference call today to discuss first 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](http://www.timhortons-invest.com). A replay of the call will be available until May 15<sup>th</sup>, 2013 and can be accessed at (416) 626-4100 or (800) 558-5253. The call replay reservation number is 21655853. 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 21<sup>st</sup>, 2013, and our Quarterly Report on Form 10-Q to be filed on May 8<sup>th</sup>, 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; 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](http://www.timhortons.com/en/about/safeharbor.html).

<sup>(4)</sup> **Total systemwide sales growth** includes restaurant level sales at both Company and Franchised restaurants. Approximately 99.6% of our systemwide restaurants were franchised as at March 31<sup>st</sup>, 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 first quarter of 2013, systemwide sales on a constant currency basis increased 3.2% compared to the first 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.

### <sup>(5)</sup> 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>Q1 2013</u>	<u>Q1 2012</u>
	(in millions)	
Operating income	\$127.9	\$131.6
Add: Corporate reorganization expenses	<u>9.5</u>	<u>—</u>
Adjusted operating income <sup>(i)</sup>	\$137.4	\$131.6

All numbers rounded

(i) Includes operating income for non-owned restaurants consolidated pursuant to applicable accounting rules and from the Tim Hortons Advertising and Promotion Fund (Canada) of \$1.3 million and \$1.5 million in the first quarters of 2013 and 2012, respectively, which decreased adjusted operating income growth by 0.2%.

#### 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, home-style soups, fresh Panini and classic sandwiches, wraps, hot breakfast sandwiches and fresh baked goods, including our trademark donuts. As of March 31<sup>st</sup>, 2013, Tim Hortons had 4,288 systemwide restaurants, including 3,453 in Canada, 808 in the United States and 27 in the Gulf Cooperation Council. More information about the Company is available at [www.timhortons.com](http://www.timhortons.com).

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

	First quarter ended		\$ Change	% Change
	March 31, 2013	April 1, 2012		
<b>REVENUES</b>				
Sales	\$ 523,887	\$ 523,302	\$ 585	0.1%
Franchise revenues				
Rents and royalties	187,454	180,186	7,268	4.0%
Franchise fees	20,196	17,796	2,400	13.5%
	<u>207,650</u>	<u>197,982</u>	<u>9,668</u>	<u>4.9%</u>
<b>TOTAL REVENUES</b>	<u>731,537</u>	<u>721,284</u>	<u>10,253</u>	<u>1.4%</u>
<b>COSTS AND EXPENSES</b>				
Cost of sales	461,354	464,920	(3,566)	(0.8%)
Operating expenses	75,733	65,925	9,808	14.9%
Franchise fee costs	22,552	20,282	2,270	11.2%
General and administrative expenses	38,668	41,423	(2,755)	(6.7%)
Equity income	(3,349)	(3,246)	(103)	3.2%
Corporate reorganization expenses	9,475	0	9,475	n/m
Other (income) expense, net	(813)	357	(1,170)	n/m
<b>TOTAL COSTS AND EXPENSES, NET</b>	<u>603,620</u>	<u>589,661</u>	<u>13,959</u>	<u>2.4%</u>
<b>OPERATING INCOME</b>	127,917	131,623	(3,706)	(2.8%)
Interest expense	(8,663)	(7,898)	(765)	9.7%
Interest income	928	711	217	30.5%
<b>INCOME BEFORE INCOME TAXES</b>	120,182	124,436	(4,254)	(3.4%)
Income taxes	33,259	34,457	(1,198)	(3.5%)
Net income	86,923	89,979	(3,056)	(3.4%)
Net income attributable to noncontrolling interests	752	1,200	(448)	(37.3%)
<b>NET INCOME ATTRIBUTABLE TO TIM HORTONS INC.</b>	<u>\$ 86,171</u>	<u>\$ 88,779</u>	<u>(\$ 2,608)</u>	<u>(2.9%)</u>
Basic earnings per common share attributable to Tim Hortons Inc.	<u>\$ 0.56</u>	<u>\$ 0.57</u>	<u>(\$ 0.01)</u>	<u>(0.5%)</u>
Diluted earnings per common share attributable to Tim Hortons Inc.	<u>\$ 0.56</u>	<u>\$ 0.56</u>	<u>\$ 0.00</u>	<u>(0.4%)</u>
Weighted average number of common shares outstanding (in thousands) - Basic	<u>153,091</u>	<u>156,993</u>	<u>(3,902)</u>	<u>(2.5%)</u>
Weighted average number of common shares outstanding (in thousands) - Diluted	<u>153,548</u>	<u>157,490</u>	<u>(3,942)</u>	<u>(2.5%)</u>
Dividends per common share	<u>\$ 0.26</u>	<u>\$ 0.21</u>	<u>\$ 0.05</u>	

n/m - not meaningful  
(all numbers rounded)

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

	<u>March 31, 2013</u>	As at <u>December 30, 2012</u> (Unaudited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 74,641	\$ 120,139
Restricted cash and cash equivalents	104,021	150,574
Accounts receivable, net	211,137	171,605
Notes receivable, net	5,932	7,531
Deferred income taxes	7,758	7,142
Inventories and other, net	108,796	107,000
Advertising fund restricted assets	43,543	45,337
<b>Total current assets</b>	<u>555,828</u>	<u>609,328</u>
<b>Property and equipment, net</b>	1,570,769	1,553,308
<b>Intangible assets, net</b>	3,423	3,674
<b>Notes receivable, net</b>	5,672	1,246
<b>Deferred income taxes</b>	10,716	10,559
<b>Equity investments</b>	41,644	41,268
<b>Other assets</b>	71,326	64,796
<b>Total assets</b>	<u>\$ 2,259,378</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)

	<u>March 31, 2013</u>	<u>As at December 30, 2012</u> (Unaudited)
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 134,391	\$ 169,762
Accrued liabilities		
Salaries and wages	13,969	21,477
Taxes	15,002	8,391
Other	149,581	197,871
Deferred income taxes	581	197
Advertising fund liabilities	44,542	44,893
Current portion of long-term obligations	19,337	20,781
<b>Total current liabilities</b>	<u>377,403</u>	<u>463,372</u>
<b>Long-term obligations</b>		
Long-term debt	358,470	359,471
Long-term debt - Advertising fund	46,411	46,849
Capital leases	107,725	104,383
Deferred income taxes	10,049	10,399
Other long-term liabilities	113,020	109,614
<b>Total long-term obligations</b>	<u>635,675</u>	<u>630,716</u>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
<b>Equity of Tim Hortons Inc.</b>		
Common shares		
\$2.84 stated value per share, Authorized: unlimited shares, Issued: 153,404,839 shares	435,033	435,033
Common shares held in Trust, at cost: 314,334 and 316,923 shares, respectively	(13,247)	(13,356)
Contributed surplus	11,516	10,970
Retained earnings	939,853	893,619
Accumulated other comprehensive loss	(128,408)	(139,028)
<b>Total equity of Tim Hortons Inc.</b>	<u>1,244,747</u>	<u>1,187,238</u>
<b>Noncontrolling interests</b>	1,553	2,853
<b>Total equity</b>	<u>1,246,300</u>	<u>1,190,091</u>
<b>Total liabilities and equity</b>	<u>\$ 2,259,378</u>	<u>\$ 2,284,179</u>

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

	First Quarter Ended	
	<u>March 31, 2013</u>	<u>April 1, 2012</u>
	<i>(Unaudited)</i>	
<b>CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>		
Net income	\$ 86,923	\$ 89,979
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	35,638	30,956
Stock-based compensation expense	7,387	7,181
Deferred income taxes	(1,113)	303
Changes in operating assets and liabilities		
Restricted cash and cash equivalents	46,766	44,630
Accounts receivable	(37,849)	(19,799)
Inventories and other	(5,331)	(11,148)
Accounts payable and accrued liabilities	(87,073)	(70,481)
Taxes	6,597	(12,572)
Other	(3,741)	7,329
<b>Net cash provided from operating activities</b>	<u>48,204</u>	<u>66,378</u>
<b>CASH FLOWS (USED IN) PROVIDED FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(47,479)	(34,269)
Capital expenditures - Advertising fund	(2,761)	(14,014)
Other investing activities	1,601	960
<b>Net cash (used in) investing activities</b>	<u>(48,639)</u>	<u>(47,323)</u>
<b>CASH FLOWS (USED IN) PROVIDED FROM FINANCING ACTIVITIES</b>		
Repurchase of common shares	0	(86,416)
Dividend payments to common shareholders	(39,885)	(33,046)
Short-term borrowings	0	25,000
Principal payments on long-term debt obligations	(4,488)	(2,045)
Other financing activities	(1,414)	9,736
<b>Net cash (used in) financing activities</b>	<u>(45,787)</u>	<u>(86,771)</u>
<b>Effect of exchange rate changes on cash</b>	<u>724</u>	<u>(1,011)</u>
<b>(Decrease) in cash and cash equivalents</b>	(45,498)	(68,727)
<b>Cash and cash equivalents at beginning of period</b>	<u>120,139</u>	<u>126,497</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 74,641</u>	<u>\$ 57,770</u>

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

	First quarter ended	
	March 31, 2013	April 1, 2012
	<i>(Unaudited)</i>	
<b>REVENUES <sup>(1)</sup></b>		
Canada	\$ 593,673	\$ 599,883
U.S.	44,448	38,429
Corporate services	4,125	4,471
Total reportable segments	642,246	642,783
Variable interest entities	89,291	78,501
Total	<u>\$ 731,537</u>	<u>\$ 721,284</u>
<b>SEGMENT OPERATING INCOME (LOSS)</b>		
Canada	\$ 145,821	\$ 147,226
U.S.	910	1,654
Corporate services	(10,665)	(18,785)
Total reportable segments	136,066	130,095
Variable interest entities	1,326	1,528
Corporate reorganization expenses	(9,475)	0
<b>Consolidated Operating Income</b>	<u>127,917</u>	<u>131,623</u>
<b>Interest, net</b>	<u>(7,735)</u>	<u>(7,187)</u>
<b>Income before income taxes</b>	<u>\$ 120,182</u>	<u>\$ 124,436</u>

<sup>(1)</sup> Inter-segment revenues have been eliminated.

	First quarter ended			
	March 31, 2013	April 1, 2012	\$ Change	% Change
	<i>(Unaudited)</i>			
<i>Consolidated Sales is comprised of:</i>				
Distribution sales	\$ 431,151	\$ 439,728	\$ (8,577)	(2.0)%
Company-operated restaurant sales	5,976	5,560	416	7.5%
Sales from variable interest entities	86,760	78,014	8,746	11.2%
Total Sales	<u>\$ 523,887</u>	<u>\$ 523,302</u>	<u>\$ 585</u>	<u>0.1%</u>

	First quarter ended			
	March 31, 2013	April 1, 2012	\$ Change	% Change
	<i>(Unaudited)</i>			
<i>Consolidated Cost of sales is comprised of:</i>				
Distribution cost of sales	\$ 375,553	\$ 389,948	\$(14,395)	(3.7)%
Company-operated restaurant cost of sales	7,010	6,080	930	15.3%
Cost of sales of variable interest entities	78,791	68,892	9,899	14.4%
Total Cost of sales	<u>\$ 461,354</u>	<u>\$ 464,920</u>	<u>\$ (3,566)</u>	<u>(0.8)%</u>

**TIM HORTONS INC. AND SUBSIDIARIES**  
**SYSTEMWIDE RESTAURANT COUNT**

	As at March 31, 2013	As at December 30, 2012	Increase/ (Decrease) From Year End	As at April 1, 2012	Increase/ (Decrease) From Prior Year
<b>Canada</b>					
Company-operated	15	18	(3)	16	(1)
Franchised - standard and non-standard	3,312	3,294	18	3,179	133
Franchised - self-serve kiosks	126	124	2	120	6
<b>Total</b>	<b>3,453</b>	<b>3,436</b>	<b>17</b>	<b>3,315</b>	<b>138</b>
<i>% Franchised</i>	<i>99.6 %</i>	<i>99.5 %</i>		<i>99.5 %</i>	
<b>U.S.</b>					
Company-operated	2	4	(2)	7	(5)
Franchised - standard and non-standard	626	621	5	549	77
Franchised - self-serve kiosks	180	179	1	165	15
<b>Total</b>	<b>808</b>	<b>804</b>	<b>4</b>	<b>721</b>	<b>87</b>
<i>% Franchised</i>	<i>99.8 %</i>	<i>99.5 %</i>		<i>99.0 %</i>	
<b>International (Gulf Cooperation Council)</b>					
Franchised - standard and non-standard	27	24	3	6	21
<b>Total</b>	<b>27</b>	<b>24</b>	<b>3</b>	<b>6</b>	<b>21</b>
<i>% Franchised</i>	<i>100.0 %</i>	<i>100.0 %</i>		<i>100.0 %</i>	
<b>Total system</b>					
Company-operated	17	22	(5)	23	(6)
Franchised - standard and non-standard	3,965	3,939	26	3,734	231
Franchised - self-serve kiosks	306	303	3	285	21
<b>Total</b>	<b>4,288</b>	<b>4,264</b>	<b>24</b>	<b>4,042</b>	<b>246</b>
<i>% Franchised</i>	<i>99.6 %</i>	<i>99.5 %</i>		<i>99.4 %</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 customers. 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.

SOURCE: Tim Hortons Inc.

For further information:

Scott Bonikowsky, (905) 339-6186 or [bonikowsky\\_scott@timhortons.com](mailto:bonikowsky_scott@timhortons.com)



**Tim Hortons Inc. announces appointment of Marc Caira as new President and CEO:  
Seasoned Nestlé SA global foodservices executive to join Tim Hortons in July 2013**

**(OAKVILLE, ON, May 8, 2013)** - Tim Hortons Inc. (TSX: THI, NYSE: THI) today announced the appointment of Marc Caira as President and CEO, effective July 2nd, 2013. He replaces Paul House, who will become non-Executive Chairman of the Board of Directors at that time. Mr. Caira will also stand for election as a director at the annual meeting of shareholders.

Mr. Caira, 59, was most recently Global CEO of Nestlé Professional. In this role, he led a global organization of 10,000 employees that operates in approximately 100 countries. He was also a member of the Executive Board of Nestlé SA, the world's largest food and beverage company, and a recognized leader in nutrition, health and wellness.

Among the roles he held prior to his most recent position, which he was appointed to in 2006, Mr. Caira was President & CEO of Parmalat North America, Chief Operating Officer of Parmalat Canada, and President, Food Services and Nescafe Beverages for Nestlé Canada.

"Marc Caira is an accomplished executive with exceptional knowledge of the North American and global foodservices industry. His knowledge of the out-of-home hot and cold beverage and food sectors is second to none. Marc's strategic leadership capabilities, vision and tremendous depth of experience make him the ideal leader to take Tim Hortons into the future, and I am confident the Company is in great hands," said Paul House, executive chairman, Tim Hortons Inc.

"Tim Hortons is an iconic brand and national treasure in Canada, and in my view the Company has tremendous opportunity to build on that while creating successful businesses in the United States and internationally. It's an honour to lead this organization at such an important time in its history, and I am looking forward to working with restaurant owners, the management team, employees, investors and other key stakeholders on the next leg of growth," noted Caira.

The Nestlé Professional global out-of-home business was created in 2006, and under Mr. Caira's leadership, experienced significant strategic transformation and expansion in the hot and cold beverage and food sectors. Mr. Caira also helped Parmalat's North American operations successfully navigate a time of significant adversity in its parent company, recapitalizing the Canadian business and ensuring the continuation of a large, viable and profitable business.

Additional information:

- Appointment: July 2nd, 2013
- Age: 59
- Family: Married to Helan Caira for 34 years, four children
- Nationality: Canadian

**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, fruit smoothies, home-style soups, fresh Panini and classic sandwiches, wraps, hot breakfast sandwiches and fresh baked goods, including our trademark donuts. As of March 31st, 2013, Tim Hortons had 4,288 systemwide restaurants, including 3,453 in Canada, 808 in the United States and 27 in the Gulf Cooperation Council. More information about the Company is available at [www.timhortons.com](http://www.timhortons.com).

**For further information:**

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FOR IMMEDIATE RELEASE  
(All amounts in Canadian dollars)



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

**OAKVILLE, ONTARIO**, (May 8<sup>th</sup>, 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 May 23<sup>rd</sup>, 2013. The dividend is payable on June 7<sup>th</sup>, 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, home-style soups, fresh Panini and classic sandwiches, wraps, hot breakfast sandwiches and fresh baked goods, including our trademark donuts. As of March 31<sup>st</sup>, 2013, Tim Hortons had 4,288 systemwide restaurants, including 3,453 in Canada, 808 in the United States and 27 in the Gulf Cooperation Council. More information about the Company is available at [www.timhortons.com](http://www.timhortons.com).

**CONTACTS:**

INVESTORS: Scott Bonikowsky: (905) 339-6186 or [investor\\_relations@timhortons.com](mailto: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”), as updated in the Quarterly Report on Form 10-Q filed on May 8, 2013, 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; 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 approximately 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. The Company is currently in a CEO transition period. 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 the continuity of business initiatives, plans and strategies through the transition period. The Company is also in the process of implementing a corporate reorganization involving the realignment of roles and responsibilities under the new structure, which has resulted in a slight net reduction in the size of its employee base due to the

departure of certain employees as well as vacancies in certain positions which need to be filled. 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 our current 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. A number of commodities have recently experienced elevated prices relative to historic prices. 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. In addition, if further escalation in prices continues, the Company may be forced to purchase commodities at higher prices at the end of the respective terms of its current 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 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.