(All amounts in Canadian dollars)

# Tim Hortons Inc. Announces Second Quarter Results

## Revenues up 14.4%
## Same-store Sales Momentum Continues

### Financial and Operational Highlights

| Second Quarter Ended | July 1, 2007 | July 2, 2006 | % Change |
|---|---|---|---|
| Revenues | $ 465.3 | $ 406.8 | 14.4% |
| Operating Income | $ 106.3 | $ 98.5 | 8.0% |
| Effective Tax Rate | 33.8% | 19.8% | n/a |
| Net Income | $ 67.2 | $ 76.3 | (11.9)% |
| EPS | $ 0.36 | $ 0.39 | (7.7)% |
| Fully Diluted Shares | 189.3 | 193.3 | (2.1)% |

$ million except EPS. Fully diluted shares in millions.

### Second-Quarter Same-Store Sales Summary

| | Q2 2007 | Q2 2006 | 2007 YTD | 2006 YTD |
|---|---|---|---|---|
| Canada | 6.5% | 6.1% | 6.4% | 7.3% |
| U.S. | 3.8% | 8.4% | 3.9% | 9.1% |

As of July 1, 2007, 99% of the Company's stores in Canada and 86% of the stores in the U.S. were franchised.

### Second Quarter Highlights

- Same-store sales grew 6.5% and 3.8% in Canada and the U.S., respectively
- 18 new restaurants opened in the second quarter of 2007
- Revenues up 14.4%, operating income up 8.0%
- Net income impacted by higher effective tax rate in the second quarter of 2007
- Company declares fifth consecutive $0.07 quarterly dividend
- $45.0 million spent to repurchase 1.3 million shares in the second quarter of 2007

OAKVILLE, ONTARIO, August 3, 2007 - Tim Hortons Inc. (NYSE:THI, TSX: THI) today announced its results for the second quarter ended July 1, 2007.

Second quarter same-store sales increased 6.5% in Canada (6.1% in Q2 2006) and increased 3.8% in the U.S. (8.4% in Q2 2006). Tim Hortons® opened a total of 18 restaurants in the quarter compared to 30 restaurants in the second quarter last year. Systemwide sales growth(1) was 10.9% in the second quarter. Systemwide sales growth includes all franchised and Company-operated restaurants sales.

Featured promotions during the second quarter were the Triple Chocolate Donut, Iced Capp Supreme, Chicken Salad and Egg Salad Wrap sandwiches and, in the U.S., the introduction of Iced Coffee in late June. Pricing contributed approximately 1% of the same-store sales growth in both Canada and the U.S.

"Same-store sales performance in Canada through the second quarter of this year has continued to exceed our expectations, driven by our strong promotional calendar, product innovation, store level operations, and some price increases," said Chairman and Chief Executive Officer Paul House. "Although U.S. same-store sales fell below our long-term targeted growth, we are executing on our plan of developing selected markets and growing our brand in the U.S. We feel positive about our second quarter U.S. segment operating results, which improved significantly over the first quarter of 2007, to a slightly positive contribution."

Total revenues were $465.3 million in the second quarter, up 14.4% compared to $406.8 million in the second quarter of 2006. Revenues from our distribution business grew 19.6%, primarily as a result of systemwide sales growth and our continued roll out of three-channel delivery from our Guelph facility in Ontario. Rent and royalty revenues increased 10.5%, consistent with systemwide sales growth.

Cost of sales grew 17.7% in the second quarter of 2007 compared to the second quarter of 2006, which was reflective of the growth in systemwide sales and higher costs associated with frozen and refrigerated distribution. In the second quarter of 2007, operating expenses increased 14.5%, at a rate higher than our systemwide sales growth, in part due to a higher number of properties being leased and subleased and costs associated with research and development in the area of new store design incurred.

Operating income in the second quarter was $106.3 million compared to $98.5 million for the same period in 2006. The $7.8 million year-over-year improvement in operating income was primarily due to the higher revenues. Operating gains in the second quarter of 2007 were offset, in part, by the factors discussed above and higher general and administrative expenses. General and administrative costs increased due primarily to costs associated with restricted stock units (RSUs) and higher public company costs. The Company made its RSU grant to officers and certain employees in May 2007 versus the third quarter of 2006.

Operating income growth of 8.0% was lower than revenue growth, in part, as a result of the change in business mix, with distribution contributing a higher proportion of the revenue and cost growth. Distribution operating margins are generally lower than margins from other areas of our business, but remain a critical element of our overall strategy and are contributing positively to our operating income.

Net interest expense in the second quarter of 2007 was $4.8 million compared to $3.3 million in the same period last year primarily due to lower cash balances on-hand throughout this quarter.

The effective tax rate in the second quarter of 2007 was 33.8% compared to 19.8% in 2006. The low 2006 rate reflected certain benefits that did not recur in 2007.

Second quarter net income was $67.2 million compared to $76.3 million last year. Reported diluted earnings per share (EPS) were $0.36 compared to $0.39 in the second quarter of 2006. The primary factor contributing to reductions in net income and EPS for the quarter was the higher effective tax rate in 2007.

Diluted weighted average shares outstanding in the second quarter of 2007 were 189.3 million compared to 193.3 million in the same period last year. The 2.1% lower share count was due to the Company's share repurchase program.

"In addition to the continued same-store sales momentum, we are pleased with the top-line revenue growth and operating results achieved through the end of the second quarter," said Cynthia Devine, Executive Vice President and Chief Financial Officer. "Our operating income is ahead of our expectations for the first six months of 2007, and if that trend continues, we would expect to meet or exceed our 2007 operating income growth target of 10%."

**MasterCard® Implementation**

As previously announced, Tim Hortons continues to aggressively install MasterCard payment terminals in Tim Hortons locations across Canada. Adding the option of MasterCard payment gives our customers more choice and flexibility and is a great way to enhance our customer experience. As of July 20th, approximately 1,000 restaurant locations have been installed and are accepting MasterCard. We anticipate that all participating stores will be up and running with MasterCard by late 2007.

**Camp Day**

On June 6, all of our systemwide restaurants participated in "Camp Day." Over 3,000 Tim Hortons stores in North America donated their entire coffee sales and funds raised through Camp Day events and activities to the Tim Horton Children's Foundation, raising $8.3 million. This amount is a new record, exceeding last year's total of $7.2 million. These contributions will give over 12,000 deserving kids the opportunity to experience a camping adventure of a lifetime this year at one of the six Tim Horton Children's Foundation camps.

**Share repurchase program in the second quarter**

In the second quarter, the Company purchased 1.3 million shares at an average cost of $34.45 for a total cost of $45.0 million. The Company has now completed $155 million of the previously-announced $200 million share repurchase program.

**Board declares quarterly dividend**

The Board of Directors has approved a $0.07 quarterly dividend. The dividend is payable on August 27, 2007, to shareholders of record as of August 15, 2007. The payment of future dividends remains subject to the discretion of the Company's Board of Directors.

Tim Hortons dividend is paid in Canadian dollars to all shareholders with Canadian resident addresses whose shares are registered with Computershare (the Company's transfer agent). For all other shareholders, including all shareholders who hold their shares indirectly (i.e. through their broker) and regardless of country of residence, the dividend will be converted to U.S. dollars on August 20, 2007 at the daily noon rate established by the Bank of Canada and paid in U.S. dollars on August 27, 2007.

**Tim Hortons to host conference call at 8:00 a.m. today, August 3**

Tim Hortons will host a conference call beginning at 8:00 a.m. (Eastern) today. Investors and the public may listen to the conference call in either one of the following ways:

- Phone: The dial-in number is (416) 641-6712. No access code is required. A replay of the call will be available until midnight, August 10 and can be accessed at (416) 626-4100. The reservation number for the replay call is 21342467.

- Simultaneous Web Cast: Available at www.timhortons.com. The call will also be archived at that site.

**(1) Systemwide Sales Growth**

Total systemwide sales growth includes restaurant level sales at both Company and franchise restaurants. Approximately 97.5% of our system is franchised as at July 1, 2007. Systemwide sales growth is determined using a constant exchange rate 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 2007, systemwide sales growth was 10.9% over the second quarter of 2006. Systemwide sales impact our franchise royalties and rental income, as well as our distribution sales. Changes in systemwide sales are driven by changes in average same store sales and changes in the number of restaurants.

**Safe Harbor Statement**

Certain information in this news release, particularly information regarding future economic performance and finances, and plans, expectations and objectives of management, is forward-looking. Factors set forth in the Company's Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995, including by reference the “risk factors” outlined in the Company’s most recent Form 10-K filed March 9, 2007, in addition to other possible factors not listed or described in the Safe Harbor Statement, 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 of the date hereof. Except as required by federal or provincial securities laws, the Company undertakes no obligation to publicly release any revisions to the forward looking statements contained in this release, or to update them to reflect events or circumstances occurring after the date of this release, or to reflect the occurrence of unanticipated events, even if new information, future events or other circumstances have made the forward-looking statements incorrect or misleading. Please review the Company's Safe Harbor Statement at http://www.timhortons.com/safeharbor.html.

**Tim Hortons Inc. Overview**

Tim Hortons is Canada’s largest quick service restaurant chain. Founded in 1964 as a coffee and donut shop, Tim Hortons has evolved to meet consumer tastes, with a menu that now includes premium coffee, flavored cappuccinos, specialty teas, home-style soups, fresh sandwiches and fresh baked goods. As of July 1, 2007, Tim Hortons system-wide restaurants numbered 2,733 in Canada and 345 in the United States. More information about the Company is available at www.timhortons.com.

CONTACT:
Rachel Douglas: (905) 339-6277 or douglas_rachel@timhortons.com

**TIM HORTONS INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
(In thousands of Canadian dollars, except per share data)

*(Unaudited)*

| | Second Quarter Ended | | | |
|---|---|---|---|---|
| | July 1, 2007 | July 2, 2006 | $ Change | % Change |
| REVENUES | | | | |
| Sales | $307,994 | $263,453 | $44,541 | 16.9% |
| Franchise revenues | | | | |
| Rents and royalties | 140,114 | 126,843 | 13,271 | 10.5% |
| Franchise fees | 17,149 | 16,475 | 674 | 4.1% |
| | 157,263 | 143,318 | 13,945 | 9.7% |
| TOTAL REVENUES | 465,257 | 406,771 | 58,486 | 14.4% |
| COSTS AND EXPENSES | | | | |
| Cost of sales | 269,847 | 229,278 | 40,569 | 17.7% |
| Operating expenses | 50,088 | 43,748 | 6,340 | 14.5% |
| Franchise fee costs | 17,074 | 17,011 | 63 | 0.4% |
| General & administrative expenses | 30,810 | 27,493 | 3,317 | 12.1% |
| Equity (income) | (9,235) | (9,144) | (91) | 1.0% |
| Other (income) expense, net | 333 | (123) | 456 | N/M |
| TOTAL COSTS & EXPENSES, NET | 358,917 | 308,263 | 50,654 | 16.4% |
| OPERATING INCOME | 106,340 | 98,508 | 7,832 | 8.0% |
| Interest (expense) | (6,143) | (6,652) | 509 | (7.7%) |
| Interest income | 1,324 | 4,433 | (3,109) | (70.1%) |
| Affiliated interest (expense), net | - | (1,087) | 1,087 | N/M |
| INCOME BEFORE INCOME TAXES | 101,521 | 95,202 | 6,319 | 6.6% |
| INCOME TAXES | 34,282 | 18,892 | 15,390 | 81.5% |
| NET INCOME | $67,239 | $76,310 | ($9,071) | (11.9%) |
| Basic earnings per share of common stock | $0.36 | $0.39 | ($0.03) | (7.7%) |
| Diluted earnings per share of common stock | $0.36 | $0.39 | ($0.03) | (7.7%) |
| Basic shares of common stock (in thousands) | 189,017 | 193,303 | (4,286) | (2.2%) |
| Diluted shares of common stock (in thousands) | 189,253 | 193,303 | (4,050) | (2.1%) |
| Dividend per share of common stock (post initial public offering) | $0.07 | $0.00 | $0.07 | |

N/M - not meaningful

**TIM HORTONS INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
(In thousands of Canadian dollars, except per share data)

*(Unaudited)*

| | Year-to-Date Ended | | | |
|---|---|---|---|---|
| | July 1, 2007 | July 2, 2006 | $ Change | % Change |
| REVENUES | | | | |
| Sales | $586,344 | $506,104 | $80,240 | 15.9% |
| Franchise revenues | | | | |
| Rents and royalties | 267,354 | 242,367 | 24,987 | 10.3% |
| Franchise fees | 36,167 | 31,058 | 5,109 | 16.4% |
| | 303,521 | 273,425 | 30,096 | 11.0% |
| TOTAL REVENUES | 889,865 | 779,529 | 110,336 | 14.2% |
| COSTS AND EXPENSES | | | | |
| Cost of sales | 517,251 | 443,190 | 74,061 | 16.7% |
| Operating expenses | 97,264 | 86,743 | 10,521 | 12.1% |
| Franchise fee costs | 33,477 | 30,928 | 2,549 | 8.2% |
| General & administrative expenses | 59,560 | 55,779 | 3,781 | 6.8% |
| Equity (income) | (19,012) | (17,597) | (1,415) | 8.0% |
| Other (income) expense, net | 780 | (1,133) | 1,913 | N/M |
| TOTAL COSTS & EXPENSES, NET | 689,320 | 597,910 | 91,410 | 15.3% |
| OPERATING INCOME | 200,545 | 181,619 | 18,926 | 10.4% |
| Interest (expense) | (11,764) | (10,768) | (996) | 9.2% |
| Interest income | 3,320 | 6,862 | (3,542) | (51.6%) |
| Affiliated interest (expense), net | - | (7,876) | 7,876 | N/M |
| INCOME BEFORE INCOME TAXES | 192,101 | 169,837 | 22,264 | 13.1% |
| INCOME TAXES | 65,601 | 29,937 | 35,664 | 119.1% |
| NET INCOME | $126,500 | $139,900 | ($13,400) | (9.6%) |
| Basic earnings per share of common stock | $0.67 | $0.79 | ($0.12) | (15.2%) |
| Diluted earnings per share of common stock | $0.67 | $0.79 | ($0.12) | (15.2%) |
| Basic shares of common stock (in thousands) | 189,732 | 177,544 | 12,188 | 6.9% |
| Diluted shares of common stock (in thousands) | 189,981 | 177,544 | 12,437 | 7.0% |
| Dividend per share of common stock (post initial public offering) | $0.14 | $0.00 | $0.14 | |

N/M - not meaningful

**TIM HORTONS INC. AND SUBSIDARIES**
**CONSOLIDATED BALANCE SHEETS**
(In thousands of Canadian dollars)

| | July 1, 2007 | Dec 31, 2006 |
|---|---|---|
| | (Unaudited) | |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $98,610 | $176,083 |
| Accounts receivable, net | 117,466 | 110,403 |
| Notes receivable, net | 13,351 | 14,248 |
| Deferred income taxes | 12,717 | 6,759 |
| Inventories and other, net | 69,560 | 53,888 |
| Advertising fund restricted assets | 25,072 | 25,513 |
| | 336,776 | 386,894 |
| **Property and equipment, net** | 1,148,047 | 1,164,536 |
| **Notes receivable, net** | 13,152 | 16,504 |
| **Deferred income taxes** | 21,542 | 23,579 |
| **Intangible assets, net** | 3,414 | 3,683 |
| **Equity investments** | 139,050 | 139,671 |
| **Other assets** | 9,869 | 10,120 |
| | $1,671,850 | $1,744,987 |

**TIM HORTONS INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
(In thousands of Canadian dollars)

| | July 1, 2007 | December 31, 2006 |
|---|---|---|
| | (Unaudited) | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | $99,299 | $115,570 |
| Accrued expenses: | | |
| Salaries and wages | 11,951 | 18,927 |
| Taxes | 20,717 | 27,103 |
| Other | 48,669 | 66,262 |
| Advertising fund restricted liabilities | 42,192 | 41,809 |
| Current portion of long-term obligations | 5,826 | 5,518 |
| | 228,654 | 275,189 |
| **Long-term obligations** | | |
| Term debt | 325,483 | 325,590 |
| Advertising fund restricted debt | 18,876 | 23,337 |
| Capital leases | 46,590 | 44,774 |
| | 390,949 | 393,701 |
| **Deferred income taxes** | 17,449 | 17,879 |
| **Other long-term liabilities** | 53,698 | 39,814 |
| **Stockholders' equity** | | |
| Common stock, (US$0.001 par value per share) | | |
| Authorized: 1,000,000,000 shares | | |
| Issued: 193,302,977 shares | 289 | 289 |
| Capital in excess of par value | 919,063 | 918,043 |
| Treasury stock, at cost: 4,479,621 and 1,930,244 shares, respectively | (154,577) | (64,971) |
| Common stock held in trust, at cost: 421,344 and 266,295 shares, respectively | (14,659) | (9,171) |
| Retained earnings | 342,185 | 248,980 |
| Accumulated other comprehensive income (loss): | | |
| Cumulative translation adjustments and other | (111,201) | (74,766) |
| | 981,100 | 1,018,404 |
| | $1,671,850 | $1,744,987 |

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

*(Unaudited)*

| | Second Quarter Ended | | | |
|---|---|---|---|---|
| | July 1, 2007 | % of Total | July 2, 2006 | % of Total |
| REVENUES | | | | |
| Canada | $425,531 | 91.5% | $373,590 | 91.8% |
| U.S. | 39,726 | 8.5% | 33,181 | 8.2% |
| Total Revenues | $465,257 | 100.0% | $406,771 | 100.0% |
| SEGMENT OPERATING INCOME (LOSS) | | | | |
| Canada | $115,969 | 99.9% | $104,334 | 99.5% |
| U.S. | 79 | 0.1% | 495 | 0.5% |
| Reportable Segment Operating Income | 116,048 | 100.0% | 104,829 | 100.0% |
| Corporate Charges | (9,708) | | (6,321) | |
| Consolidated Operating Income | 106,340 | | 98,508 | |
| Interest, net | (4,819) | | (3,306) | |
| Income taxes | (34,282) | | (18,892) | |
| Net Income | $67,239 | | $76,310 | |

| | Year-to-Date Ended | | | |
|---|---|---|---|---|
| | July 1, 2007 | % of Total | July 2, 2006 | % of Total |
| REVENUES | | | | |
| Canada | $813,743 | 91.4% | $712,930 | 91.5% |
| U.S. | 76,122 | 8.6% | 66,599 | 8.5% |
| Total Revenues | $889,865 | 100.0% | $779,529 | 100.0% |
| SEGMENT OPERATING INCOME (LOSS) | | | | |
| Canada | $222,653 | 101.8% | $196,244 | 99.5% |
| U.S. | (4,039) | (1.8%) | 888 | 0.5% |
| Reportable Segment Operating Income | 218,614 | 100.0% | 197,132 | 100.0% |
| Corporate Charges | (18,069) | | (15,513) | |
| Consolidated Operating Income | 200,545 | | 181,619 | |
| Interest, net | (8,444) | | (11,782) | |
| Income taxes | (65,601) | | (29,937) | |
| Net Income | $126,500 | | $139,900 | |

**TIM HORTONS INC. AND SUBSIDIARIES**
**SYSTEMWIDE RESTAURANTS**

| | As of July 1, 2007 | As of April 1, 2007 | Increase/ (Decrease) From Prior Quarter | As of July 2, 2006 | Increase/ (Decrease) From Prior Year |
|---|---|---|---|---|---|
| Tim Hortons | | | | | |
| U.S. | | | | | |
| Company | 50 | 55 | (5) | 62 | (12) |
| Franchise | 295 | 285 | 10 | 235 | 60 |
| | 345 | 340 | 5 | 297 | 48 |
| *% Franchised* | *85.5%* | *83.8%* | | *79.1%* | |
| Canada | | | | | |
| Company | 26 | 35 | (9) | 40 | (14) |
| Franchise | 2,707 | 2,689 | 18 | 2,585 | 122 |
| | 2,733 | 2,724 | 9 | 2,625 | 108 |
| *% Franchised* | *99.0%* | *98.7%* | | *98.5%* | |
| Total Tim Hortons | | | | | |
| Company | 76 | 90 | (14) | 102 | (26) |
| Franchise | 3,002 | 2,974 | 28 | 2,820 | 182 |
| | 3,078 | 3,064 | 14 | 2,922 | 156 |
| *% Franchised* | *97.5%* | *97.1%* | | *96.5%* | |

# TIM HORTONS INC. AND SUBSIDIARIES
## Income Statement Definitions

| | |
|---|---|
| **Sales** | Primarily includes sales of products, supplies and restaurant equipment (except for initial equipment packages sold to franchisees as part of the establishment of their restaurant's business - see "Franchise Fees") that are shipped directly from our warehouses or by third party distributors to the restaurants, which we refer to as warehouse or distribution sales. Sales include canned coffee sales through the grocery channel. Sales also include sales from Company-operated restaurants and sales from franchise restaurants that are consolidated in accordance with FIN 46R. |
| **Rents and Royalties** | Includes franchisee royalties and rental revenues. |
| **Franchise Fees** | Includes the sales revenue from initial equipment packages, less fees for various costs and expenses related to establishing a franchisee's business. |
| **Cost of Sales** | Includes costs associated with our distribution warehouses, including cost of goods, direct labour and depreciation as well as the cost of goods delivered by third party distributors to the restaurants and for canned coffee sold through grocery stores. Cost of sales also includes food, paper and labour costs for Company-operated restaurants and franchise restaurants that are consolidated in accordance with FIN 46R. |
| **Operating Expenses** | Includes rent expense related to properties leased to franchisees and other property-related costs (including depreciation). |
| **Franchise fee costs** | Includes costs of equipment sold to franchisees as part of the initiation of their restaurant business, as well as training and other costs necessary to ensure a successful restaurant opening. |
| **General and Administrative** | Includes costs that cannot be directly related to generating revenue, including expenses associated with our corporate and administrative functions, allocation of expenses related to corporate functions and services historically provided to us by Wendy's and depreciation of office equipment, the majority of our information technology systems, and head office real estate. |
| **Equity Income** | Includes income from equity investments in 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. Income amounts are shown as reductions to total costs and expenses. |
| **Other Income and Expense** | Includes expenses (income) that are not directly derived from the Company's primary businesses. Items include restaurant closure costs, currency adjustments, real estate sales, minority interest related to the consolidation of franchised restaurants pursuant to FIN 46R, and other asset write-offs. |
| **Comprehensive Income** | Represents the change in our net assets during the reporting period from transactions and other events and circumstances from non-owner sources. It includes net income and other comprehensive income such as foreign currency translation adjustments and the impact of cash flow hedges. |