

The Second Cup Ltd.

Management's Discussion and Analysis

FINANCIAL HIGHLIGHTS

The following table sets out selected IFRS and certain non-GAAP financial measures of the Company and should be read in conjunction with the Unaudited Condensed Interim Financial Statements of the Company for the 13 weeks ended March 29, 2014.

(in thousands of Canadian dollars, except Number of cafés, Same café sales, and per share amounts)	13 weeks ended March 29, 2014	13 weeks ended March 30, 2013
System sales of cafés ¹	\$43,930	\$46,954
Same café sales ¹	(6.9%)	(3.3%)
Number of cafés - end of period	357	361
Total revenue	\$7,612	\$6,246
Gross profit	\$5,734	\$5,279
Operating expenses	\$5,508	\$4,252
Operating income ¹	<u>\$226</u>	<u>\$1,027</u>
Restructuring charges	\$559	-
Adjusted EBITDA ¹	\$941	\$1,334
Net income and comprehensive income	\$56	\$688
Basic and diluted earnings per share as reported	\$0.01	\$0.07
Adjusted basic and diluted earnings per share ¹	\$0.05	\$0.07
Total Assets – as at end of period	\$76,040	\$86,917
Number of common shares issued and outstanding - end of period	9,903,045	9,903,045

¹See the section “Definitions and discussion on certain non-GAAP financial measures” for further analysis.