

# 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 and 26 weeks ended June 28, 2014.

(in thousands of Canadian dollars, except same café sales, number of cafés, per share amounts, and number of common shares.)	13 weeks ended		26 weeks ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
System sales of cafés <sup>1</sup>	\$45,829	\$47,688	\$89,759	\$94,642
Same café sales <sup>1</sup>	(5.0%)	(2.2%)	(5.9%)	(2.8%)
Number of cafés - end of period	357	362	357	362
Total revenue	\$6,498	\$6,636	\$14,110	\$12,882
Gross profit	\$5,326	\$5,680	\$11,060	\$10,959
Operating expenses	\$4,107	\$3,828	\$9,056	\$8,080
Restructuring charges	\$1,607	-	\$2,166	-
Impairment charges	-	\$13,253	-	\$13,253
Operating loss <sup>1</sup>	(\$388)	(\$11,401)	(\$162)	(\$10,374)
Adjusted EBITDA <sup>1</sup>	\$1,516	\$2,122	\$2,457	\$3,456
Net loss and comprehensive loss	(\$390)	(\$10,152)	(\$334)	(\$9,464)
Basic and diluted loss per share as reported	(\$0.04)	(\$1.03)	(\$0.03)	(\$0.96)
Adjusted basic and diluted earnings per share <sup>1</sup>	\$0.08	\$0.14	\$0.13	\$0.21
Total assets - end of period	\$74,434	\$74,452	\$74,434	\$74,452
Number of common shares issued and outstanding - end of period	9,903,045	9,903,045	9,903,045	9,903,045

<sup>1</sup>See the section "Definitions and discussion on certain non-GAAP financial measures" for further analysis.