

# The Second Cup Ltd.

## Management's Discussion and Analysis

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### 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 39 weeks ended September 27, 2014.

(in thousands of Canadian dollars, except same store sales, number of cafés, per share amounts, and number of common shares.)	<b>13 weeks ended</b>		<b>39 weeks ended</b>	
	<b>September 27, 2014</b>	<b>September 28, 2013</b>	<b>September 27, 2014</b>	<b>September 28, 2013</b>
System sales of cafés <sup>1</sup>	\$43,596	\$44,894	\$133,355	\$139,536
Same store sales <sup>1</sup>	(2.9%)	(3.7%)	(5.1%)	(3.1%)
Number of cafés - end of period	349	351	349	351
Total revenue	\$6,695	\$6,268	\$20,805	\$19,150
Gross profit	\$4,846	\$5,226	\$15,906	\$16,185
Operating expenses	\$4,113	\$3,634	\$13,169	\$11,571
Restructuring charges	-	-	\$2,166	-
Provision for café closures	1,239	231	1,239	374
Impairment charges	29,708	-	29,708	\$13,253
Operating income (loss) <sup>1</sup>	<u>(\$30,124)</u>	<u>\$1,361</u>	<u>(\$30,376)</u>	<u>(\$9,013)</u>
Adjusted EBITDA <sup>1</sup>	\$1,079	\$1,902	\$3,536	\$5,501
Net (loss) income and comprehensive (loss) income	(\$26,230)	\$918	(\$26,564)	(\$8,546)
Basic and diluted earnings (loss) per share as reported	(\$2.65)	\$0.09	(\$2.68)	(\$0.86)
Adjusted basic and diluted earnings per share <sup>1</sup>	\$0.04	\$0.11	\$0.17	\$0.33
Total assets - end of period	\$44,578	\$74,262	\$44,578	\$74,262
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.