Management’s Discussion and Analysis
For the third quarter ended August 31, 2010

General

Management's Discussion and Analysis of the financial position and results of operations ("MD&A") of MTY Food Group Inc. ("MTY”) is supplementary information and should be read in conjunction with the Company’s consolidated financial statements and accompanying notes and with the most recent annual report, for the fiscal year ended November 30, 2009.

In the MD&A, MTY Food Group Inc., MTY, or the Company, designates, as the case may be, MTY Food Group Inc. and its Subsidiaries, or MTY Food Group Inc., or one of its subsidiaries.

There have been no significant changes with regards to “Corporate Objectives, Core Business and Strategies”, “Risk and Uncertainties”, and “Critical accounting Policies to those outlined in the Annual MD&A contained in MTY’s 2009 Annual Report. As such, they are not repeated herein.

The consolidated financial statements contained in this interim report have not been reviewed by MTY’s external auditors.

This MD&A was prepared as at October 1, 2010. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR’s website at www.sedar.com.

Forward looking statements

This MD&A and, in particular, but without limitation, the sections of this MD&A entitled Outlook, Same Store Sales and Contingent Liabilities, contain forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company during the course of 2010. Forward-looking statements also include any other statements that do not refer to historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target and will. All such forward-looking statements are made pursuant to the ‘safe harbour’ provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this MD&A describe our expectations at October 1, 2010 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and you are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided in this MD&A for the purpose of giving information about management's current strategic priorities, expectations and plans and allowing investors and others to get a better understanding of our business outlook and operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions that we believed were reasonable on October 1, 2010. Refer, in particular, to the section of this MD&A entitled Risks and Uncertainties for a description of certain key economic, market and operational assumptions we have used in making forward-looking statements contained in this MD&A. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

Unless otherwise indicated in this MD&A, the strategic priorities, business outlooks and assumptions described in the previous MD&A remain substantially unchanged.

Important risk factors that could cause actual results or events to differ materially from those expressed in or implied by the above-mentioned forward-looking statements and other forward-looking statements included in this MD&A include, but are not limited to: the intensity of competitive activity, and the resulting impact on our ability to attract customers' disposable income; our ability to secure advantageous locations; the arrival of foreign concepts, our ability to attract new franchisees; changes customer tastes and in the attractiveness of our concepts; general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, our products; our ability to implement our strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide to us essential products and services; labour availability and cost; stock market volatility; operational constraints the event of the occurrence of epidemics, pandemics and other health risks.

These and other risk factors that could cause actual results or events to differ materially from our expectations expressed in or implied by our forward-looking statements are discussed in this MD&A.

We caution readers that the risks described above are not the only ones that could impact us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition or results of operations.

Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after October 1, 2010. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.

Compliance with Generally Accepted Accounting Principles

Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). MTY uses income before income taxes, non-controlling interest and amortization ("EBITDA") because this measure enables management to assess the Company's operational performance. This measure is a widely accepted financial indicator but is not a measurement determined in accordance with GAAP and may not be comparable to the EBITDA presented by other companies.

Highlights of significant events during the quarter

There was no significant change during the quarter.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki Ming, Sukiyaki, La Cremiere, Caferama, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Chick 'N' Chick, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thai Express, Mrs. Vanelli's, Kim Chi, "TCBY", Yogen Früz, Sushi Shop, Koya Japan, Vie & Nam, Tandori, O'Burger, Tutti Frutti, Taco Time, Country Style, Bunsmaster, and the newly acquired Valentine. During the second quarter of 2010, the Company completed the conversion of the remaining Veggirama outlets into Cultures outlets.

As at August 31, 2010 MTY had 1614 locations in operation, of which 1598 were franchised and the remaining 16 locations were operated by MTY.

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and, iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks and in other venues or retailers shared sites. The non-traditional locations are typically smaller in size, require a lower investment and generate lower revenues than the locations found in shopping malls, food courts or street front locations. The street front locations are mostly made up of the Country Style, La Cremiere, "TCBY",

Sushi Shop, Taco Time and Tutti Frutti banners. La Cremiere and “TCBY” operate primarily from April to September and the others banners operate year round.

MTY has developed several quick service restaurant concepts: Tiki Ming - Chinese cuisine, was its first banner, followed by Sukiyaki - A Japanese delight, Franx Supreme – hot dog/hamburger, Panini Pizza Pasta, Chick’n’Chick, Caferama, Carrefour Oriental, Villa Madina, Kim Chi, Vie & Nam, Tandori and O’Burger. Other banners added through acquisitions include: 18 locations from the Fontaine Sante/Veggirama chain in 1999, 74 locations from the La Cremiere ice cream chain in 2001, 20 locations from the Croissant Plus chain in 2002, 24 locations from the Cultures chain in 2003, 6 locations from the Thai Express chain in May 2004, 103 locations from the Mrs. Vanelli’s chain in June 2004, 91 locations of The Country’s Best Yogurt “TCBY” with the undertaking of the Canadian master franchise right in September 2005. On April 1, 2006, MTY acquired the exclusive master franchise rights to franchise Yogen Früz™ throughout Canada with its network of 152 existing locations. On September 1, 2006, MTY acquired the Sushi Shop banner with its 42 franchise locations and 5 corporate owned locations and on October 19, 2006, the Company acquired the Koya Japan banner with its 24 franchise locations and one corporate owned location. On September 1, 2007 MTY purchased 15 existing Sushi Shop franchise locations from an investor group. On September 15, 2008, MTY acquired the Tutti Frutti banner with its 29 outlets. This banner caters to the breakfast and lunch crowd. On October 31, 2008, MTY acquired the Canadian franchising rights of Taco Time in Canada. As at the date of acquisition, there were 117 Taco Time restaurants operating in Western Canada. On May 1, 2009, the Company acquired the outstanding shares of Country Style Food Services Holdings Inc. with the 480 outlets operated by its subsidiaries. MTY also has an exclusive area development agreement with Restaurant Au Vieux Duluth to develop and sub-franchise Au Vieux Duluth Express quick-service restaurants in the Provinces of Ontario and Quebec.

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turn key projects, rent, sign rental and sales of other goods and services to franchisees. Revenues from corporate owned locations include sales generated from corporate owned locations. Other operating expenses include salaries, general and administrative costs associated with existing and new franchisees, expenses in the development of new markets, costs of setting up turn key projects, supplies and equipment sold to franchisees. Corporate owned location expenses include the costs to operate corporate owned locations.

Description of recent acquisition

On April 13, 2009, MTY announced that its wholly owned subsidiary MTY Tiki Ming Enterprises Inc. would be acquiring all the issued shares of Country Style Food Services Holdings Inc. The acquisition was completed on May 1, 2009. The Company has paid $7,936,791 in cash and $6,750,000 as repayment of long-term debt on closing and retained the amounts of $997,868 and $794,576 as holdbacks and withholding taxes respectively. An amount of $2,697,762 of post-closing adjustments is to be reimbursed

by the sellers to the Company in accordance with the provisions of the purchase agreement. The post-closing adjustments are under litigation.

As at the date of acquisition, there were 117 Country Style traditional restaurants, 348 non-traditional Country Style outlets as well as 15 Bunsmaster retail outlets. All these units were franchised with the exception of 5 corporate owned traditional restaurants.

As a result of the litigation regarding post-closing adjustments, the purchase price of Country Style has not been finalized as of October 1, 2010.

Subsequent event

On September 16, 2010, the Company completed the acquisition of all of the issued and outstanding shares of Groupe Valentine Inc., 9180-7420 Quebec Inc., as well as seven real estate properties owned by an affiliated corporation. At the date of the closing, there were 94 Valentine outlets, including 86 franchise outlets and 8 corporate-owned restaurants.

As of October 1, 2010, the purchase price has not been finalized.

Selected annual information

	Year ended November 30,2007	Year ended November 30,2008	Year ended November 30,2009
Total assets	$52,311,310	$60,087,474	$76,535,459
Total long-term liabilities*	$2,826,714	$2,217,748	$2,463,229
Revenue	$30,526,025	$34,239,041	$51,537,788
Income before income taxes and non-controlling interest	$13,536,341	$14,327,700	$17,927,708
Net income and comprehensive income	$9,167,123	$9,911,506	$12,261,503
EPS basic	$0.48	$0.52	$0.64
EPS diluted	$0.48	$0.52	$0.64
Weighted daily average number of common shares	18,932,767	19,120,567	19,120,567
Weighted average number of diluted common shares	19,081,504	19,120,567	19,120,567

* Total long-term liabilities exclude non-controlling interest

Summary of quarterly financial information

	Quarters ended							
	November 2008	February 2009	May 2009	August 2009	November 2009	February 2010	May 2010	August 2010
Revenue	$8,827,337	$9,777,233	$11,434,753	$14,838,378	$15,487,424	$14,313,553	$17,287,393	$15,941,775
Net income and comprehensive income	$2,836,995	$2,199,526	$2,901,760	$3,384,504	$3,775,712	$3,003,595	$3,809,139	$4,150,813
Per share	$0.15	$0.12	$0.15	$0.18	$0.20	$0.16	$0.20	$0.22
Per diluted share	$0.15	$0.12	$0.15	$0.18	$0.20	$0.16	$0.20	$0.22

Results of operations for the nine-month period ended August 31, 2010

Revenue

For the nine months of 2010, total revenue increased by 32%, to $47.5 million, from $36.1 million for the same period last year.

For the same period, revenue from franchise locations increased by 43%, progressing from $28.9 million in 2009 to $41.4 million in 2010. While over half of the increase is attributable to the acquisition and subsequent growth of Country Style, which accounted for four months during the first three quarters of 2009, several other factors contributed to the growth in revenues, as listed below:

	$million
Revenues, first nine months of 2009	28.9
Increase attributable to Country Style	7.9
Increase in revenues from turnkeys*	3.0
Increase in initial franchise fees*	0.9
Generic growth in royalties and other revenues*	0.7
Revenues, first nine months of 2010	41.4
* Excludes amounts attributable to Country Style	

During the first nine months of 2010, the Company opened 132 new stores compared to 64 for the same period last year, generating a stronger volume of initial franchise fees and turnkey deliveries as compared to the same period last year. Royalties generated by new stores opened during the last 12 months also contributed to the increase.

Revenue from corporate owned locations decreased to $6.1 million for the first nine months of 2010, from $7.2 million for the same period last year, representing a reduction

of 15%. This reduction is mainly due to the decrease in the number of corporate owned locations, which went from 25 a year ago to 16 at the end of the third quarter of 2010.

Cost of sales and other operating expenses

For the three quarters of 2010, other operating expenses increased by 63% to $23.4 million, from $14.3 million for the same period in 2009. Most of the variance is attributable to a $6.4 million increase in the cost of sales, which are mainly composed of costs incurred to deliver turnkey locations and of rental expenses related to franchised locations, both of which are associated with a stream of revenues.

Labour costs increased by $1.7 million, mostly because of the addition of Country Style. Royalty payments and commissions, which are a function of revenue streams, account for $0.5 million of the increase and office and general account for the remainder, mainly because of a one-time fee resulting from the Company's graduation to the TSX.

Expenses for corporate owned locations decreased to $5.2 million from $6.6 million for the nine months ended August 31, 2010, as the Company has reduced the number of corporate-owned locations.

EBITDA

	Nine-month period ended August 31, 2009			**Nine-month period ended August 31, 2010**		
(In millions)	**Franchise**	**Corporate**	**Total**	**Franchise**	**Corporate**	**Total**
Revenues [(1)]	$28.95	$7.18	$36.13	$41.42	$6.13	$47.55
Expenses	$14.34	$6.61	$20.94	$23.38	$5.17	$28.55
EBITDA	$14.62	$0.57	$15.19	$18.04	$0.96	$19.00
EBITDA as a % of Revenue	**50%**	**8%**	**42%**	**44%**	**16%**	**40%**

EBITDA (income before income taxes, non-controlling interest and amortization) is not an earnings measure recognized by GAAP and therefore may not be comparable to similar measures presented by other companies.
[(1)]For purposes of the EBITDA analysis, interest income and gain on disposal of capital assets and on foreign exchange have been included with Franchise revenue. See reconciliation to net income and comprehensive income on page 17.

EBITDA increased by 25%, from $15.2 million to $19.0 million for the first nine months of our 2010 fiscal year.

For the same period, EBITDA from franchised locations increased from $14.6 million in 2009 to $18.0 million in 2010. The generic growth from stores opened in the last quarter of 2009 and 2010 and the acquisition and subsequent growth of Country Style are the two main drivers the increase in EBITDA.

EBITDA as a percentage of revenue decreased mainly due to a larger number of turnkey projects delivered and increased sales of products and services made to franchisees, which typically generate negligible profit margins.

EBITDA from corporate owned locations increased from $0.6 million in 2009 to $1.0 million in 2010, mainly because of the stronger general performance of the remaining stores. For the same reason, EBITDA as a percentage of revenue from corporate owned locations increased to 16% for the period, compared to 8% in 2009.

Net income

For the first nine months of 2010, MTY reported a net income of $11.0 million or $0.57 per share ($0.57 per diluted share) compared to a net income of $8.5 million or $0.44 per share ($0.44 per diluted share) for the same period last year, representing a net income increase of 29%. The increase in net income for the period is mainly attributable to strong generic growth as well as to the acquisition and growth of Country Style.

Amortization expense

Amortization of capital assets increased slightly to $0.7 million for the first three quarters of our 2010 fiscal period. The increase is due to the additional amortization of capital assets resulting from the acquisition of Country Style, which was partly offset by the reduction in amortization related to the disposal of the assets used in corporate stores that were franchised.

Amortization of intangible assets increased to $2.3 million for the period compared to $2.1 million in 2009. The increase is entirely attributable to the amortization of franchise rights and distribution rights that resulted from the acquisition of Country Style.

Other income

Interest income decreased slightly from $0.2 million to $0.1 million for the nine-month period ended August 31, 2010. Interest income is generated from the Company's investments in short-term notes. The decrease is mainly the result of lower interest rates prevailing during 2010.

The loss on disposal of capital assets results from losses on the sale of the assets of corporate stores.

Results of operations for the third quarter ended August 31, 2010

Revenue

For the quarter ended August 31, 2010, total revenue increased by 7%, to $15.9 million from $14.8 million in the third quarter of last year.

During the same period, revenue from franchise locations increased by 17% to $14.0 million from $12.0 million. Among the main drivers of this variance, the increase in initial franchise fees accounts for $0.4 million, stronger turnkey revenues account for $0.6

million and the higher volume of sales to franchisees account for $0.6 million. The remainder of the increase is mainly due to generic growth in royalties.

Revenue from corporate owned locations decreased by 31% to $2.0 million for the quarter, from $2.9 million for the same quarter last year. Revenues decreased because of the lower number of corporate owned locations in operations during the third quarter of 2010 than during the same period a year before.

Cost of sales and other operating expenses

For the quarter ended August 31, 2010, other operating expenses increased by 17% to $7.4 million from $6.4 million for the same quarter in 2009. The aforementioned increase is attributable to the higher number of turnkeys delivered during the third quarter of 2010 as well as to higher volume of sales to franchisees.

Expenses for corporate owned locations were 36% lower for the third quarter of 2010 than they were for the same period a year before, at $1.6 million from $2.5 million. The decrease is attributable to a reduced number of stores compared to 2009.

EBITDA

	Third quarter ended August 31, 2009			Third quarter ended August 31, 2010		
(In millions)	**Franchise**	**Corporate**	**Total**	**Franchise**	**Corporate**	**Total**
Revenues [1]	$11.99	$2.86	$14.85	$14.09	$1.99	$16.08
Expenses	$6.38	$2.54	$8.92	$7.43	$1.63	$9.06
EBITDA	$5.62	$0.32	$5.94	$6.66	$0.36	$7.01
EBITDA as a % of revenue	**47%**	**11%**	**40%**	**47%**	**18%**	**44%**

EBITDA (income before income taxes, non-controlling interest and amortization) is not an earnings measure recognized by GAAP and therefore may not be comparable to similar measures presented by other companies.
[1] For purposes of the EBITDA analysis, interest income and gain on disposal of capital assets and on foreign exchange have been included with Franchise revenue. See reconciliation to net income and comprehensive income on page 17.

Total EBITDA for MTY grew by 18%, from $5.9 million to $7.0 million for the quarter ended August 31, 2010.

EBITDA from franchise locations for the quarter increased 19%, from $5.6 million in 2009 to $6.7 million in 2010. The main drivers of that growth are the strong initial franchise fees earned in the quarter and the royalties generated by stores opened in the last twelve months.

EBITDA as a percentage of revenue for franchise locations was stable in the third quarter of 2010, with the strong initial franchise fees and royalties offsetting the pressure caused by the increased volume of turnkeys delivered and sales to franchisees, which typically generate lower margins.

EBITDA from corporate owned locations increased 10% despite the lower revenues, because of stronger overall operations. EBITDA as a percentage of revenue increased to 18% for the quarter, from 11% for the same period last year due to better performance of some of the remaining corporate stores.

Net income

For the quarter ended August 31, 2010, net income progressed 23% compared to the third quarter of 2009. MTY reported a net income of $4.2 million or $0.22 per share ($0.22 per diluted share) compared to a net income of $3.4 million or $0.18 per share ($0.18 per diluted share) for the same quarter last year.

Most of the increase in net income for the quarter is attributable to stronger initial franchise fees and royalties generated by outlets opened during the last twelve months.

Amortization

Despite the disposition of corporate stores in the last 12 months, amortization of capital assets was stable at $0.3 million for the third quarter of 2010, mainly because of investments done at the end of 2009 and during 2010 in some of the remaining corporate stores. Amortization of intangible assets is stable at $0.7 million for the quarter.

Other income

For the third quarter of 2010, interest income increased to $0.1 million from $0.0 last year, reflecting the higher cash balance during the third quarter of 2010 compared to the same period in 2009.

Gains on disposal of assets amounted to $0.1 million during the quarter, compared to $0.0 for the same period last year. These gains are related to the disposition of the capital assets of certain corporate-owned stores during the quarter.

Contractual obligations and long-term debt

Long-term debt includes non-interest bearing holdbacks on acquisitions with a balance of $1,459,789 as well as $173,400 of debt of a partly-owned subsidiary to its non-controlling shareholders. The obligations pertaining to the long-term debt and the minimum rentals for the leases that are not subleased are as follows:

For the period ending	Long term debt	Net lease commitments	Total contractual obligations
12 months ending August 2011	$1,633,189	$1,749,627	$3,382,816
12 months ending August 2012	-	$2,043,302	$2,043,302
12 months ending August 2013	-	$1,915,670	$1,915,670
12 months ending August 2014	-	$1,803,904	$1,803,904
12 months ending August 2015	-	$1,684,297	$1,684,297
Balance of commitments	-	$5,932,322	$5,932,322
	$1,633,189	**$15,129,122**	**$16,762,311**

In addition to the above, the Company has entered into supplier agreements for purchases of coffee beans, wheat, sugar and shortening for delivery between June and December 2010. The total commitment amounts to $0.6 million.

In relation to the items listed above, the Company has entered into a contract to minimize the impact of variations in foreign currencies. The total commitment on this contract amounts to approximately $1.3 million.

Liquidity and capital resources

Cash and highly liquid temporary investments amounted to $31.7 million on August 31, 2010, compared $15.9 million at the end of the 2009 fiscal period.

A large proportion of the liquidities were held in cash at the end of the quarter in preparation to the acquisition of Valentine, which was signed and closed in September 2010. At closing, the Company disbursed a total of $7.8 million and kept various holdbacks totalling $1.2 million.

During the third quarter of 2010, cash flows generated by operating activities were $7.3 million, compared to $5.1 million during the third quarter of 2009. The main drivers of the increase in cash flows are the Company’s strong performance during the period and the lower requirements for working capital.

For the first nine months of 2010, operating cash flows reached $16.3 million, compared to $11.1 million for the same period last year. The main drivers of this increase are the strength in net income and the stabilization of the company’s working capital requirements since the second quarter of 2009.

In the short-term, Management will continue to open new locations that will be funded by new franchisees. MTY will continue its efforts to sell some of its existing corporate owned locations and will seek new opportunities to acquire other food service operations. MTY has an available line of credit of $5.0 million that remained unused at August 31, 2010. The facility, when used, bears interest at the bank's annual prime rate plus 1.00%.

Balance sheet

Temporary investments at the end of the third quarter were $17.8 million, up $3.2 million compared to the balance at November 30, 2009. Strong cash flows generated by our operations are typically invested until they are needed to fund acquisitions.

These temporary investments are comprised of highly liquid, short-term notes valued at fair value. They have maturity dates between October 2010 and August 2011 and have rates of return between 0.75% and 1.41% (0.35% to 1.01% in November 2009).

Accounts receivable at the end of August 2010 were at $6.7 million, the same level as at the end of November 2009.

The number of turnkeys delivered during the first three quarters of this year caused the franchise locations under construction held for resale to decrease to $0.9 million as at August 31, 2010 from $1.0 million as at November 30, 2009. The balance at the end of the third quarter is slightly higher than it was as at May 31, 2010, mainly because of the higher percentage of completion of some stores to be delivered during the subsequent quarter.

Loans receivable at the end of our third quarter amounted to $0.9 million, up from $0.5 million at the end of our 2009 fiscal period. During the first nine months of 2010, five new loans were granted in relation to newly franchised restaurants.

Capital assets decreased to $3.0 million at the end of the third quarter because of the combined impact of the disposal of some of the Company's assets through the sale of corporate-owned locations and amortization recorded during the period, which exceeded the new investments in capital assets.

Intangible assets decreased from $35.1 million as at November 30, 2009 to $32.8 million at the end of the third quarter of 2010 due to the amortization charges recorded during the first three quarters of 2010.

Accounts payable increased from $9.3 million to $10.7 million between November 30, 2009 and August 31, 2010 mainly because of higher accruals in relation to the construction of turnkey locations to be delivered later in the year and of the timing of advertising fund expenditures.

Deferred revenues consist of distribution rights which are earned on a consumption basis and include initial franchise fees to be earned once substantially all of the initial services

have been performed. Deferred revenues were materially unchanged at $1.7 million as at August 31, 2010, with lower franchise fee deposits offsetting higher distribution rights.

Long-term debt decreased by $0.3 million, mainly because of a settlement that was paid by the Company and withdrawn from one of the holdbacks payables. The long-term debt is composed of non-interest bearing holdbacks on acquisitions and of debt contracted by one of the company's subsidiary for the set up of its operations. We expect the holdbacks will be repaid over the next year, while the debt from the subsidiary carries no terms of repayment and will be repaid when this subsidiary generates sufficient cash flow to repay its debt without impairing its operations.

Further details on the above balance sheet items can be found in the notes to the August 31, 2010 consolidated financial statements.

Capital stock

No shares were issues during the first three quarters of the Company's 2010 fiscal period. As at October 1, 2010 there were 19,120,567 common shares of MTY outstanding.

Location information

	Number of locations 9 months August 2010	Number of location 9 months August 2009
Franchises, beginning of year	**1,550**	996
Corporate owned, beginning of year	**20**	27
Opened during the year	**132**	64
Closed during the year	**(88)**	(33)
Additions by acquisition during the period	-	480
Total end of year	**1,614**	1,534
Franchises, end of year	**1,598**	1,509
Corporate owned, end of year	**16**	25
Total end of year	**1,614**	1,534

For the first nine months of 2010, the Company realized a net addition of 44 locations, compared to a net addition of 511 locations for the same period a year earlier, 480 of which came from the acquisition of Country Style.

During the first three quarters of 2010, 8 corporate-owned locations were sold, 5 were added and 1 was closed.

Of the 132 stores opened during the first nine months of 2010, 45 were in shopping malls and food courts, 30 were street front and 57 were non-traditional. There were 62 non-traditional, 10 street front and 16 shopping mall and food court locations closed during the same period.

The net addition of 44 locations is broken down as follows: 20 street front locations and 29 mall locations were added while there was a loss of 5 non-traditional locations.

Of the 88 locations closed, 49 were the result of a transaction between two petroleum retailers in which non-traditional stores are being replaced by one of the retailers' own outlets. Losses in relation to this transaction are expected to continue into the fourth quarter of 2010, with expected net losses of approximately 60 non-traditional outlets for the year.

As at August 31, 2010, there were 8 test locations in operation, all of which were excluded from the numbers presented above. This is a decrease of 19 since the end of our 2009 fiscal year, resulting from 21 test outlets being closed and 2 opened during the period. Of the 21 outlets closed, 20 result from the loss of a contract to a competitor in a non-traditional environment.

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks and in other venues or retailers shared sites. The non-traditional locations are typically smaller in size, require lower investment and generate lower

revenue than the shopping malls, food courts and street front locations. The chart below provides the breakdown of MTY's locations by type as at August 31, 2010:

Location type	% of total location count	% of system sales (year to date)
Shopping mall & food court	**39**%	**52%**
Street front	**24**%	**38%**
Non-traditional format	**37**%	**9%**

The geographical breakdown of MTY's locations at August 31, 2010 consists of:

Geographical location	% of total location count
Ontario	48%
Quebec	30%
Prairies provinces	12%
British Columbia	5%
Maritimes	2%
International	3%

System wide sales

System wide sales reached to $338.5 million during the nine months ended August 31, 2010, compared to $286.6 million for the same period last year, representing an increase of 18%. System wide sales include sales for corporate and franchise locations, which are for the vast majority of them as reported by franchisees. Approximately two thirds of the increase in system wide sales is attributable to the acquisition and subsequent growth of Country Style; the remainder is generated by new locations opened since the end of the third quarter of 2009.

For the third quarter of 2010, system sales amounted to $120.1 million, up 6% compared to the same period last year. The main driver of this growth is the increased number of stores opened in the last twelve months.

Same store sales

For the third quarter of 2010, same store sales decreased 0.24%. Year-to-date, the same measure shows a decline of 0.84%.

Although the measure remains negative for the sixth consecutive quarter, the results obtained during the latest quarter were the best since the first quarter of 2009 and tend to indicate the trend is slowly reversing.

Management believes that the decrease is temporary and is due to adverse economic conditions that have affected Canada. Sales are expected to recover once the economy gains momentum.

Investors relations

On January 19, 2004, MTY appointed, for a 12 month-term, Mr. Jean-Francois Dube of Boxe Comm, as its investor relation's specialist. Mr. Dube is responsible for communicating to existing shareholders, potential investors and members of the brokerage community, for and on behalf of MTY. The Company further extended the contract with Boxe Comm to end in April 2011, subject to terms and conditions contained in the Agreement. For the nine-month period ended August 31, 2010, MTY has paid an amount of $36,000 to Boxe Comm.

Stock options

During the nine-month period, no options were granted or exercised. As at August 31, 2010 there were no options outstanding.

Seasonality

Results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will not to be a material factor in the quarterly variation of its results. System sales fluctuate seasonally, during January and February sales are historically lower than average due to weather conditions. Sales are historically above average during May to August. This is generally as a result of higher traffic in the street front locations, higher sales from seasonal locations only operating during the summer months and higher sales from shopping centre locations. Sale for shopping malls locations are also higher than average in December during the Christmas shopping period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Significant areas requiring the use of management estimates relate to the carrying value of long lived assets, valuation of allowances for accounts receivable and inventories, liabilities for potential claims and settlements, income taxes, the useful life of assets used when calculating amortization, the determination of fair value of assets and liabilities in business acquisitions and impairment testing on goodwill and trademarks. Estimates and assumptions are reviewed periodically and the effects of revisions are

reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

Contingent liabilities

The Company is involved in legal claims associated with its current business activities, the outcome of which is not determinable. Management believes that these legal claims will have no significant impact on the financial statements of the Company.

Guarantee

The Company has provided a guarantee in the form of a letter of credit for an amount of $45,000.

EBITDA reconciliation to net income and comprehensive income

The following table provides reconciliation of EBITDA to net income and comprehensive income disclosed in this MD&A.

(In millions)	3 months ended August 31, 2010	3 months ended August 31, 2009	9 months ended August 31, 2010	9 months ended August 31, 2009
	$	$	$	$
EBITDA	7.01	5.94	19.00	15.19
Less:				
Amortization – capital assets	0.27	0.29	0.72	0.67
Amortization – intangible assets	0.74	0.74	2.26	2.14
Total income taxes	1.82	1.50	4.98	3.84
Non-controlling interest	0.03	0.02	0.08	0.05
Net income and comprehensive income	**4.15**	**3.38**	**10.96**	**8.49**

Risks and uncertainties

Despite the fact that the Company has a various number of concepts, diversified in type of locations and geographically across Canada, the performance of the Company is also affected by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. In addition, factors such as innovation, increased food, labour and benefits costs, occupancy costs and the availability of experienced management and hourly employees may adversely affect the Company. Changing consumer preferences and discretionary spending patterns could oblige the Company to modify or discontinue concepts and/or menus and

could result in a reduction of revenue and operating income. Even if the Company was able to compete successfully with other restaurant companies with similar concepts, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the concept profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical

The growth of MTY is dependant on maintaining the current franchise system which is subject to the renewal of existing leases at sustainable rates, MTY's ability to continue to expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY's results.

Off-balance sheet arrangement

MTY has no off-balance sheet arrangements

Future accounting policies

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. For the Company, the conversion to IFRS will be required for interim and annual financial statements for the year ending November 30, 2012.

The following information is presented pursuant to the October 2008 recommendations of the Canadian Performance Reporting Board relating to pre-2011 communications about IFRS conversion and to comply with the guidance provided in Canadian Securities Administration Staff notice 52-320, Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards. This information is provided to enable investors and others to gain a better understanding of the Company's transition plan and the resulting impacts on financial statements and financial reporting. This information reflects the Company's most recent assumptions

and expectations; circumstances may arise which would change these assumptions and expectations.

The change to IFRS will require restatements of the 2011 numbers used for comparative purposes so they are in accordance with IFRS for comparative purposes. In order to achieve a successful transition, the Company will be using to parallel sets of accounting records during its 2011 fiscal period.

The transition project is broken down between the following primary phases:

1. Diagnostics and Scoping
2. Analysis and Evaluation
3. Design
4. Implementation and review

Diagnostics and Scoping Phase

A preliminary overview of the major differences between GAAP and IFRS in the context of MTY was completed during the third quarter of our 2010 fiscal period. This objective was to determine, at a high level, the financial reporting differences under IFRS and the key areas that will be impacted. This identification will in turn largely influence the efforts deployed during the next phases of the project. The areas which have been identified to have the impact are as follows:

- Presentation of Financial Statements (IAS 1)
- Business Combinations (IFRS 3),
- Property, Plant and Equipment (IAS 16),
- Impairment of assets (IAS 36),
- Income Taxes (IAS 12),
- Leases (IAS 17)
- Revenues (IAS 18)
- Customer Loyalty Programmes (IFRIC 13).

This list is not all-inclusive and remains subject to changes as the Company's operations and accounting standards evolve.

Furthermore, IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS which may differ from the requirements of the sections listed above. The Company will be analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the Company's circumstances. The Company has not yet determined the aggregate financial impact of adopting IFRS 1 on its consolidated financial statements.

As part of this phase, the Company also assessed the impact of the transition on its Internal Controls over Financial Reporting (ICFR); at the moment, given the Company's

structure, the organization of the work and the flow of the information. The Company's ICFR are expected to be materially impacted during transition from GAAP to IFRS.

Analysis and Evaluation Phase

A more detailed evaluation is currently underway to assess the impact of the above mentioned sections on our financial reporting. This phase will involve producing a detailed and quantified evaluation of the choices that are available to the Company as part of IFRS 1. As part of this phase, it is also expected that the employees involved in accounting and financial reporting functions will be offered sufficient education and training to ensure that IFRS and the specific choices made by the Company are applied consistently and accurately. We expect to complete this phase during the first quarter of our 2011 fiscal period.

Design Phase

The objective of this phase of the transition project is to ensure that our accounting records reflect the choices made by the company and that the potential impacts on disclosure, financial reporting, information technology, internal controls over financial reporting and disclosure controls are assessed and addressed. The objective is to have this phase completed before the end of the third quarter of our 2011 fiscal period, with a final confirmation of the elections by the changeover date, December 1, 2011.

Implementation and Review Phase

This phase will involve the implementation of the changes to accounting policies and financial reporting and the compilation of the comparative financial data. The culmination of the process is expected to be the board approval of the 2011 financial statements presented under IFRS as comparative figures for our 2012 fiscal period.
The changes in accounting policies may impact the financial statements of the Company materially. The full impact of the change is not reasonably determinable at this time.

Business Combinations

In January 2009, the CICA issued the following new Handbook sections: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. These new Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption is permitted to the extent the three new Sections are adopted simultaneously. Together, the new Sections establish standards for the accounting for a business combination, the preparation of consolidated financial statements and the accounting for a non-controlling interest in subsidiary in consolidated financial statements subsequent to a business combination. The Company is currently evaluating the impact of the adoption of these new Sections on its consolidated financial statements. The Company does not expect that the adoption of these new Sections will have a material impact on its consolidated financial statements.

Critical accounting policies

MTY's significant accounting policies are those which are set forth in the notes to the consolidated financial statements as at August 31, 2010. There are no critical accounting estimates that, if changed, would materially affect MTY's overall financial condition or results of operations.

Capital assets

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the following methods and rates or terms:

Equipment	diminishing balance	20%
Computer hardware	diminishing balance	30%
Computer software	diminishing balance	50%
Leasehold improvements	straight-line	term of leases
Rolling stock	diminishing balance	30%

Goodwill

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired. Goodwill, which is not amortized, is tested for impairment annually or more frequently if impairment indicators arise to determine whether the fair value of each reporting unit to which goodwill has been attributed is less than the carrying value of the reporting unit's net assets including goodwill, thus indicating impairment. The fair value of a reporting unit is calculated based on future cash flows. Any impairment is then recorded as a separate charge against income and a reduction of the carrying value of goodwill.

Intangible assets

Franchise rights

Franchise rights include franchise rights and master franchise rights. The franchise rights and master franchise rights represent the fair value of the future revenue stream related to the acquisition of franchises. The franchise rights and master franchise rights are generally amortized on a straight-line basis over the term of the agreements which range between 10 to 20 years. Master franchise rights with an indefinite life are not amortized. They are tested for impairment annually or more frequently when events or circumstances indicate that the master franchise rights might be impaired.

Trademarks

Trademarks represent the cost incurred to operate under a trade name and are not amortized as they have an indefinite life. They are tested annually for impairment or more frequently when events or circumstances indicate that the trademarks might be impaired. The impairment test compares the carrying amount of the trademarks with their fair

market value.

Leases

Leases, which represent the value associated to preferential terms or locations, are amortized on a straight-line basis over the term of the leases.

Other

Included in other intangible assets are a sponsorship fee and a licensing agreement acquired in the 2004 acquisition of Mrs. Vanelli's Restaurants Ltd., which are both fully amortized, and distributions rights obtained from the acquisition of Country Style Food Services Inc., which are being amortized over the remaining life of the contracts (three years).

Revenue recognition

Revenue is generally recognized on the sale of products or services when the products are delivered or the services performed, all significant contractual obligations have been satisfied and the collection is reasonably assured.

Revenue from franchise locations

Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee and are recognized as revenue in the period earned.

Initial franchise fees are recognized when substantially all of the initial services as required by the franchise agreement have been performed. This occurs when the location commences operations.

Revenue from the sale of franchise locations is recognized at the time the franchisee assumes control of the franchise location.

Master license fees are recognized when the Company has performed substantially all material initial obligations under the agreement, which usually occurs when the agreement is signed.

Renewal and transfer fees are recognized when substantially all applicable services required by the Company under the franchise agreement have been performed. This generally occurs when the agreement is signed.

The Company earns rent revenues on certain leases it holds and sign rental revenues; both are recognized in the month they are earned.

The Company receives considerations from certain suppliers. Supplier contributions are recognized as revenues as they are earned.

Revenue from corporate-owned locations

Revenue from corporate-owned locations is recorded when services are rendered.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

Classification

Cash	Held for trading
Temporary investments	Held for trading
Accounts receivable	Loans and receivables
Deposits	Loans and receivables
Loans receivable	Loans and receivables
Other receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Held for trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities other than derivative instruments.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the balance sheet are net of allowances for bad debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- The Company's broad client base is spread mostly across Canada.
- The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.

The following table sets forth details of the age receivables that are not overdue as well as an analysis of overdue amounts and related allowance for the doubtful accounts:

	August 31, 2010	November 30, 2009
	$	$
Total accounts receivable	**7,425,498**	7,429,147
Less: Allowance for doubtful accounts	**742,604**	754,110
Total accounts receivable, net	**6,682,894**	6,675,037
Of which:		
Not past due	**3,979,667**	5,003,899
Past due for more than one day but for no more than 30 days	**610,227**	147,782
Past due for more than 31 days but for no more than 60 days	**586,490**	616,139
Past due for more than 61 days	**1,506,510**	907,217
Total accounts receivable, net	**6,682,894**	6,675,037
Allowance for doubtful accounts beginning of year	**754,110**	648,934
Additions	**177,128**	443,939
Acquisition	**-**	115,107
Write-off	**(188,634)**	(453,870)
Allowance for doubtful accounts end of period	**742,604**	754,110

The credit risk on cash and temporary investments is limited because the Company invests its excess liquidity in high quality financial instruments.

Economic environment risk

The business of the Company is dependent upon numerous aspects of a healthy general economic environment, from strong consumer spending to provide sales revenue, to available credit to finance the franchisees and the Company. In light of recent upheaval in economic, credit and capital markets, the Company's performance and market price may be adversely affected. The Company's current planning assumptions forecast that the quick service restaurant industry will be impacted by the current economic recession in the provinces in which it operates. However, management is of the opinion that the current economic situation will not have a major impact on the Company due to the following reasons: 1) the Company has strong cash flows; 2) quick service restaurants represent an affordable dining out option for consumers in an economic slowdown.

Outlook

It is Management's opinion that the trend in the quick service restaurants industry will continue to grow in response to the demand from busy and on-the-go customers.

Management will maintain its focus on producing innovative menus and revamping the store designs of its banners which should result in positive same store sales growth when renovations are completed.

For 2010, MTY has already realized its objective of opening 75 new locations and will continue to pursue the growth of its existing concepts. Management also remains committed in seeking potential acquisitions to further strengthen its market position.

Controls and Procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with the securities regulatory authorities are recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management to ensure timely decisions regarding required disclosure.

The Company's management, including the CEO and the CFO, does not expect that the Company's disclosure controls and procedures will prevent or detect all errors and all fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Based upon the evaluation of the disclosure controls and procedures, subject to the inherent limitations noted above, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as

at August 31, 2010, in providing reasonable assurance that the material information relating to the Company is made known to the Company's management.

Internal controls over financial reporting

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Chief Executive Officer and the Chief Financial Officer, together with Management, after evaluating the effectiveness of the Company's internal control over financial reporting as at August 31, 2010, have concluded that the Company's internal control over financial reporting was effective.

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded after having conducted an evaluation and to the best of their knowledge that, as at August 31, 2010, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

"*Stanley Ma*"

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Stanley Ma, Chief Executive Officer

"Claude St-Pierre"

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Claude St-Pierre, Chief Financial Officer

"*Eric Lefebvre*"

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Eric Lefebvre, CA, Vice President Finance