



Management's Discussion and Analysis For the fiscal year ended November 30, 2013

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 for the fiscal year ended November 30, 2013.

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.

The disclosures and values in this MD&A were prepared in accordance with International Financial Reporting Standards (IFRS) and with the current issued and adopted interpretations applied to fiscal years beginning on or after January 1, 2011.

This MD&A was prepared as at February 12, 2014. Supplementary information about MTY, including its annual information form ("AIF"), 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, Contingent Liabilities and Subsequent Event, 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 2013. Forward-looking statements also include any other statements that do not refer to independently verifiable 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 February 12, 2014 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 readers 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 February 12, 2014. 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 and renew our existing leases at sustainable rates; the arrival of foreign concepts, our ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of our concepts, traffic patterns, occupancy cost and occupancy level of malls and office towers; 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 and 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 February 12, 2014. 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 International Financial Reporting Standards

Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards (“IFRS”). MTY uses earnings before interest, taxes, depreciation and amortization (“EBITDA”), because this measure enables management to assess the Company’s operational performance. The Company also discloses same-store sales growth, which are defined as comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago.

These measures are widely accepted financial indicators but are not a measurement determined in accordance with GAAP and may not be comparable to those presented by other companies. These non-GAAP measures are intended to provide additional information about the performance of MTY, and should not be considered in isolation or as a substitute for measure of performance prepared in accordance with GAAP.

The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Management believes that certain investors and analysts use EBITDA to measure a company’s ability to meet payment obligations or as a common measurement to value companies in the industry. Similarly, same-store sales growth provides additional information to investors about the performance of the network that is not available under GAAP. Both measures are components in the determination of short-term incentive compensation for some employees.

Highlights of significant events during the fiscal year

On September 25, 2013, the Company announced it had completed the acquisition of the assets of Extreme Pita, PurBlendz and Mucho Burrito (“Extreme Brandz”), for a consideration of \$45 million, to be paid in cash. The transaction was effective September 24, 2013.

The Company also announced on October 1, 2013, that it had completed the acquisition of 80% of the assets of ThaiZone, with the balance of the ownership remaining with the seven founders of ThaiZone for a total consideration of \$17.7 million.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki-Ming, Sukiyaki, La Crémère, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Chick ‘n’ Chick, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thai Express, Vanellis, Kim Chi, “TCBY”, Yogen Früz, Sushi Shop, Koya Japan, Vie & Nam, Tandori, O’Burger, Tutti Frutti, Taco Time, Country Style, Buns Master, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, SushiGo, Extreme Pita, Mucho Burrito, PurBlendz and ThaiZone.

As at November 30, 2013, MTY had 2,590 locations in operation, of which 2,565 were franchised or under operator agreements and the remaining 25 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 Crémère, “TCBY”, Sushi Shop, Sushi Go, Taco Time, Tutti Frutti, Valentine, Mr. Sub, Extreme Pita and Mucho Burrito banners. La

Crémière 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 Santé/Veggirama chain in 1999,
- 74 locations from the La Crémière 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,
- 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. 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,
- On September 16, 2010, the Company acquired the outstanding shares of Groupe Valentine inc. and of its network of 95 stores. The transaction was effective September 1, 2010,
- On August 24, 2011, the Company acquired the assets of Jugo Juice International Inc. with 136 outlets in operation at the date of closing. The transaction was effective August 18, 2011,
- On November 1, 2011, the Company acquired the assets of Mr. Submarine Limited, with 338 stores in operations at the date of closing,
- On November 10, 2011, the Company acquired the assets of Koryo Korean BBQ Franchise Corp. with 20 stores in operations at the effective date of closing. The transaction was effective November 1, 2011.
- On September 26, 2012, the Company acquired the assets of Mr. Souvlaki Ltd. with 14 stores in operation at the effective date of closing.
- On May 31, 2013, the Company acquired the SushiGo banner, with a total of 5 outlets at the date of closing. The acquisition was effective on June 1, 2013.
- On September 24, 2013, the Company acquired the assets of Extreme Pita, PurBlendz and Mucho Burrito (“Extreme Brandz”), with a total of 305 stores, including five corporately-owned stores. Of the 305 stores, 34 are operated from the United States.
- On September 30, 2013, the Company acquired 80% of the assets of Thai Zone. The chain operates 25 stores and 3 mobile restaurants.

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 turnkey projects, rent, sign rental, supplier contributions and sales of other goods and services to franchisees. Revenues from corporate owned locations include sales generated from corporate owned locations. Operating expenses related to franchising include salaries, general and administrative costs associated with existing and new franchisees, expenses in the development of new markets, costs of setting up turnkey projects, rent, supplies and equipment sold to franchisees. Corporate owned location expenses include the costs incurred to operate corporate owned locations.

MTY generates revenues from the food processing business discussed herein. The plant produces various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to microwavable meals sold in retail stores. The plant generates most of its revenues selling its products to distributors and retailers.

The Company also generates revenues from its distribution center located on the south shore of Montreal. The distribution center mainly serves our Valentine and Franx Supreme franchisees with a broad range of products required in the day-to-day operations of the restaurants.

Description of recent acquisitions

On September 30, 2013, the Company acquired 80% of the assets of Thai Zone for a total consideration of \$17.7 million, to be paid from MTY'S cash on hand and available credit facilities. At the date of closing, Thai Zone operated 25 stores and 3 mobile restaurants. Of the purchase price, the Company withheld \$1.78 million in non-interest bearing holdbacks.

On September 24, 2013, the Company acquired the assets of Extreme Pita, PurBlendz and Mucho Burrito for a consideration of \$45 million, to be paid from MTY's cash on hand. At the date of closing, there were 305 stores in operation, 5 of which were corporate locations and 34 of which were located in the United States. Of the purchase price, the Company withheld \$4.5 million in non-interest bearing holdbacks.

On May 31, 2013, the Company acquired most of the assets of Gestion SushiGo – Sesame Inc. (www.sushigoexpress.ca), 9161- 9379 Quebec Inc. and 9201-0560 Quebec Inc. for a total consideration of \$1.05 million. At the date of closing, there were 5 SushiGo stores in operation, two of which were corporate locations. The acquisition was effective on June 1, 2013. Of the purchase price, the Company withheld \$0.1 million in non-interest bearing holdbacks.

On September 26, 2012, the Company announced it had completed the acquisition of most of the assets of Mr. Souvlaki Ltd. for a total consideration of \$0.9 million. At the date of closing, there were 14 Mr. Souvlaki stores in operation, all of which were franchised. Of the purchase price, MTY withheld an amount of \$0.17 million in non-interest bearing holdbacks.

Selected annual information

<i>(in thousands of dollars)</i>	Year ended November 30,2013	Year ended November 30,2012	Year ended November 30,2011
Total assets	\$173,044	\$136,561	\$115,628
Total long-term liabilities	\$9,769	\$2,575	\$9,309
Operating revenue	\$101,360	\$96,220	\$78,358
Income before income taxes	\$34,610	\$30,504	\$22,821
Net income attributable to owners	\$25,712	\$22,067	\$16,194
Total comprehensive income attributable to owners	\$25,718	\$22,067	\$16,194
EPS basic	\$1.34	\$1.15	\$0.85
EPS diluted	\$1.34	\$1.15	\$0.85
Dividends paid on common stock	\$5,354	\$4,206	\$3,442
Dividends per common share	\$0.280	\$0.220	\$0.180
Weighted daily average number of common shares	19,120,567	19,120,567	19,120,567
Weighted average number of diluted common shares	19,120,567	19,120,567	19,120,567

Summary of quarterly financial information

in thousands of \$	Quarters ended							
	February 2012	May 2012	August 2012	November 2012	February 2013	May 2013	August 2013	November 2013
Revenue	\$21,945	\$23,689	\$24,239	\$26,347	\$22,628	\$25,342	\$25,130	\$28,260
Net income attributable to owners	\$4,392	\$5,283	\$6,129	\$6,263	\$5,635	\$6,250	\$6,682	\$7,145
Total comprehensive income attributable to owners	\$4,392	\$5,283	\$6,129	\$6,263	\$5,635	\$6,250	\$6,682	\$7,151
Per share	\$0.23	\$0.28	\$0.32	\$0.33	\$0.29	\$0.33	\$0.35	\$0.37
Per diluted share	\$0.23	\$0.28	\$0.32	\$0.33	\$0.29	\$0.33	\$0.35	\$0.37

Results of operations for the fiscal year ended November 30, 2013

Revenue

During the year ended November 30, 2013, the Company's total revenue increased by 5% to reach \$101.4 million. Revenues for the four segments of business are broken down as follows:

	November 30, 2013 (\$ million)	November 30, 2012 (\$ million)	Variation
Franchise operation	74.1	70.9	5%
Corporate stores	11.9	12.2	(3%)
Distribution	6.2	6.1	2%
Food processing	10.0	8.1	24%
Intercompany transactions	(0.9)	(1.0)	N/A
Total operating revenues	101.4	96.2	5%

As is shown in the table above, revenue from franchise locations progressed by 5%. Several factors contributed to the variation, as listed below:

	\$million
Revenues, 2012 fiscal year	70.9
Increase in recurring revenue streams	2.4
Decrease in turnkey, sales of material to franchisees and rent revenues	(0.6)
Increase in initial franchise fees	0.6
Increase in renewal, transfer and management fees	0.7
Other non-material variations	0.1
Revenues, 2013 fiscal year	74.1

During the 2013 fiscal year, the Company benefitted from increased royalties from the acquisitions of Extreme Pita, PurBlendz, Mucho Burrito and Thai Zone. This accounted for \$2.0 million of the total increase in recurring revenue streams shown above. The Company also benefitted from the sale of master franchise rights for some of its brands, which are included with initial franchise fees. These increases were partially offset by lower revenues from turnkeys, rent and sales of materials to franchisees.

Revenue from corporate owned locations decreased 3%, to \$11.9 million during the year. The decrease is mainly due to the net decrease in the number of stores classified as Special Purpose Entities.

The Company also generated food processing revenues of \$10.0 million during the year, an increase of 24% compared to prior year. The increase is attributable to the introduction of new lines of business during 2013.

Cost of sales and other operating expenses

During 2013, operating expenses increased by 4% to \$62.1 million compared to \$61.3 million for the same period in 2012. Operating expenses for the four business segments were incurred as follows:

	November 30, 2013 (\$ million)	November 30, 2012 (\$ million)	Variation
Franchise operation	36.2	36.3	(0%)
Corporate stores	11.0	12.4	(11%)
Distribution	5.7	5.6	1%
Food processing	10.1	8.0	26%
Intercompany transactions	(0.9)	(1.0)	N/A
Total operating expenses	62.1	61.3	4%

Expenses from franchise operations stayed in line with 2012 results. The expenses related to the operations of the newly acquired brands and the higher provisions taken against our accounts receivable from franchisees were offset by the decrease in costs of turnkeys, rent and sales of materials to franchisees.

During the year, expenses for corporate owned locations decreased by \$1.4 million and expenses for food processing increased by \$2.1 million for the reasons described in the Revenues section above.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

	Fiscal year ended November 30, 2013					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	\$74.13	\$11.85	\$6.22	\$10.02	(\$0.86)	\$101.36
Expenses	\$36.22	\$11.02	\$5.67	\$10.07	(\$0.86)	\$62.12
EBITDA ⁽¹⁾	\$37.91	\$0.83	\$0.55	(\$0.05)	\$0.00	\$39.24
EBITDA as a % of Revenue	51%	7%	9%	N/A	N/A	39%

	Fiscal year ended November 30, 2012					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	\$70.91	\$12.17	\$6.08	\$8.05	(\$0.99)	\$96.22
Expenses	\$36.33	\$12.35	\$5.63	\$7.97	(\$0.99)	\$61.29
EBITDA ⁽¹⁾	\$34.58	(\$0.18)	\$0.45	\$0.08	\$0.00	\$34.93
EBITDA as a % of Revenue	49%	N/A	7%	1%	N/A	36%

EBITDA (income before income taxes, interest, depreciation and amortization) is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies.

⁽¹⁾EBITDA is defined as operating revenues less operating expenses.

Total EBITDA increased by 12%, from \$34.9 million to \$39.2 million for the 2013 fiscal year.

During the year, franchising operations generated \$37.9 million in EBITDA, a 10% increase over the results of the same period last year. The increase is mainly attributable to the contribution of the latest acquisitions which account for approximately one quarter of the total growth, the sale of master franchises, the reduction of rental costs and to effective cost management measures carried from the end 2012 into 2013.

EBITDA as a percentage of revenues increased from 49% in 2012 to 51% in 2013 mostly because of the relative weight of high margin revenue items in the sales mix as well as to the tight cost control measures that are in place.

EBITDA from corporate owned locations increased slightly during twelve-month period, mainly because some profitable stores were added during 2013 while some unprofitable ones have been closed during the period.

EBITDA from the food processing plant declined during the year, mainly because of the ramp-up in new product lines from new contracts generated at the end of 2012 and in the first part of 2013. A change in the sales mix towards lower-margin items also affected the business' profitability.

Net income

For the fiscal year ended November 30, 2013, the Company's net income attributable to owners increased by 17% over the same period last year. MTY reported a net income attributable to its owners of \$25.7 million or \$1.34 per share (\$1.34 per diluted share) compared to \$22.1 million or \$1.15 per share (\$1.15 per diluted share) in 2012.

The increase in net income is mostly attributable to the increase in EBITDA described above. The 2012 net income was also impacted by impairment charges on plant, property and equipment and adverse, non-recurring, adjustment to income taxes. 2013 net income has not suffered from either of these items.

Earnings Before interest, taxes, depreciation and amortization (EBITDA)

(In millions)	Twelve months ended November 30, 2013	Twelve months ended November 30, 2012
	\$	\$
Income before taxes	34,610	30,504
Depreciation – property, plant and equipment	1,108	1,128
Amortization – intangible assets	4,223	3,867
Interest on long-term debt	291	335
Foreign exchange (gains) losses	(53)	27
Interest income	(487)	(282)
Gain on preferred share redemption	-	(100)
Gain on loan forgiveness of a non-controlling shareholder of a subsidiary	-	(110)
Impairment on property, plant and equipment	(64)	68
Gain on disposal of property, plant and equipment	(317)	(511)
Other income	(76)	-
EBITDA	39,235	34,926

Amortization expense

The amortization of intangible assets increased in 2013 by \$0.4 million as a result of additional franchise rights acquired during 2013.

Other income and charges

The gain on disposal of assets, which generally results from the sale of the assets of corporate stores, decreased to \$0.3 million in 2013 compared to a gain of \$0.5 million in 2012. The 2012 gain was mostly due to the sale of one corporate restaurant that generated above-average returns and thus commanded a higher sales price.

In 2012, the Company suffered from an impairment of property, plant and equipment of \$0.1 million. In 2013, a portion of this impairment was reversed due to improved market conditions.

In 2012, the Company recorded a gain of \$0.1 million for the redemption of the preferred shares issued by one of its subsidiaries. The shares were mandatorily redeemable in yearly instalments, with redemption values based on the performance of the subsidiary. No such redemptions were made in 2013 as the subsidiary is no longer consolidated but rather held as an investment held-for-sale. Investment income of \$0.1 million was recorded in 2013 for this investment.

In 2012, the Company also recorded a gain of \$0.1 million on the loan forgiveness of non-controlling shareholders of a subsidiary. No such gain was recorded in 2013.

Income taxes

The provision for income taxes as a percentage of income before taxes was 25.9% in 2013, a decrease of 1.8% compared to 2012. The 2012 expense was impacted adversely by some non-recurring items.

Results of operations for the fourth quarter ended November 30, 2013

Revenue

During the fourth quarter of our 2013 fiscal year, the Company's total revenue increased by 7% to reach \$28.3 million. Revenues for the four segments of business are broken down as follows:

	November 30, 2013 (\$ million)	November 30, 2012 (\$ million)	Variation
Franchise operation	20.1	20.0	0%
Corporate stores	3.4	2.5	36%
Distribution	2.0	1.9	6%
Food processing	3.0	2.3	32%
Intercompany transactions	(0.3)	(0.3)	N/A
Total operating revenues	28.3	26.3	7%

As shown in the table above, the revenues from franchise locations increased by \$0.1 million compared to the same period in 2012. Several factors contributed to the variation, as listed below:

	\$million
Revenues, fourth quarter of 2012	20.0
Increase in recurring revenue streams	2.0
Decrease in turnkey, sales of material to franchisees and rent revenues	(2.0)
Decrease in initial franchise fees	(0.2)
Increase in renewal, transfer and management fees	0.3
Other non-material variations	0.0
<u>Revenues, fourth quarter of 2013</u>	<u>20.1</u>

During the fourth quarter of 2013, the Company benefitted from an increase in recurring revenue streams of \$2.0 million. This increase is mainly due to the current quarter acquisitions, which accounted for \$2.0 million of the total increase. This was offset by a decrease in turnkey revenues, rent and sales of materials to franchisees.

Revenue from corporately-owned locations increased 36%, to \$3.4 million during the fourth quarter of our 2013 fiscal year. The increase is mainly due to the acquisition of five corporate stores from Extreme Brandz in the fourth quarter.

In the fourth quarter, the Company generated \$3.0 million from its food processing segment. The increase of 32% compared to prior year is attributable to the production of new food products.

Cost of sales and other operating expenses

During the fourth quarter of 2013, operating expenses increased by 3% to \$17.9 million, from \$17.4 million for the same period in 2012. Operating expenses for the four business segments were incurred as follows:

	November 30, 2013 (\$ million)	November 30, 2012 (\$ million)	Variation
Franchise operation	10.5	11.0	(5%)
Corporate stores	2.8	2.7	7%
Distribution	1.8	1.7	2%
Food processing	3.0	2.3	31%
Intercompany transactions	(0.3)	(0.3)	N/A
<u>Total operating expenses</u>	<u>17.9</u>	<u>17.4</u>	<u>3%</u>

Operating expenses related to the franchising operations decreased by \$0.5 million during the fourth quarter of 2013 mainly as a result of the reduction in the cost turnkeys, rent and sales to franchisees. This was partially offset by increased operating expenses related to the two acquisitions realized during the fourth quarter and a higher provision against accounts receivable from franchisees.

During the period, expenses for corporate owned locations and food processing operations increased by \$0.1 million and \$0.7 million respectively for the reasons described in the Revenues section above.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

	Three months ended November 30, 2013					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	\$20.14	\$3.39	\$1.97	\$3.00	\$(0.24)	\$28.26
Expenses	\$10.52	\$2.84	\$1.78	\$3.00	\$(0.24)	\$17.90
EBITDA ⁽¹⁾	\$9.62	\$0.55	\$0.19	\$0.00	\$0.00	\$10.36
EBITDA as a % of Revenue	48%	16%	10%	0%	N/A	37%

	Three months ended November 30, 2012					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues	\$20.05	\$2.49	\$1.87	\$2.27	\$(0.33)	\$26.35
Expenses	\$11.02	\$2.65	\$1.74	\$2.28	\$(0.33)	\$17.37
EBITDA ⁽¹⁾	\$9.03	\$(0.16)	\$0.12	\$(0.01)	\$0.00	\$8.98
EBITDA as a % of Revenue	45%	N/A	7%	N/A	N/A	34%

EBITDA (income before income taxes, interest, depreciation and amortization) is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies.

⁽¹⁾EBITDA is defined as operating revenues less operating expenses.

Total EBITDA increased by 15%, from \$9.0 million for the fourth quarter of 2012 to \$10.4 million for the fourth quarter of 2013.

During the period, the franchising operations generated \$9.6 million in EBITDA, a 7% increase over the results of the same period last year. The increase is mainly due to the acquisitions realized during the fourth quarter.

EBITDA from franchising operations as a percentage of revenue increased to 48% during the fourth quarter of 2013 because of the higher weight of revenues generating higher margins such as royalties.

EBITDA from corporate stores increased during the three-month period mainly because of the addition of some profitable stores acquired during 2013.

EBITDA from the food processing plant was \$nil in the fourth quarter 2013, as the increase in revenues from the production of new food products was offset by the related costs.

Net income

For the three month period ended November 30, 2013, MTY reported a net income attributable to its owners of \$7.1 million or \$0.37 per share (\$0.37 per diluted share) compared to \$6.3 million or \$0.33 per share (\$0.33 per diluted share) for the same period in 2012. The increase in net income is mostly attributable to the acquisitions realized during the fourth quarter.

Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

(in thousands of dollars)

	Three months ended November 30, 2013	Three months ended November 30, 2012
Income before taxes	9,263	8,187
Depreciation – property, plant and equipment	284	256
Amortization – intangible assets	1,301	971
Interest on long-term debt	66	85
Foreign exchange (gains) losses	1	(2)
Interest income	(104)	(122)
Gain on preferred share redemption	-	(100)
Gain on loan forgiveness of a non-controlling shareholder of a subsidiary	-	(110)
Impairment on property, plant and equipment	(64)	(161)
Gain on disposal of property, plant and equipment	(311)	(26)
Other income	(76)	-
EBITDA	10,360	8,978

Amortization expense

The amortization of intangible assets increased in 2013 by \$0.3 million as a result of the acquisitions of franchise rights realized during 2013.

Other income and charges

The gain on disposal of assets, which results from the sale of assets of corporate stores, increased by \$0.3 million in 2013. The 2013 gain was mostly due to the sale of two corporate restaurants.

In the fourth quarter of 2013, the Company reversed a portion of an impairment taken in 2012 on the assets of eight of its corporate stores (each one representing a cash-generating unit (CGU)). The reversal of \$0.1 million is due to improved market conditions for some of the locations.

In the fourth quarter of 2012, the Company recorded a gain of \$0.1 million for the redemption of the preferred shares issued by one of its subsidiaries. The shares were mandatorily redeemable in yearly instalments, with redemption values based on the performance of the subsidiary. No such redemptions were made in 2013 as the subsidiary is no longer consolidated but rather held as an investment held-for-sale.

In 2012, the Company also recorded a gain of \$0.1 million on the loan forgiveness of non-controlling shareholders of a subsidiary. No such gain was recorded in 2013.

Income taxes

The provision for income taxes as a percentage of income before taxes was relatively stable during the fourth quarter of 2013 compared to the same period last year.

Contractual obligations and long-term debt

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 (In thousands \$)	Long term debt ⁽¹⁾	Net lease commitments	Total contractual obligations
2014	\$2,784	\$3,205	\$5,989
2015	\$2,364	\$3,030	\$5,394
2016	\$2,066	\$2,515	\$4,581
2017	\$53	\$2,521	\$2,574
2018	\$53	\$1,802	\$1,855
Balance of commitments	\$289	\$4,362	\$4,651
	\$7,609	\$17,435	\$25,044

⁽¹⁾ Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to November 30, 2013 consolidated financial statements

Long-term debt includes non-interest bearing holdbacks on acquisitions as well as non-interest bearing contract cancellation fees.

At year end, the Company had drawn \$12 million from the credit facility in the form of bankers' acceptance with maturity dates of December 2013. This credit facility is subject to covenants of funded debt to EBITDA ratio of 2 to 1 and a minimum interest coverage ratio of 4.5:1. At year end, the Company was in compliance with the facility's covenants. The facility, when used, bears interest at the bank's annual prime rate plus a margin not exceeding 0.5% established based on the Company's funded debt/EBITDA ratio.

In addition to the above, the Company has entered into supplier agreements for purchases of coffee beans, wheat, sugar and shortening for delivery between December 2013 and March 2014. The total commitment amounts to \$0.5 million.

Liquidity and capital resources

As of November 30, 2013, the amount held in cash and cash equivalents net of the line of credit totalled \$(5.9) million, a decrease of \$38.9 million over the cash and cash equivalents held at the end of our 2012 fiscal period. The decrease is mainly attributable to the fourth quarter acquisition, for which the Company disbursed \$55.5 million and to repayments of long-term debt of \$3.7 million made during the year.

Cash flows generated by operating activities were \$26.5 million during the twelve months period of 2013. Excluding the variation in non-cash working capital items, income taxes and interest paid, our operations generated \$39.7 million in cash flows, compared to \$35.8 million in 2012, which represents an increase of 11% compared to the same period last year. The main driver for this increase is the 12% increase in EBITDA discussed above.

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 franchise networks.

As at November 30, 2013, The Company has an additional \$18 million available out of the total available credit facility of \$30.0 million. The additional facility, when used, bears the same interest as the current \$12 million line of credit outstanding.

Excess cash flows generated by our operations are typically held in high yield savings account or guaranteed investment certificates until they are required.

Statement of financial position

Accounts receivable at the end of the fourth quarter were at \$13.5 million, compared to \$13.6 million at the end of the 2012 fiscal period. Gross accounts receivable increased by \$1.0 million; this increase was offset by a higher provision for doubtful accounts, which increased by \$1.1 million during 2013.

Investment in subsidiary held-for-sale consists of the Company's 51% investment in 7687567 Canada Inc. (Aliment Flavio). On November 5, 2013, the Company received a letter of intent subject to conditions to be validated subsequent to year-end. The value of the investment in subsidiary held-for-sale reported in the consolidated statement of financial position is equal to 7687567 Canada Inc.'s net carrying value of assets less liabilities before assets were classified as held for sale. No gains or losses were recognized in the Company's profit or loss. This investment represents a segment of the Company.

Property, plant and equipment decreased in 2013 due mainly to the reclassification of the subsidiary now held-for-sale mentioned above. This was partially offset by new acquisitions made in the fourth quarter of 2013.

Net intangible assets increased by \$39.8 million in 2013. Acquisitions realized by the Company in the fourth quarter account for \$43.6 million of this increase. This was offset by the 2013 amortization.

As mentioned above, the Company has drawn \$12 million from its available line of credit and financed the amount with bankers' acceptances. The maturity dates of those instruments are in December 2013.

Accounts payable and accrued liabilities decreased to \$11.9 million from \$13.4 million between November 30, 2012 and November 30, 2013. This variance is mainly related to a net decrease in the advertising fund reserves during 2013.

Provisions, which are composed of litigation and dispute, closed store and gift card provisions, were at \$1.8 million at November 30, 2013 compared to \$2.3 million in 2012. The provision was impacted by additions of \$0.8 million offset by payments of \$1.1 million and reversals of \$0.5 million.

Deferred revenues consist of supplier contributions, which are earned on a consumption basis, and initial franchise fees, which are recognized once substantially all of the initial services have been performed by the Company. The balance as at November 30, 2013 was \$3.7 million, an increase of \$1.5 million compared to the balance at the end of 2012. The variation is due to increases in both franchise fee deposits and supplier contributions; franchise fee deposits are dependent on the level of activity and deliveries during a certain period; supplier contributions were impacted by fourth quarter acquisitions. These amounts will be recognized into revenues as they are earned.

The long-term debt is composed of non-interest bearing holdbacks on acquisitions and of non-interest bearing contract cancellation fees. During the year, an additional \$6.5 million in holdbacks was added in the form holdbacks stemming from the acquisitions realized during the period. Repayments of \$3.7 million were also made on holdbacks.

Further details on the above statement of financial position items can be found in the notes to the November 30, 2013 consolidated financial statements.

Capital stock

No shares were issued during the fiscal year ended November 30, 2013. As at February 12, 2014 there were 19,120,567 common shares of MTY outstanding.

Location information

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.

	Number of locations fiscal year ended <u>November 2013</u>	Number of locations fiscal year ended <u>November 2012</u>
Franchises, beginning of year	2,179	2,233
Corporate owned, beginning of year	20	30
Acquired during the year	338	14
Opened during the period		
Mall	45	45
Street	56	33
Non-traditional	54	51
Closed during the period		
Mall	(17)	(49)
Street	(31)	(45)
Non-traditional	(54)	(113)
Total end of period	2,590	2,199
Franchises, end of period	2,565	2,179
Corporate owned, end of period	25	20
Total end of period	2,590	2,199

During the fiscal year ended November 30, 2013, the Company's network experienced a net addition of 53 outlets, compared to a net decrease of 78 outlets for the same period a year ago, excluding those coming from the acquisitions completed during the two respective years. The variance is mostly due to the termination of two contracts in 2012 that resulted in the loss of 49 low-volume non-traditional stores.

At the end of the period, the Company had 25 corporate stores, a net increase of five compared to the end of our 2012 fiscal period. During the year, five corporate-owned locations were sold, four were closed and fourteen were added, including five stemming from the acquisition of Extreme Brandz and two from the acquisition of SushiGo.

As at November 30, 2013, there were two test locations in operation, both which were excluded from the numbers presented above.

The chart below provides the breakdown of MTY's locations and system sales by type:

Location type	% of location count		% of system sales Fiscal year ended	
	November 30, 2013	November 30, 2012	November 30, 2013	November 30, 2012
Shopping mall & food court	35%	38%	45%	50%
Street front	42%	36%	45%	41%
Non-traditional format	23%	26%	10%	9%

The geographical breakdown of MTY's locations and system sales consists of:

Geographical location	% of location count		% of system sales fiscal year ended	
	November 30, 2013	November 30, 2012	November 30, 2013	November 30, 2012
Ontario	44%	46%	34%	36%
Quebec	26%	28%	35%	34%
Western Canada	22%	20%	25%	24%
Maritimes	3%	2%	1%	1%
International	5%	4%	5%	4%

System wide sales

System wide sales for the year ended November 30, 2013 grew 5%, to \$725.8 million, compared to \$688.7 million in the same period last year.

Approximately 80% of the growth in system wide sales for the year is attributable to the recent acquisitions. The remainder of the growth is primarily due to new restaurants opened over the course of the year.

System wide sales include sales for corporate and franchise locations and exclude sales realized by the distribution center or by the food processing plant.

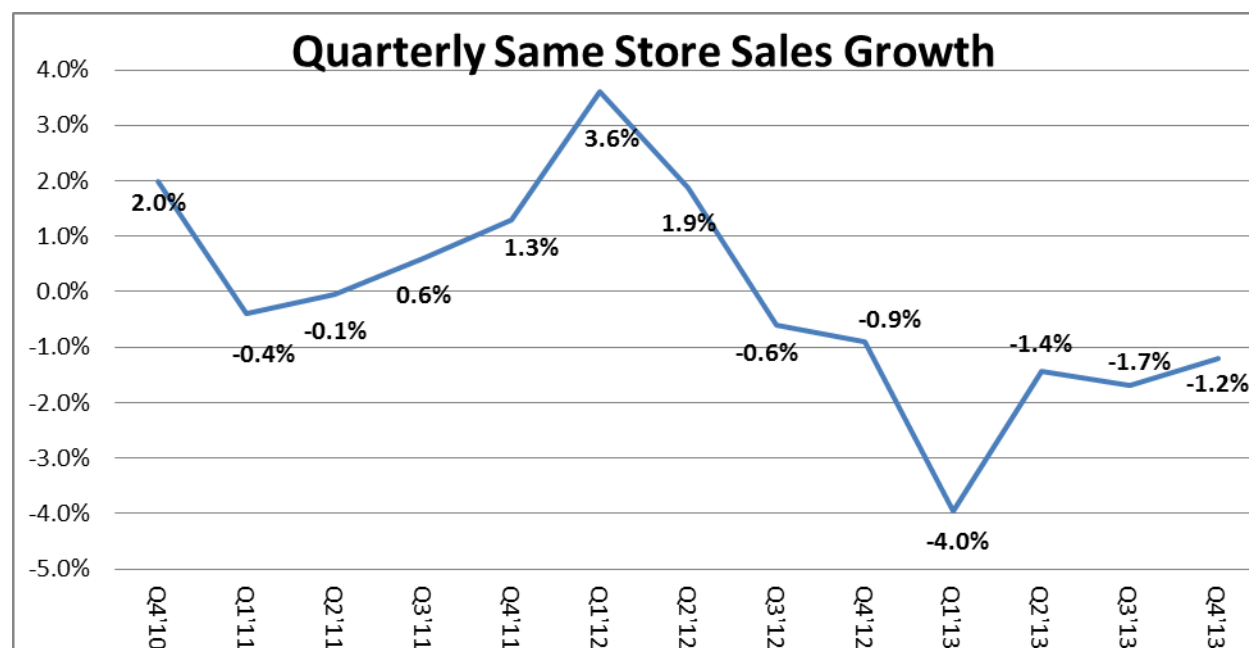
Same-store sales

Sales results of the fourth quarter were again affected by a difficult economic environment resulting in a decline in same-store-sales of 1.2%. This brought the year-to-date decline in same-store-sales to 2.0%.

The three and twelve month periods were impacted by sluggish consumer spending and intense price and offering competition in the foodservice industry. Adverse weather also played its role, with most major centers in Canada experiencing cooler weather than in 2012, with more precipitation in many cases.

As such, street front locations, which are more impacted by weather patterns and by the intensification of competition, suffered during the year, while mall and office towers fared better. Some of our concepts are under intense and continued price competition from major international players; those concepts have typically experienced a more challenging 2013 and have as a result pulled the network's average same-store-sales growth down.

The following table shows quarterly information on same-stores sales growth for the last 13 quarters:



Stock options

During the period, no options were granted or exercised. As at November 30, 2013 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 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. Sales for shopping malls locations are also higher than average in December during the Christmas shopping period.

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.

Risks and uncertainties

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographics across Canada, the performance of the Company is also influenced 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 costs, 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 limits on pricing, either of which could reduce revenue and operating income.

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

Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of key management personnel and directors during the year was as follows:

<i>(in thousands)</i>	12 months ended November 30, 2013	12 months ended November 30, 2012
	\$	\$
Short-term benefits	812	659
Board member fees	38	40
Total remuneration of key management personnel	850	699

Key management personnel is composed of the Company's CEO, COO and CFO. The remuneration of directors and key executives is determined by the Board of directors having regard to the performance of individuals and market trends.

The increase in the remuneration of key management personnel is mainly due to the division in the COO/CFO role into two distinct positions in June 2012.

Given its widely held share base, the Company does not have an ultimate controlling party; its most important shareholder is its CEO, who controls 26% of the outstanding shares.

The Company also pays employment benefits to individuals related to members of the key management personnel described above. Their total remuneration for the period was as follows

<i>(in thousands)</i>	12 months ended November 30, 2013	12 months ended November 30, 2012
	\$	\$
Short-term benefits	402	472
Total remuneration of employees related to key management personnel	402	472

A corporation owned by individuals related to key management personnel has non-controlling participation in two of the Company's subsidiaries. During the year ended November 30, 2013, dividends of \$27 (2012-nil) were paid by those subsidiaries to the above-mentioned company.

Critical accounting estimates

In the application of the Company's accounting policies, which are described in Note 3 of the consolidated financial statements, management is required to make judgements in applying accounting policies and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Identification of cash-generating units

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting period date. Doing so requires the identification of cash-generating units; the determination is done based on management's best estimation of what constitutes the lowest level at which an asset or group of asset has the possibility of generating cash inflows.

Revenue recognition

In making their judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods and for construction contracts set out in IAS 18 Revenue and IAS 11 Construction contracts and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

Consolidation of special purpose entities

In determining which entities are required to be consolidated in the fashion described above, the Company must exercise judgment to determine who has *de facto* control of the entities being considered. Such judgment is reassessed yearly to take into account the most recent facts relevant to each entity's situation.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Business combinations

For business combinations, the Company must make assumptions and estimates to determine the purchase price allocation of the business being acquired. To do so, the Company must determine the acquisition-date fair value of the identifiable assets acquired, including such intangible assets as franchise rights and trademarks, and liabilities assumed. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree over the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. These assumptions and estimates have an impact on the asset and liability amounts recorded in the consolidated statement of financial position on the acquisition date. In addition, the estimated useful lives of the acquired amortizable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's future profit or loss.

Impairment of non-financial assets

The recoverable amounts of the Company's assets is generally estimated based on value-in-use calculations as this was determined to be higher than fair value less cost to sell, except for certain corporate store assets for which fair value less cost to sell was higher than their value in use. The fair value less cost to sell of corporate stores is generally determined by estimating the liquidation value of the restaurant equipment.

Other than the value of the assets of certain corporate stores and of one of the company's trademarks, the value in use of cash-generating units ("CGUs") tested was higher or equal to the carrying value of the assets. Impairment assessments were established using a 17% discount rate on the corporate store CGU's and 15% on the trademarks and franchise rights. Discount rates are based on pre-tax rates that reflect the current market assessments, taking the time value of money and the risks specific to the CGU into account.

During the year, the Company recognized impairments on the property, plant and equipment related to eight of its CGUs following a decline in their performance. All eight CGUs are groups of assets related to corporate-owned stores. The total cumulative impairment of \$135 represents a write down of the carrying value of the leasehold improvements and equipment to their fair value less cost to sell, which was higher than their value in use.

These calculations take into account our best estimate of future cash flows, using previous year's cash flows for each CGU to extrapolate a CGU's future performance to the earlier of the termination of the lease (if applicable) or 5 years and a terminal value is calculated beyond this period, assuming no growth to the cash flows of previous periods. A cash flow period of 5 years was used as predictability for periods beyond this cannot be estimated with reasonable accuracy.

A 1% change to the discount rate used in the calculation of the impairment would not result in any additional significant impairment of the trademarks and franchise rights or on the property, plant and equipment of our corporate stores.

During the year, the Company reversed impairment on the property, plant and equipment related to one of its CGUs following an increase in its performance. The total impairment reversal of \$64 represents a part of the impairment taken on the asset in prior years and is based on new estimated future cash flows of the CGU.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. It was determined that goodwill is not impaired as at November 30, 2013 and November 30, 2012.

The Company used a 13% discount rate for its assessment of goodwill. No growth was applied to the cash flows used to estimate the terminal value.

Useful lives of property, plant and equipment and intangible assets

The Company reviews the estimated useful lives of property, plant and equipment and intangible assets with definite useful lives at the end of each year and assesses whether the useful lives of certain items should be shortened or extended, due to various factors including technology, competition and revised service offerings. During the years ended November 30, 2013 and 2012, the Company was not required to adjust the useful lives of any assets based on the factors described above.

Provisions

The Company makes assumptions and estimations based on its current knowledge of future disbursements it will have to make in connection with various events that have occurred in the past and for which the amount to be disbursed and the timing of such disbursement are uncertain at the date of producing its financial statements.

Revenue recognition for construction and renovation contracts

Restaurant construction and renovation revenue is recognized by reference to the stage of completion of the contract activity at the end of the reporting period. Management makes an estimate on the percentage of completion based on costs incurred to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

Valuation of financial instruments

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Consolidation of special purpose entities

The Company is required to consolidate a small number of special purpose entities. In doing so, the Company must make assumptions with respect to some information that is either not readily available or that is not available within reporting time frames. As a result, assumptions and estimates are made to establish a value for the current assets, short-term and long-term liabilities and results of operations in general.

Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting our obligations under the contract exceed the expected benefits to be received from the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

Contingencies

The Company is involved in various litigations and disputes as a part of our business that could affect some of our operating segments. Pending litigations represent potential losses to the business.

Management accrues potential losses if they believe the loss is probable and can be reasonably estimated, based on information that is available at the time. Any accrual would be charged to earnings and included in provisions. Any cash settlement would be deducted from cash from operating activities. Management estimate the amount of the losses by analyzing potential outcomes and assuming various litigation and settlement strategies.

Accounts receivable

The Company recognizes an allowance for doubtful accounts based on past experience, outlet-specific situation, counterparty's current financial situation and age of the receivables.

Trade receivables include amounts that are past due at the end of the reporting period and for which the Company has not recognized an allowance for doubtful accounts because there was no significant change in the credit quality of the counterparty and the amounts are therefore considered recoverable.

Future accounting changes

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" was issued in November 2009 and contains requirements for financial assets. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

In October 2010, the IASB amended IFRS 9 “Financial Instruments,” which replaced IFRS 9 “Financial Instruments” and IFRIC 9 “Reassessment of Embedded Derivatives.” This change provides guidance on classification, reclassification and measurement of financial liabilities and on the presentation of gains and losses, through profit or loss, of financial liabilities designated as measured at fair value. The requirements for financial liabilities, added in October 2010, largely replicate the requirements of IAS 39 “Financial Instruments: Recognition and Measurement,” except with respect to changes in fair value attributable to credit risk for liabilities designated as measured at fair value through profit or loss, which would generally be recognized in other comprehensive income.

A date has yet to be determined for when this new standard will apply.

IFRS 10 “Consolidated Financial Statements”

In May 2011, the IASB issued IFRS 10 “Consolidated Financial Statements,” which establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 provides a single consolidation model that identifies control as being the basis for consolidation. The new standard describes how to apply the principle of control to identify situations when a company controls another company and must therefore present consolidated financial statements. IFRS 10 also provides disclosure requirements for the presentation of consolidated financial statements. IFRS 10 cancels and replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities.”

This new standard applies to fiscal years beginning on or after January 1, 2013. Early application is permitted.

IFRS 12 “Disclosure of Interests in Other Entities”

In May 2011, the IASB issued IFRS 12 “Disclosure of Interests in Other Entities.” IFRS 12 incorporates, in a single standard, guidance on disclosing interests in subsidiaries, joint arrangements, associates and structured entities. The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the basis of control, any restrictions on consolidated assets and liabilities, exposures to risks arising from interests in non-consolidated structured entities and the share of minority interests in the activities of consolidated entities.

This new standard applies to fiscal years beginning on or after January 1, 2013. Early application is permitted.

IFRS 13 “Fair Value Measurement”

In May 2011, the IASB issued a guide to fair value measurement providing note disclosure requirements. The guide is set out in IFRS 13 “Fair Value Measurement,” and its objective is to provide a single framework for measuring fair value under IFRS. It does not provide additional opportunities to use fair value.

This new standard applies to fiscal years beginning on or after January 1, 2013. Early application is permitted.

IAS 19 “Employee Benefits”

In June 2011, the IASB amended IAS 19 “Employee Benefits” to improve the accounting for pensions and other post-employment benefits. The amendments make important improvements by:

- Eliminating the option to defer the recognition of gains and losses, known as the “corridor method” or the “deferral and amortization approach”;

- Simplifying the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income, thereby separating those changes from changes frequently perceived to be the result of day-to-day operations; and
- Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks to which entities are exposed through their participation in those plans.

This amended version of this standard applies to fiscal years beginning on or after January 1, 2013. Early application is permitted.

IFRS 7 “Financial Instruments: Disclosures” and IAS 32 “Financial Instruments: Presentation”

In December 2011, the IASB amended IFRS 7 “Financial Instruments: Disclosures” and IAS 32 “Financial Instruments: Presentation” as part of its offsetting financial assets and financial liabilities project. IFRS 7 was amended to harmonize the disclosure requirements with those of the Financial Accounting Standards Board (FASB), while IAS 32 was amended to clarify certain items and address inconsistencies encountered upon practical application of the standard.

The amended versions of IFRS 7 and IAS 32 apply retrospectively to annual periods beginning on or after January 1, 2013 and on or after January 1, 2014, respectively. Early application is permitted.

The Company is assessing the impact of adopting these new standards on its consolidated financial statements.

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.

Financial instruments and financial risk exposure

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

Fair value of recognized financial instruments

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

In thousands of \$

	At November 30, 2013		At November 30, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	6,136	6,136	33,036	33,036
Accounts receivable	13,452	13,452	13,631	13,631
Loans receivable	978	978	919	919
Financial liabilities				
Line of credit	12,000	12,000	-	-
Accounts payable and accrued liabilities	11,903	11,903	13,426	13,426
Long-term debt	7,169	7,169	7,476	7,476

Determination of fair value

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities - The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Loans receivable - The loans receivable generally bear interest at market rates and therefore it is management's opinion that the carrying value approximates the fair value.

Long-term debt - The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements based on the Company's current estimated borrowing rate for a similar debt.

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at November 30, 2013.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the statement of financial position 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:

- Other than receivables from international locations, the Company's broad client base is spread mostly across Canada, which limits the concentration of credit risk.
- The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.

The credit risk on cash and cash equivalents is limited because the Company invests its excess liquidity in high quality financial instruments and with credit-worthy counterparties.

The credit risk on the loans receivable is similar to that of accounts receivable. There is currently an allowance for doubtful accounts recorded for loans receivable of \$133 (\$55 as at November 30, 2012).

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company is mainly exposed to foreign exchange risk on its purchase of coffee. The Company has entered into a contract to minimize its exposure to fluctuations in foreign currencies related to the purchase of coffee. As of November 30, 2013, the total value of such contracts was approximately \$544.

In addition, the Company concludes sales denominated in foreign currencies. The Company's foreign operations use the U.S. dollar as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash and cash equivalents, other working capital items and the financial obligations of its foreign operations.

Other than the above-mentioned foreign transactions, the Company has minimal exposure to the US\$ and is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in the currency. The Company considers this risk to be relatively limited.

As of November 30, 2013, the Company carried US\$ cash of CAD\$887, net accounts receivable of CAD\$437 and net accounts payable of CAD\$342 (CAD\$425, CAD\$429 and CAD\$nil respectively as at November 30, 2012). All other factors being equal, a reasonable possible 1% rise in foreign currency exchange rates per Canadian dollar would result in a change on profit or loss and net comprehensive income of \$10 Canadian dollars.

Interest rate risk

The Company is exposed to interest rate risk with its revolving credit facility and treasury risk facility. Both facilities bear interest at a variable rate and as such the interest burden could potentially become more important. \$12,000 of the credit facility was used as at November 30, 2013. A 100 basis points increase in the bank's prime rate would result in additional interest of \$120 per annum on the outstanding credit facility. The Company limits this risk by using short-term banker's acceptance from the credit facility.

Liquidity risk

The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

The following are the contractual maturities of financial liabilities as at November 30, 2013:

In thousands of \$

	Carrying amount	Contractual cash flows	0 to 6 months	0 to 12 months	12 to 24 months
	\$	\$	\$	\$	\$
Line of credit	12,000	12,000	12,000	-	-
Accounts payable and accrued liabilities	11,903	11,903	11,903	-	-
Long-term debt	7,169	7,609	378	2,406	2,364
Interest on long-term debt	-	-	136	121	154
	31,072	31,512	24,417	2,527	2,518

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 consumers.

In the very short term, management will focus on restoring positive same-store-sales by generating more innovation, focusing on the quality of customer service in each of its outlets and maximizing the value offered to its customers.

The quick service restaurant industry will remain challenging in the future, and management believes that the focus on the food offering, consistency and store design will give MTY's restaurants a stronger position to face challenges. Given this difficult competitive context in which more restaurants compete for a finite amount of consumer dollars, each concept needs to preserve and improve the relevance of its offer to consumers.

Management will maintain its focus on maximizing the value of new locations and concepts to our network. Management also remains committed on offering its customers a wide range of innovative menus and modern store designs.

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.

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 IFRS.

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 November 30, 2013, 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 November 30, 2013, 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.

Limitations of Controls and Procedures

Management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Limitation on scope of design

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures and internal control over financial reporting of the recently acquired operations of Extreme Brandz (acquired September 24, 2013), ThaiZone (acquired September 30, 2013) and SushiGo (acquired June 1, 2013). Excluding the goodwill created on the acquisitions, these operations respectively represent 19%, 8% and 0% of the Company's assets (9%, 2% and 2% of current assets, 20%, 9% and 0% of non-current assets); they also represent 5%, 1% and 0% of current liabilities (10%, 0% and 2% of long-term liabilities), 2%, 0% and 0% of the Company's revenues and 2%, 0% and 0% of the Company's net earnings.

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures and internal control over financial reporting of certain special purpose entities ("SPEs") on which the Company has the ability to exercise *de facto* control and which have as a result been consolidated in the Company's consolidated financial statements. For the twelve-month period ended November 30, 2013, these SPEs represent 0% of the Company's current assets, 0% of its non-current assets, 1% of the Company's current liabilities, 0% of long-term liabilities, 4% of the Company's revenues and 0% of the Company's net earnings.

"Stanley Ma"

Stanley Ma, Chief Executive Officer

"Eric Lefebvre"

Eric Lefebvre, CPA, CA, MBA Chief Financial Officer