GROUPE MTY GROUP

Management's Discussion and Analysis
For the fiscal year ended November 30, 2011

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, 2011.

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.

This MD&A was prepared as at February 13, 2012. 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 2011. 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 February 13, 2012 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 February 13, 2012. 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 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 13, 2012. 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, interest on long-term debt, 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 fiscal year

On November 10, 2011, the Company announced it had completed the acquisition of the assets of Koryo Korean BBQ Franchise Corporate for an estimated consideration of $1.8 million. The acquisition was effective November 1, 2011.

On November 1, 2011, the Company announced it had completed the acquisition of substantially of the assets of Mr. Submarine Limited and Mr. Submarine Realty Inc., for an estimated consideration of $23.0 million.

On August 24 2011, the Company announced it had completed the acquisition of the assets of Jugo Juice International Inc., effective on August 18, 2011, for an estimated consideration of $15.45 million.

On December 17, 2010, the Company announced it had acquired a 51% interest in a 60,000 square feet food processing plant located in the vicinity of the city of Quebec. The transaction was entirely financed by debt.

On November 30, 2011, the Company amalgamated, in two separate transactions, fifteen of its wholly-owned subsidiaries in an effort to simplify the legal structure of the Company and reduce the administrative costs related to maintaining the legal entities active.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki Ming, Sukiyaki, La Cremiere, 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, Valentine, Jugo Juice, Mr. Sub and Koryo Korean BBQ.

As at November 30, 2011, MTY had 2,263 locations in operation, of which 2,233 were franchised or under operator agreements and the remaining 30 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, Tutti Frutti, Valentine and Mr. Sub 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,
- 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,
- 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.

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, 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 turn key 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 franchises with a broad range of products required in the day-to-day operations of the restaurants.

Description of recent acquisitions

On November 10, 2011, the Company acquired the assets of Koryo Korean BBQ Franchise Corp for an estimated total consideration of $1.8 million. At the effective date of closing, November 1, 2011, the Koryo network was composed of 19 franchised stores and 1 corporate store. Of the purchase price, MTY withheld an amount of $0.35 million in holdbacks.

On November 1, 2011, the Company acquired substantially all of the assets of Mr. Submarine Limited and Mr. Sub Realty Inc. for an estimated total consideration of $23.0 million. At the date of closing, there were 338 Mr. Sub stores in operations, all of which were franchised or subject to an operator agreement. MTY withheld an amount of $2.5 million as holdback, which will become payable in November 2013.

On August 24, 2011, the Company acquired all of the assets of Jugo Juice International Inc., Jugo Juice Canada Inc. and Jugo Juice Western Canada Inc. for an estimated total consideration of $15.45 million. At the effective date of closing, August 18, 2011, 136 Jugo Juice outlets were in operations, 2 of which we corporately owned and 134 were franchised. Of the total consideration, MTY withheld $1.735 million as holdbacks on the transaction.

On December 17, 2010, the Company acquired a 51% interest in a food processing plant. The total transaction value was estimated at approximately $3.5 million including land, building, equipment, inventories, existing workforce and certifications. The newly formed company contracted at $3.5 million bank loan to finance the acquisition.

As part of the transaction, one of the shareholders in the newly formed company brought in existing activities from another operating plant, in exchange for mandatorily redeemable preferred shares. One third of the preferred shares will be redeemed annually, at a value contingent on the performance of the plant. The value of such shares was estimated at $300,000 at the inception of the shareholders' agreement and subsequently revalued at $200,000 following changes in the purchase price allocation.

Selected annual information

	Year ended November 30,2009	Year ended November 30,2010	Year ended November 30,2011
Total assets	$76,535,459	$96,554,108	$117,053,200
Total long-term liabilities*	$2,463,229	$3,544,590	$9,691,586
Operating revenue	$51,537,788	$66,886,441	$78,465,018
Income before income taxes and non-controlling interest	$17,927,708	$22,303,714	$22,840,940
Net income and comprehensive income EPS basic EPS diluted	$12,261,503 $0.64 $0.64	$15,446,794 $0.81 $0.81	$16,154,023 $0.84 $0.84
Weighted daily average number of common shares Weighted average number of diluted common shares	19,120,567 19,120,567	19,120,567 19,120,567	19,120,567 19,120,567

* Total long-term liabilities exclude non-controlling interest

Summary of quarterly financial information

Quarters ended								
	February 2010	May 2010	August 2010	November 2010	February 2011	May 2011	August 2011	November 2011
Revenue	$14,313,553	$17,287,393	$15,941,775	$19,343,720	$17,476,037	$18,355,608	$19,334,519	$23,298,854
Net income and comprehen-sive income	$3,003,595	$3,809,139	$4,150,813	$4,483,247	$3,468,337	$3,554,583	$4,401,521	$4,729,580
Per share	$0.16	$0.20	$0.22	$0.23	$0.18	$0.19	$0.23	$0.25
Per diluted share	$0.16	$0.20	$0.22	$0.23	$0.18	$0.19	$0.23	$0.25

Results of operations for the fiscal year ended November 30, 2011

Revenue

During the year ended November 30, 2011, the Company's total revenue increased by 17%, to reach $78.5 million. Revenues for the four segments of business are broken down as follows:

	November 30, 2011 ($ million)	November 30, 2010 ($ million)	Variation
Franchise operation	56.1	57.1	-2%
Corporate stores	10.8	8.7	25%
Distribution	6.1	1.3	371%
Food processing	6.3	nil	N/A
Intercompany transactions	-0.8	-0.2	N/A
Total operating revenues	78.5	66.9	17%

For the year, revenue from franchise locations were down by $1.0 million compared to 2010, for factors described below:

	$million
Revenues, 2010 fiscal year	57.1
Increase in recurring revenue streams	4.4
Decrease in turn-key, rent and sales to franchisees	-5.0
Decrease in initial franchise fees	-1.2
Increase in renewal and transfer fees	0.4
Other non-material increases	0.4
Revenues, 2011 fiscal year	56.1

During the 2011 fiscal period, the fundamentals of our business, characterized by recurring streams of revenues have strengthened, showing an increase of $4.4 million over the realization of 2010.

This was realized while Country Style experienced a total decrease in franchising revenues of $4.1 million, affecting all categories of income, including royalties, initial franchise fees, percentage rent, turnkeys and sales of material to franchisees.

During the year, 127 new outlets were opened, compared to an exceptional 191 during 2010; the decrease in new store openings resulted in a corresponding decrease in franchise fee revenues and sales of turnkeys.

The additional revenues gained from the acquisitions realized during 2011 and during the late stages of 2010 contributed to offset the above-mentioned decreases. Together, Jugo Juice (3½ months during 2011), Mr. Sub (1 month during 2011) and Valentine (owned for 12 months in 2011 compared to 3 months in 2010) contributed $3.8 million in various franchising revenues.

Revenue from corporate owned locations increased 25% over last year, mainly owing to the addition of the Valentine corporate stores in the fourth quarter of 2010 as well as to the consolidation of certain variable interest entities (VIEs) acquired in the Mr. Sub transaction.

During 2011, the Company also generated distribution and food processing revenues of $6.1 million and $6.3 million respectively. The distribution center was acquired in September of 2010; as a result, the 12 month-results of 2011 are compared to only 3 months of operations during 2010. The distribution center revenues are highly dependent on the performance of the Valentine and Franx restaurants, from which it derives 100% of its revenues.

As for the food processing plant, it was acquired during the first quarter of our 2011 fiscal period. Revenues in the food processing industry tend to be more volatile and are highly dependent on the performance of third parties. The focus continues to be on business development and maximization of the plant's excess capacity.

Cost of sales and other operating expenses

During 2011, operating expenses increased by 26%. The increase is broken down as follows:

	November 30, 2011 ($ million)	November 30, 2010 ($ million)	Variation
Franchise operation	30.1	32.4	-7%
Corporate stores	10.7	7.7	39%
Distribution	5.5	1.2	378%
Food processing	6.2	nil	N/A
Intercompany transactions	-0.8	-0.2	N/A
Total operating expenses	51.8	41.1	26%

Operating expenses related to the franchising operations decreased by $2.3 million in 2011, mainly because of the decrease in revenues from turn-keys, rent and sales to franchisees, which shrunk by $5.0 million. Expenses related to the recently acquired banners were among the items that contributed to offset the decrease in the cost of sales described above.

Expenses for corporate owned locations increased 39% during 2011, in large part due to the addition of the Valentine corporate stores as well as to the consolidation of certain VIEs acquired in the Mr. Sub transaction.

Our distribution center incurred $5.5 million in operating expenses during the year, compared to $1.2 million in expenses for the 3 months following the acquisition in 2010. The food processing plant incurred $6.2 million in operating expenses, with no comparatives for the prior year.

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

	Fiscal year ended November 30, 2011					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues [1]	$57.29	$10.78	$6.06	$6.33	$-0.76	$79.70
Expenses	$30.57	$10.73	$5.53	$6.20	$-0.76	$52.27
EBITDA	$26.72	$0.05	$0.53	$0.13	$0.00	$27.43
EBITDAR	$27.17	$0.05	$0.53	$0.13	$0.00	$27.88
EBITDAR as a % of Revenue [1]	47%	0%	9%	2%	N/A	35%

	Fiscal year ended November 30, 2010					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues [1]	$57.68	$8.65	$1.29	$nil	$-0.15	$67.47
Expenses	$32.36	$7.73	$1.16	$nil	$-0.15	$41.10
EBITDA/EBITDAR	$25.32	$0.92	$0.13	$nil	$0.00	$26.37
EBITDAR as a % of Revenue [1]	44%	11%	10%	N/A	N/A	39%

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. EBITDAR uses the same parameters as EBITDA but deducts restructuring charges from expenses. It is also not recognized by GAAP.

[1] For purposes of the EBITDA analysis, interest income, gains on disposal of capital assets and gains or losses on foreign exchange have been included with Franchise revenue. See reconciliation to net income and comprehensive income on page 23.

The franchising operation's EBITDAR increased 7% during 2011. The increase is the result of multiple factors, including solid growth of our recurring, high margin, revenues such as royalties and the contribution of our recent acquisition in the fourth of the year. The decrease in the proportional weight of low margin items such as turnkeys, combined with the increase in high margin items such as royalties caused the EBITDAR as a percentage of revenues to increase to 47%, compared to 44% a year ago.

During the second and third quarters of 2011, the Company has undertaken a restructuring of its Country Style team. MTY has reviewed opportunities to integrate some of its teams and brands together by centralizing some functions into shared services so that greater efficiency could be reached. As a result of this process, the Company incurred $446,579 in restructuring costs, which are mainly made of severance costs. This charge includes the costs related to the departure of Country Style's president, whose duties will be absorbed by the existing team.

EBITDA from corporate owned locations decreased from $0.9 million in 2010 to $0.0 million in 2011, mainly due to some relatively weaker stores recently acquired and to the disposition of a highly profitable store at the end of the first quarter of 2011.

EBITDA from the Company's distribution center was $0.5 million for the year, which represents and EBITDA margin of 9%.

The newly acquired food processing plant generated an EBITDA of $0.1 million and continues to show signs of improvement after a longer than anticipated transition period.

Net income

During 2011, MTY's net income increased by 5% to reach a historical high of $16.2 million or $0.84 per share ($0.84 per diluted share). Net income for the same period last year was $15.4 million or $0.81 per share ($0.81 per diluted share).

Income before taxes and minority interest increased by 2%, fueled mainly by the franchising operation's growth, which more than offset the decrease in the performance of the corporate stores.

The income tax burden on pre-tax income was 28.1% in 2011, 2.3% lower than the average tax rate for our 2010 fiscal period. This is mainly due to declining tax rates in most jurisdictions in Canada as well as to a shift in the proportional weight of some jurisdictions for tax purposes. The increase in net income attributable to lower tax rates is approximately $0.5 million.

Other income

Interest income, which is generated from the Company's investments in short-term notes and guaranteed investment certificates, increased by $0.2 million in 2011 compared to the same period a year earlier; the increase is attributable to the higher amount of excess cash invested.

The gains on disposal of capital assets, which result from the sale of the assets of corporate stores, increased to $0.9 million in 2011 compared to $0.4 million in 2010. This is mainly attributable to the sale of the assets of one of the Company's subsidiaries in the first quarter of 2011, which resulted in a gain of $0.7 million.

Amortization expense

Amortization of capital assets increased by $0.2 million during the last twelve months, mainly because of the additions of Valentine and of the food processing plant.

Amortization of intangible assets also increased by $0.2 million during 2011, because of the amortization of the newly acquired intangibles.

Results of operations for the fourth quarter ended November 30, 2011

Revenue

During the last three months of our 2011 fiscal year, the Company's total revenue increased by 20% to reach $23.3 million. Revenues for the four segments of business are broken down as follows:

	November 30, 2011 ($ million)	November 30, 2010 ($ million)	Variation
Franchise operation	16.3	15.7	4%
Corporate stores	3.3	2.5	30%
Distribution	1.9	1.3	45%
Food processing	2.0	nil	N/A
Intercompany transactions	-0.2	-0.2	N/A
Total operating revenues	23.3	19.3	20%

As is shown in the table above, revenue from franchise locations progressed by 4%. Several factors contributed to the variation, as listed below:

	$million
Revenues, fourth quarter of 2010	15.7
Increase in recurring revenue streams	1.8
Decrease in turn-key, sales of material to franchisees and rent revenues	-1.0
Decrease in initial franchise fees	-0.5
Other non-material variations	0.3
Revenues, fourth quarter of 2011	16.3

During the fourth quarter of 2011, the Company opened 37 new stores compared to 59 during the same period last year. As a result, initial franchise fees declined by $0.5 million for the same period, while revenues from turn-keys were also affected adversely.

Recurring revenue streams increased by $1.8 million, fueled by the acquisitions of Mr. Sub and Jugo Juice, as well as by the strong internal growth of some of our existing banners.

Revenue from corporate owned locations increased 30%, to $3.3 million during the last four months of our 2011 fiscal period. The increase is mainly due to the consolidation of certain VIEs acquired with Mr. Sub during the fourth quarter of 2011.

Distribution revenues have increased 45% during the fourth quarter, with the addition of the Franx stores to the list of customers and the growth in the Valentine network contributing the most significant portion of the increase.

The Company also generated food processing revenues of $2.0 million during the quarter. There were no such revenues streams in 2010. The fourth quarter was the strongest in terms of revenues since the acquisition of the plant.

Cost of sales and other operating expenses

During the fourth quarter of 2011, operating expenses increased by 23% to $15.4 million, from $12.5 million for the same period in 2010. Operating expenses for the four business segments were incurred as follows:

	November 30, 2011 ($ million)	November 30, 2010 ($ million)	Variation
Franchise operation	8.7	9.0	-3%
Corporate stores	3.3	2.6	30%
Distribution	1.7	1.2	50%
Food processing	1.9	Nil	N/A
Intercompany transactions	-0.2	-0.2	N/A
Total operating expenses	15.4	12.5	23%

Operating expenses related to the franchising operations decreased by $0.3 million, mainly because of the reduction in turnkey revenues and sales of materials to franchisees described above. This decrease was partially offset by increased labour costs and other operating expenses related to the acquisition realized during 2011.

During the period, expenses for corporate owned locations increased by $0.7 million. Most of the increase is caused by the consolidation of the VIEs of Mr Sub.

Our distribution center incurred $1.7 million in operating expenses during the quarter, an increase that is entirely attributable to the growth in revenues discussed above, while the food processing plant incurred $1.9 million in operating expenses.

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

	Three months ended November 30, 2011					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues [1]	$16.49	$3.28	$1.87	$2.01	$-0.19	$23.46
Expenses	$8.69	$3.34	$1.74	$1.85	$-0.19	$15.43
EBITDA	$7.80	-$0.06	$0.13	$0.16	$0.00	$8.03
EBITDAR	$7.80	-$0.06	$0.13	$0.16	N/A	$8.03
EBITDAR as a % of Revenue [1]	47%	N/A	7%	8%	N/A	34%

	Three months ended November 30, 2010					
(In millions)	Franchise	Corporate	Distribution	Processing	Consolidation	Total
Revenues [1]	$16.25	$2.52	$1.29	$nil	-$0.15	$19.91
Expenses	$8.97	$2.56	$1.16	$nil	-$0.15	$12.54
EBITDA/EBITDAR	$7.28	-$0.04	$0.13	$nil	$nil	$7.37
EBITDAR as a % of Revenue [1]	45%	N/A	10%	N/A	N/A	37%

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. EBITDAR uses the same parameters as EBITDA but deducts restructuring charges from expenses. It is also not recognized by GAAP.

[1]For purposes of the EBITDA analysis, interest income, gains on disposal of capital assets and gains or losses on foreign exchange have been included with Franchise revenue. See reconciliation to net income and comprehensive income on page 23.

EBITDAR increased by 9%, from $7.4 million to $8.0 million for the three months ended November 30, 2011.

During the period, the franchising operations generated $7.8 million in EBITDAR, a 7% increase over the results of the fourth quarter of 2010. The increase is mainly attributable to the contribution of recent acquisitions as well as to internal growth in high margin revenues, while some gains realized on the sale of restaurants in 2010 were not repeated in the fourth quarter of 2011, partially offsetting the growth.

EBITDAR from franchise operations as a percentage of revenue increased because of the lower deliveries of turnkeys and sales of materials to franchisees, which typically generate lower profit margins.

EBITDA from corporate owned locations was virtually unchanged compared to 2010, with the improvements in the operations of certain stores being offset by the impact of the sale of a highly profitable store in the first quarter of 2011.

EBITDA from the Company's distribution center was $0.1 million for the period, down slightly compared to the results of the fourth quarter of 2010.

New production contracts gained during the fourth quarter enabled the food processing plant to generate an EBITDA of $0.2 million.

Net income

For the three months ended November 30, 2011, MTY reported a net income of $4.7 million or $0.25 per share ($0.25 per diluted share) compared to a net income of $4.5 million or $0.23 per share ($0.23 per diluted share) for the same period last year, representing a net income increase of 5%.

The increase in net income is mostly attributable to the impact of recent acquisitions on our results as well as to strong generic growth in revenues, which more than offset the decline in the gains realized on disposal of restaurants and the increase in the tax burden for the quarter.

Amortization expense

Amortization of capital assets for the quarter decreased by $0.1 million, mainly because of an adjustment posted in the purchase price allocation of the food processing plant during the quarter, which resulted in a one-time reduced amortization charge.

Amortization of intangible assets was up by $0.1 million because of the amortization of recently acquired franchise rights.

Other income

The gains on disposal of capital assets, which result from the sale of the assets of corporate stores, decreased to $0.0 million in 2011 compared to a gain of $0.5 million during in 2010. In the fourth quarter of 2010, the Company had disposed of certain corporate stores; the Company did not realize the same level of activity in the fourth quarter of 2011.

Income taxes

The provision for income taxes as a percentage of income before taxes increased slightly by 1.4% during the quarter compared to the same period last year, mainly because of the lower tax burden on certain types of income realized in 2010. The Company also had to adjust the rate at which the tax losses coming from Country Style were utilized, resulting in a higher net tax rate.

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	Long term debt	Net lease commitments	Total contractual obligations
12 months ending November 2012	$1,982,167	$2,623,603	$4,605,770
12 months ending November 2013	$4,147,000	$2,435,934	$6,582,934
12 months ending November 2014	$425,000	$1,939,863	$2,364,863
12 months ending November 2015	$291,667	$1,585,228	$1,876,895
12 months ending November 2016	$2,479,166	$1,352,422	$3,831,588
Balance of commitments	$-	$2,193,682	$2,193,682
	$9,325,000	**$12,130,732**	**$21,455,732**

* for total commitments, please refer to November 30, 2011 consolidated financial statements

Long-term debt includes non-interest bearing holdbacks on acquisitions, shareholder loans contracted by subsidiaries with the minority shareholders, a bank loan used to finance the acquisition of the food processing plant acquired in December 2010 as well as mandatorily redeemable preferred shares issued to a minority shareholder of a subsidiary.

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 2011 and May 2012. The total commitment amounts to $1.6 million.

In relation to the items listed above, the Company has entered into contracts to minimize the impact of variations in foreign currencies. The total commitment on these contracts amounts to approximately $0.6 million.

Liquidity and capital resources

Cash and highly liquid temporary investments totalled $10.6 million on November 30, 2011, a decrease of $18.4 million compared to the $29.0 million balance at the end of the 2010 fiscal period. The decrease is attributable to the disbursement of $32.6 million for the acquisitions of Jugo Juice, Mr. Sub and Koryo, as well as to the payment of $3.4 million in dividends.

Cash flows generated by operating activities were $18.0 million, offsetting approximately half of the disbursements discussed above. Excluding the variation in non-cash working capital items, our operations generated $23.3 million in cash flows, compared to $19.7 million in 2010.

The main driver of the $3.6 million increase in cash flows before non-cash working capital items is the utilization of the tax losses available to the Company following the amalgamation that took place on November 30, 2010.

The variation in working capital requirements is attributable to numerous factors, including the ramp up of the food processing plant acquired in December, income tax installments paid during the year that will be refunded during 2012, and the timing of the collection and payment of the accounts receivable and payable of the Company.

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 November 30, 2011. The facility, when used, bears interest at the bank's annual prime rate plus 1.00%.

Balance sheet

Following the acquisitions of Jugo Juice, Mr. Sub and Koryo during 2011, temporary investments decreased to $4.6 million at the end of the year, down from $23.4 million as at November 30, 2010. 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 and guaranteed investment certificates valued at fair value. They have maturity dates between December 2011 and June 2012 and have rates of return between 1.02% and 1.62% (0.82% to 1.45% in November 2010).

Accounts receivable at the end of 2011 were at $9.5 million, an increase of $2.0 million compared to the balance at the end of our 2010 fiscal period. The increase is due to the ramp up in the business of the food processing plant ($0.9 million), to the receivables of Jugo Juice and Mr. Sub ($0.5 million) as well as to the timing of the collection of some receivables in the rest of the Company.

Loans receivable went down by $0.1 million in the period. During 2011, one new loan was granted in relation to a newly franchised restaurant while two were extinguished. In addition, three loans were assigned to MTY in the acquisition of Jugo Juice.

Capital assets increased to $10.2 million at the end of the year, an increase of $3.0 million compared to the balance at November 30, 2010. The acquisitions realized during the year contributed $4.1 million to our capital assets. These additions were partially offset by the disposal of some corporate store assets and by the amortization recorded during 2011.

Goodwill increased by $12.4 million as a result of three distinct transactions:

- the adjustment in the purchase price of Country Style Food Services Holdings Inc. following the settlement of the litigation with the vendors resulted in an increase in goodwill of $1.5 million;

- the contribution of the existing business by one of the minority shareholders to the food processing plant, of which the value of $0.2 million is recorded as goodwill. The valuation of this contribution has not yet been finalized;
- the acquisitions of Jugo Juice and Mr. Sub resulted in goodwill preliminarily valued at $10.7 million

Accounts payable increased to $14.9 million from $12.5 million between November 30, 2010 and November 30, 2011. The acquisition of Jugo Juice and Mr. Sub contributed approximately $4.0 million, in the form of payables and of the balance of sale. This was offset by a reduction in the payables in the rest of the Company, mainly on account of the stage of completion of the projects under construction.

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. The balance at year end was $1.6 million, an increase of $0.1 million compared to the balance a year earlier. The variation is due to an increase in unearned franchise fees, mainly owing to the acquisition of Jugo Juice.

The long-term debt is composed of non-interest bearing holdbacks on acquisitions, of bank loans contracted by a subsidiary to finance an acquisition, of loans payable by subsidiaries to their minority shareholders and of mandatorily redeemable preferred shares payable to a minority shareholder of a subsidiary.

Long-term debt increased by $6.5 million during our 2011 fiscal period. The acquisition of the food processing plant contributed $3.7 million to this variance, in the form of a bank loan of $3.5 million and of $0.2 million in mandatorily redeemable preferred shares. The acquisitions of Jugo Juice, Mr. Sub and Koryo resulted in holdbacks of $1.7 million, $2.5 million and $0.4 million respectively.

The settlement of the litigation with the vendors of Country Style Food Services Holdings Inc. included a settlement of the holdbacks, which reduced the long-term debt by $1.3 million. In addition, the bank loans contracted by two of Valentine’s subsidiaries were completely repaid during the year, and a portion of the holdbacks resulting from past acquisitions was repaid.

The loans payable by a subsidiary to non-controlling shareholders carry no terms of repayment and will be repaid when this subsidiary generates sufficient cash flow to repay its debt without impairing its operations. One third of the preferred shares will be redeemed annually at a value that is contingent on the performance of a subsidiary. Management expects that the value of the preferred shares at redemption will be approximately $200,000.

Further details on the above balance sheet items can be found in the notes to the November 30, 2011 consolidated financial statements.

Capital stock

No shares were issues during the Company's 2011 fiscal period. As at February 13, 2012 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 twelve months November 2011	Number of locations twelve months November 2010
Franchises, beginning of year	**1,701**	1,550
Corporate owned, beginning of year	**26**	20
Opened during the year	**127**	191
Acquired during the year	**494**	95
Closed during the year	**(85)**	(129)
Total end of year	**2,263**	1,727
Franchises, end of year	**2,233**	1,701
Corporate owned, end of year	**30**	26
Total end of year	**2,263**	1,727

The net addition to the MTY network for our 2011 fiscal period is 536 outlets; of that total 494 outlets came as a result of three acquisitions. Generic growth generated a net addition of 42 stores, compared to 62 during 2010.

Of the 127 stores opened during the year, 41 were in mall locations (69 in 2010), 37 were street locations (43 in 2010) and 49 were non-traditional locations (79 in 2010).

During 2011, the 85 of the Company's outlets closed, including 25 non-traditional Country Style locations lost as a result of the early termination of a contract during the second quarter. Of the stores closed, 16 were mall locations (28 in 2010), 21 were street locations (13 in 2010) and 48 were non-traditional locations (88 in 2010).

At year-end, the Company had 30 corporate stores, a net increase of 4. During the year, six corporate-owned locations were sold, twelve were added (including three resulting from acquisitions) and two were closed.

As at November 30, 2011, there were three test locations in operation, all of which were excluded from the numbers presented above. One was closed subsequent to year-end, following the conclusion of a cross-banner concept.

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

Location type	% of location count year ended November 30		% of system sales year ended November 30	
	2011	2010	**2011**	2010
Shopping mall & food court	**36%**	39%	**50%**	51%
Street front	**36%**	27%	**40%**	39%
Non-traditional format	**28%**	34%	**10%**	10%

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

Geographical location	% of location count year ended November 30		% of system sales year ended November 30	
	2011	2010	2011	2010
Ontario	**48%**	45%	**32%**	36%
Quebec	**27%**	33%	**40%**	36%
Western Canada	**20%**	16%	**22%**	21%
Maritimes	**2%**	2%	**1%**	1%
International	**3%**	4%	**5%**	6%

System wide sales

System wide sales grew 14%, reaching $527.6 million during the twelve months of 2011, compared to $461.9 million for the same period last year. For the fourth quarter, system wide sales were $149.4 million, up 21% over the fourth quarter of 2010.

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

Approximately two thirds of the increase in system wide sales for the year is attributable to the acquisitions of Valentine (annualization over a full twelve-month period), Jugo Juice, Mr. Sub and Koryo. The remainder is generated by the two weeks of Jugo Juice sales since the acquisition as well as by new locations opened in the last twelve months.

For the fourth quarter of 2011, two thirds of the increase is due to the acquisitions realized in the third and fourth quarter of 2011.

Same store sales

During the fourth quarter of 2011, same store sales have improved by 1.29% over the same period last year. For the twelve months of our 2011 fiscal period, same store sales increased 0.63%.

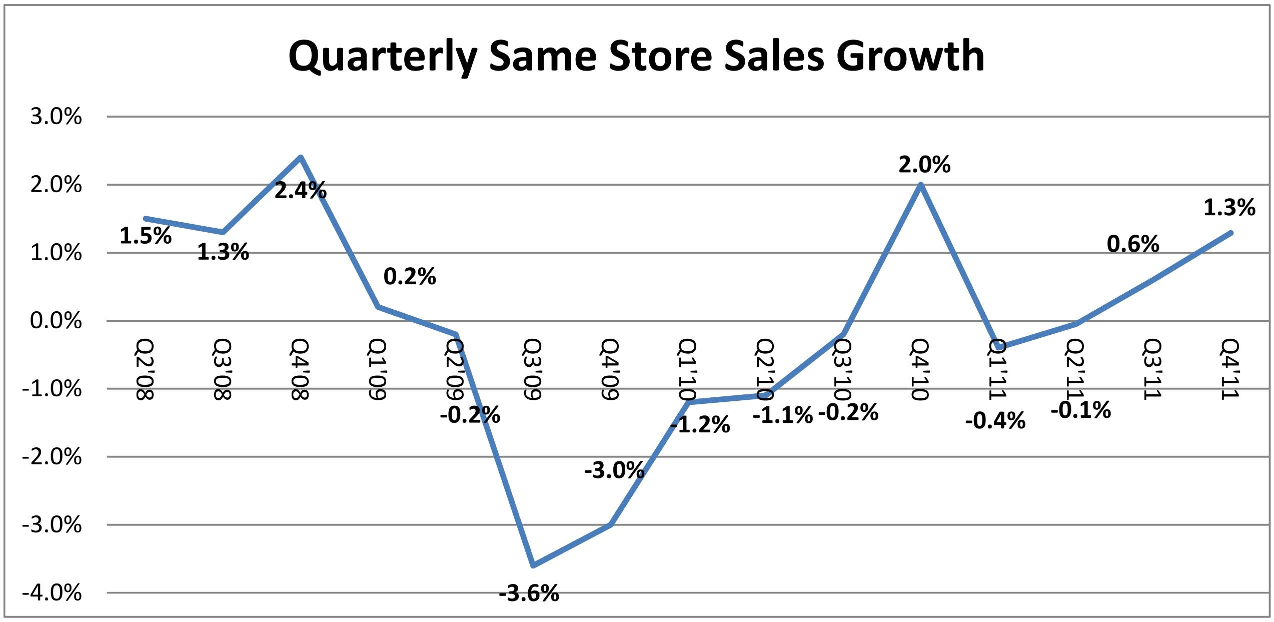
That performance was realized despite a difficult year for our Country Style outlets, in the face of aggressive promotions launched by some major players in the quick service industry, which continue to have an adverse impact on the sales of our coffee shops.

Our frozen treats concepts have continued to suffer in Q4 from what is perceived as the impact the colder weather and of lower impulse purchases by our customers; all are showing negative same store sales for both the three and twelve-month periods ended November 30, 2011.

Most other concepts fared better, with an overall positive same store sales growth both for the three and twelve-month periods. For all other concepts of MTY, same store sales is 2.94% for the fourth quarter.

Our mall and street locations performed better than non-traditional locations; the average non-traditional outlet had a negative same-store sale growth during 2011, mostly as a result of a slow fourth quarter. There were no material variations between the various regions in which MTY outlets operate, although our stores in Ontario were not as successful as those in the rest of Canada during 2011.

The following table shows quarterly information on same stores sales growth for the last 16 quarters:



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 extends the contract with Boxe Comm on a monthly basis since May 2011, subject to terms and conditions contained in the Agreement. For the twelve-month period ended November 30, 2011, MTY has paid an amount of $48,000 to Boxe Comm.

Stock options

During the year, no options were granted or exercised. As at November 30, 2011 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.

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 November 30, 2011**	**12 months ended November 30, 2011**	**3 months ended November 30, 2010**	**12 months ended November 30, 2010**
	$	$	$	$
EBITDAR	8.03	27.88	7.37	26.37
Less: restructuring charges	-	0.45	-	-
EBITDA	8.03	27.43	7.37	26.37
Less:				
Amortization – capital assets	0.21	1.26	0.33	1.05
Amortization – intangible assets	0.88	3.18	0.76	3.02
Interest on long-term debt	0.04	0.15	-	-
Total income taxes	2.08	6.42	1.80	6.78
Non-controlling interest	0.09	0.26	0.00	0.07
Net income and comprehensive income	**4.73**	**16.15**	**4.48**	**15.45**

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 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, 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

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 International Financial Reporting Standards ("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.

The Company's transition plan is composed of the following phases:

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

<u>1- Diagnostics and Scoping Phase</u>

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 and updated following the acquisitions made during 2010 and 2011. The objective of this phase was to determine, at a high level, the financial reporting differences under IFRS and the key areas that will be impacted. This identification has in turn largely influence the efforts deployed during the next phases of the project. The areas which have been identified to have a potential impact are as follows:

- Presentation of Financial Statements (IAS 1),
- Business Combinations (IFRS 3),
- Property, Plant and Equipment (IAS 16),
- Investment Property (IAS 40),
- Impairment of assets (IAS 36),
- Income Taxes (IAS 12),
- Leases (IAS 17),
- Revenues (IAS 18),
- Provisions and Contingent Liabilities (IAS 37),
- Customer Loyalty Programmes (IFRIC 13),
- Investment in associates (IAS 28),
- Consolidated and separate financial statements (IAS 27 & SIC 12).

This list is not all-inclusive and remains subject to change 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 of full retrospective application of IFRS which may differ from the requirements of the sections listed above. The Company has analyzed the various accounting policy choices available and will implement those determined to be most appropriate in the Company's circumstances, as discussed below. The Company is currently reviewing 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 impacted during transition from Canadian GAAP to IFRS.

<u>2- Analysis and Evaluation Phase</u>

A more detailed evaluation is currently underway to assess the impact of the above mentioned sections on our financial reporting. Deliverables include documentation of the rationale supporting accounting policy choices and quantification of the impacts of the changeover.

As part of this phase, employees involved in accounting and financial reporting functions have been offered education and training to ensure that IFRS and the specific choices made by the Company are applied consistently and accurately. Furthermore, seminars have been offered throughout the transition period to members of the Audit Committee, management and finance and accounting staff. Given the recent changes in the composition of the Audit Committee, completion of this phase was deferred and was completed around the end of our 2011 fiscal period.

Initial adoption of IFRS requires the application of IFRS 1, "First Time Adoption of IFRS". This standard requires retrospective application of all IFRS effective at the reporting date. An important part of this phase involves producing a detailed evaluation of the choices that are available to the Company as part of IFRS 1. The Company has completed its analysis of the choices available under IFRS 1.

This assessment was based on existing standards and economic context in place today and could change before the changeover date. Below are a discussion and a preliminary guidance regarding the relevant optional exemptions provided by IFRS 1:

Relevant optional exemptions	Preliminary findings
Business combinations	The Company may elect not to apply IFRS 3 retrospectively to all of the acquisitions that occurred prior to transition date or to choose a date after which to apply the standard. Other than the impact of the changeover on deferred income taxes, the Company's past practices have been generally similar to the ones dictated by IFRS 3. The company will elect to apply IFRS 3 prospectively only, and as a result will not restate the acquisitions that have occurred prior to IFRS transition date, which is December 1st, 2010.
Deemed cost	On transition, the Company may elect to use fair value as the deemed cost of its Property, Plant and Equipment, Investment Properties and Intangible Assets for which an active market exists. The Company does not intend to revalue its PP&E, Investment Properties or Intangible Assets at transition. Preliminary assessments suggest that the IRFS cost of the assets described above will be similar to the carrying amounts under Canadian GAAP at the date of transition.
Compound financial instruments	Some instruments contain both an equity and a liability component; under IAS 32, an entity is required to separate the two components. In cases in which the liability component is no longer outstanding, this exemption provides relief in that IAS 32 can be applied prospectively from the IFRS transition date and no retroactive restatement is required. The company intends to use this exemption and apply IAS 32 prospectively from the IFRS transition date.

Designation of previously recognized financial instruments	This exemption provides the opportunity to designate financial assets as either Available for Sale (AFS) or Fair Value through Profit or Loss (FVTPL). Gains or losses in fair value of financial assets designated as AFS flow through Other Comprehensive Income, whereas they would flow into the P&L under the FVTPL. The Company's temporary investments do not meet the criteria to be classified as FVTPL. As a result, the exemption does not apply to MTY and temporary investments will be classified as AFS.
Share-based payments	For equity-settled awards with non-employees, IFRS 2 requires that the transaction be measured at the fair value of the goods or services received rather than at the fair value of the equity instrument provided. As a result, some old share-based payments would have to be revisited. At year-end, no instruments issued as compensation to acquire assets were unvested. The company will elect to use this exemption and apply IFRS 2 prospectively after the IFRS transition date.

In addition to its assessment of IFRS 1, the Company has undertaken a thorough review of the potential changes to accounting policies arising from the changeover. Information regarding the relevant sections and of the status of the process is presented below:

Business combinations

As mentioned previously, the Company's past practices are generally similar to the requirements of IFRS 3; one area of difference is the measurement period which, under IFRS 3, is limited to twelve months following the business combination transaction, even in cases in which there remains unknown items.

IFRS 3 states that negative goodwill should be recorded into income rather than distributed to a certain set of assets. This will have an impact on the purchase price allocation of certain recent acquisitions and will also have an impact on any future acquisition for which the fair value of the assets exceeds the purchase price.

IFRS3 requires that contingent consideration based on future specified earnings recorded as a liability be recorded at fair value at the acquisition date, with any subsequent re-measurement recorded as part of income. This is a significant difference with Canadian

GAAP, which stated that such consideration should be recorded only when the contingency is resolved and the additional consideration is issued or becomes issuable. This will have an impact on the current and future acquisitions.

The Company is still currently finalizing the quantification of the impact of the changeover.

Consolidation (including IAS 27 and IAS 28)

Under Canadian GAAP, Variable Interest Entitites (“VIEs”) are consolidated if the reporting entity is the primary beneficiary of the VIE’s earnings. There is no such concept under IFRS. Rather, entities are to be consolidated if the Company has control over the subject entity. Factors that need to be considered include:

- A majority share ownership;
- Ability to control the board of directors;
- Power to govern financial and operating policies;
- Contracted arrangements conferring effective control.

The relationship with certain specific franchisees will be assessed individually to test whether or not it meets the control criteria listed above.

The application of IAS 27 and IAS 28 to the Company are not expected to materially differ from the application of Canadian GAAP. The Company is currently finalizing the evaluation of all potential impacts.

Property, Plant and Equipment

We have assessed IFRS against our current accounting policies and at this time we do not foresee a major impact to our financial statements outside of additional disclosure and of the impact of the application of IFRS 3 on negative goodwill described above. The Company intends to use IFRS historical costs as its measurement basis. Certain of our fixed assets will have to be re-componentized as of the transition date, resulting in variations in net book value of fixed assets.

Impairment will continue to be assessed annually if there is an indicator of impairment.

Investment Property

As part of the acquisition of Groupe Valentine Inc., the Company has acquired assets that generate rental income from third parties. It has been established that none of the Company’s material assets require classification as investment property.

Impairment of assets

Under IAS 36, impairment tests are conducted using a one-step approach, in which the assets' or cash generating units' ("CGU") carrying value is compared to the assets' or CGU's discounted cash flows. This method is different from Canadian GAAP, which includes as a first step an undiscounted cash flow screen. This increases the likelihood that an impairment would have to be recognized under IFRS.

The Company is still in the process of conducting specific tests to evaluate whether some assets are impaired or not at the date of transition. Adjustments to the carrying value of certain assets are expected.

Income Taxes

The conceptual approach under IFRS and Canadian GAAP with respect to accounting for deferred income taxes (referred to as future income taxes under Canadian GAAP) are consistent; both use the liability method in assessing the impact of temporary differences between the tax bases and carrying values for financial reporting purposes.

The Company is currently quantifying the impact of IAS 12 specifically on deferred income taxes arising from indefinite life intangible assets such as Goodwill and Trademarks.

Leases

Under IFRS, more judgment is required when classifying leases due to the lack of quantitative guidance; each asset must be assessed qualitatively to make the determination as to whether it is an operating or finance lease. The impact of the transition is expected to be immaterial.

Revenues

IAS 11 states that percentage of completion is required for construction contracts. The Company currently uses the completed contract method for revenues related to the delivery of turnkey restaurants. Early guidance obtained on the matter suggests that an accounting policy change with retroactive application and restatement of retained earnings will be required; more specifically, costs incurred on construction contracts will be recognized in the period in which they are incurred. Percentage of completion revenues will be recognized up to a maximum of the expensed costs and the profit will be recognized when the project is delivered. Changes resulting from the transition to IAS 11 will impact accounts receivable, franchise locations under construction, accounts payable, revenues, costs of turnkey locations and might impact some other items on the financial statements that have yet to be determined.

Provisions and contingent liabilities

Provisions need to be recognized in the financial statements when there is a present obligation arising from a past event that is probable to require a cash outflow. Canadian GAAP requires recognition when the outflow was likely, whereas IFRS requires recognition when it is probable (defined as more likely than not); as a result, more provisions could be required under IFRS than under Canadian GAAP.

Additionally, disclosure will be more detailed and provisions will need to be presented specifically on the face of the balance sheet rather than being aggregated with other trade payables.

An analysis is currently being undertaken to quantify the impact of this requirement. The Company is anticipating that this new requirement will have a significant impact on disclosure but a very limited, if any, impact on its financial statements.

Customer loyalty programmes

IFRIC 13 is expected to have no significant impact on the Company's financials. The MTY Rewards program is in effect owned by the Company's clients; MTY collects the amounts that make up the amount payable for redemptions and recognizes a corresponding liability on its books.

<u>3- Design Phase</u>

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.

Our objective was 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. However, the increase in the scope of the project due to recent acquisitions has caused delays to this phase, which was completed prior to the end of our 2011 fiscal period. As part of this phase, an external consultant was hired to provide direction and guidance on the process.

<u>4- Implementation and Review Phase</u>

This phase will involve the implementation of the changes to accounting policies and financial reporting and the compilation of the comparative financial data. This phase is being undertaken in parallel with the design phase and is expected to be completed during the same period. 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, which is scheduled to occur during in the early stages of our 2012 fiscal period.

Critical accounting policies

MTY's significant accounting policies are those set forth in the notes to the consolidated financial statements as at November 30, 2011. There are no accounting estimates that, if changed, would materially affect MTY's overall financial condition or results of operations.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries from the date of their acquisition. In addition, the consolidated financial statements include the accounts of three subsidiaries in which it owns 50% or more of the controlling shares and two other subsidiaries in which it owns 49% and 45% of the controlling shares respectively and over which it exercises effective control. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Variable interest entities ("VIEs") are entities in which equity investors do not have controlling financial interest or the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by other parties. VIEs are consolidated by their primary beneficiary (i.e., the party that receives the majority of the expected residual returns and/or absorbs the majority of the entity's losses). Management of the Company conducted a review of the ownership and contractual interest in entities and determined that the Company held variable interests in a number of VIEs as of November 30, 2011. Management has evaluated these interests and concluded that the Company is the primary beneficiary of a small number of VIEs, and as such consolidated these VIEs in its consolidated financial statements. The Company was not aware of pledges, securities or any other forms of debt or guarantees awarded by the consolidated VIEs, other than those that have been incorporated in the Company's consolidated financial statements. The Company believes that recourses by creditors or beneficial interest holders of the consolidated VIEs against the Company are highly limited given the nature of the agreements and relationships existing between the consolidated VIEs and the Company.

Pursuant to the franchise agreements, franchisees must pay a fee to the promotional fund. These amounts are collected by the Company in its capacity as agent and must be used for promotional and advertising purposes, since the amounts are set aside to promote the respective banners for the franchisees' benefit. The fees collected by the Company for the promotional fund are not recorded in the Company's consolidated statement of earnings, but rather as operations in the accounts payable to the promotional fund.

Use of estimates

The preparation of financial statements in conformity with 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 revenues 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 intangible assets.

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.

Inventories

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Cost is equivalent to acquisition costs, net of consideration received from suppliers.

Franchise locations under construction held for resale

The Company constructs franchise locations for resale. The Company capitalizes all direct costs relating to the construction of these franchise locations. If a franchisee is not immediately identified, the Company operates the franchise location as a corporate-owned location until a franchisee is identified. The franchise locations under construction and held for resale are carried at the lower of cost and estimated net realizable value.

Capital assets

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

Buildings		
Structure	Straight-line	50 years
Components	Straight-line	20 to 30 years
Equipment	Declining balance	10%-33%
Leasehold improvements	Straight-line	Term of lease
Rolling stock	Declining balance	15%-30%
Computer hardware	Declining balance	20%-30%
Computer software	Declining balance	50%

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 calculated as the difference between the fair value of the reporting unit and the carrying value, and is then recorded as a separate charge against income and a reduction of the carrying value of goodwill. An impairment adjustment in the carrying value of goodwill was not required for the years ended November 30, 2011 and 2010.

Intangible assets

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. An impairment adjustment in the carrying value of the franchise rights was not required for the years ended November 30, 2011 and 2010.

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 value. An impairment adjustment in the carrying value of the trademarks was not required for the years ended November 30, 2011 and 2010.

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 at the date of acquisition).

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. An impairment adjustment in the carrying value of long-lived assets was not required for the years ended November 30, 2011 and 2010.

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 for the most part 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 usually 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.

Restaurant construction and renovation revenue are accounted for in accordance with the completed contract method. Losses are fully recognized as they become probable.

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 properties and 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 distribution center

Distribution revenues are recognized when goods have been delivered and accepted by customers.

Revenue from food processing

Food processing revenues are recognized when goods have been delivered to end-users or when significant risks and rewards of ownership have been transferred to distributors or retailers.

Revenue from corporate-owned locations

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

Foreign currency

Foreign currency transactions and balances are translated using the temporal method. Under this method, all monetary assets and liabilities are translated at the exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates.

Revenue and expenses are translated at the average exchange rates for the month, except for amortization which is translated on the same basis as the related assets. Translation gains and losses are reflected in net income.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized. The effect of changes in income tax rates on future income tax assets and liabilities is recognized in earnings in the year that includes the date of enactment or substantive enactment of the changes.

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
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.

Embedded derivatives

An embedded derivative is a component of a contract with characteristics similar to a derivative. Management of the Company conducted a review of its contracts and determined that no embedded derivatives exist as at November 30, 2011.

Derivative financial instruments

Derivative financial instruments that are not eligible for hedge accounting are recognized on the balance sheet at their fair value, with changes in fair value recognized in net earnings.

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 the related allowance for doubtful accounts:

	November 30, 2011	November 30, 2010
	$	$
Total accounts receivable	**10,404,554**	8,360,696
Less: Allowance for doubtful accounts	**855,844**	783,261
Total accounts receivable, net	**9,548,710**	7,577,435
Of which:		
Not past due	**7,075,654**	5,665,888
Past due for more than one day but for no more than 30 days	**739,243**	255,948
Past due for more than 31 days but for no more than 60 days	**215,386**	217,314
Past due for more than 61 days	**1,518,427**	1,438,285
Total accounts receivable, net	**9,548,710**	7,577,435
Allowance for doubtful accounts beginning of year	**783,261**	754,110
Additions	**335,428**	384,531
Write-off	**(262,845)**	(355,380)
Allowance for doubtful accounts end of year	**855,844**	783,261

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

The credit risk on the loans receivable is similar to that of accounts receivable. There is currently no allowance for doubtful accounts applicable to the loans receivable. There are, however, holdbacks on the three loans acquired with Jugo Juice.

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 consumers.

Management will maintain its focus on completing the integration of the latest acquisitions and maximizing the value of those 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. The quick service restaurant environment 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 strong position to face those challenges.

For 2012, the Company expects to open 85 new locations. We will continue to emphasize the growth of our network while 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.

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 November 30, 2011, 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 November 30, 2011, 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, 2011, 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

The Company's management, including the President and Chief Executive Officer and Executive Vice President 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 Executive Vice President 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 operations of 7687567 Canada Inc, a corporation established in December 2010 in which the Company owns 51% of the voting control. For the year ended November 30, 2011, this operation represents 5% of the Company's assets (7% of current assets, 4% of non-current assets), 5% of current liabilities, 37% of long-term liabilities, 8% of the Company's revenues and 0% of the Company's net earnings.

The Company's management, with the participation of its President and Chief Executive Officer and Executive Vice President 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 Jugo Juice (acquired August 24, 2011) and Mr. Sub (acquired November 1, 2011). Excluding the goodwill created on the acquisitions, these operations respectively represent 10% and 16% of the Company's assets (4% and 4% of current assets, 11% and 19% of non-current assets); they also represent 13% and 10% of current liabilities (0% and 0% of long-term liabilities), 1% and 1% of the Company's revenues and 1% and 2% of the Company's net earnings.

The Company's management, with the participation of its President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, has also 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 VIEs in which the Company is the primary beneficiary of the variability in cash flows and which have as a result been consolidated in the Company's consolidated financial statements. For the year ended November 30, 2011, these VIEs represent 1% of the Company's current assets, 0% of its non-current assets, 1% of the Company's current liabilities, 0% of long-term liabilities, 1% of the Company's revenues and 0% of the Company's net earnings.

"*Stanley Ma*"

Stanley Ma, Chief Executive Officer

"Claude St-Pierre"

Claude St-Pierre, Chief Financial Officer

"*Eric Lefebvre*"

Eric Lefebvre, CA, MBA Vice President Finance