



Safe Harbor Concerning Forward Looking Statements

Matters discussed in this presentation that relate to events or developments which are expected to occur in the future, including any discussion, expressed or implied, of anticipated growth, new store openings, operating results or earnings constitute forward-looking statements. Forward-looking statements are based on management's beliefs, assumptions and expectations of our future economic performance, taking into account the information currently available to management. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results, performance or financial condition to differ materially from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. Factors that could contribute to these differences include, but are not limited to:

- the cost of our principal food products and supply and delivery shortages and interruptions;
- labor shortages or increased labor costs;
- changes in demographic trends and consumer tastes and preferences, including changes resulting from concerns over nutritional or safety aspects of beef, poultry, or other foods or the effects of food-borne illnesses;
- expansion into new markets including foreign markets
- our ability to locate suitable restaurant sites in new and existing markets and negotiate acceptable lease terms
- competition in our markets, both in our business and in locating suitable restaurant sites;
- our operation and execution in new and existing markets;
- our ability to recruit, train and retain qualified corporate and restaurant personnel and management;
- cost effective and timely planning, design and build out of restaurants
- our ability to attract and retain qualified franchisees
- our ability to generate positive cash flow from existing and new restaurants;
- the rate of our internal growth and our ability to generate increased revenue from our existing restaurants
- the reliability of our customer and market studies
- fluctuations in our quarterly results due to seasonality;
- increased government regulation and our ability to secure required government approvals and permits
- our ability to create customer awareness of our restaurants in new markets;
- market saturation due to new restaurant openings;
- inadequate protection of our intellectual property;
- adverse weather conditions which impact customer traffic at our restaurants; and
- adverse economic conditions.

The words "believe," "may," "will," "should," "anticipate," "estimate," "expect," "intend," "objective," "seek," "plan," "strive" or similar words, or the negatives of these words, identify forward-looking statements. We qualify any forward-looking statements entirely by these cautionary factors.

- Introductory Comments
- Financial Results
 - o Slide 4 – Restaurant Margin Performance Q3
 - o Slide 5 – Reconciliation of Non-GAAP Measures To Net Income Q3
 - o Slide 6 – Q4 2014 Comp Sales Forecast
 - o Slide 7 – 2015 Guidance
 - o Questions and Answers

Restaurant Margin Performance – Q3

	U.S. Dollars in Thousands ⁽¹⁾						
	13 Weeks Ended September 29, 2014			13 Weeks Ended September 30, 2013		Margin Change ⁽¹⁾	
Restaurant Net Sales	\$	18,574	100.0%	\$	20,602	100.0%	---
Comp Sales % ⁽²⁾		-1.9%			-4.8%		
Cost of Food and Beverage	\$	5,087	27.4%	\$	5,177	25.1%	230 Basis Points Increase
Gross Profit	\$	13,487	72.6%	\$	15,425	74.9%	230 Basis Points Decrease
Labor and Related Benefits	\$	7,114	38.3%	\$	8,172	39.7%	140 Basis Points Decrease
Other Operating Expenses	\$	2,773	14.9%	\$	2,944	14.3%	60 Basis Points Increase
Controllable Contribution	\$	3,600	19.4%	\$	4,309	20.9%	150 Basis Points Decrease
Occupancy Costs	\$	4,043	21.8%	\$	4,287	20.8%	100 Basis Points Increase
Restaurant Cash Flow	\$	(443)	-2.4%	\$	22	0.1%	250 Basis Points Decrease

⁽¹⁾ Due to Rounding, some percentages might not foot.

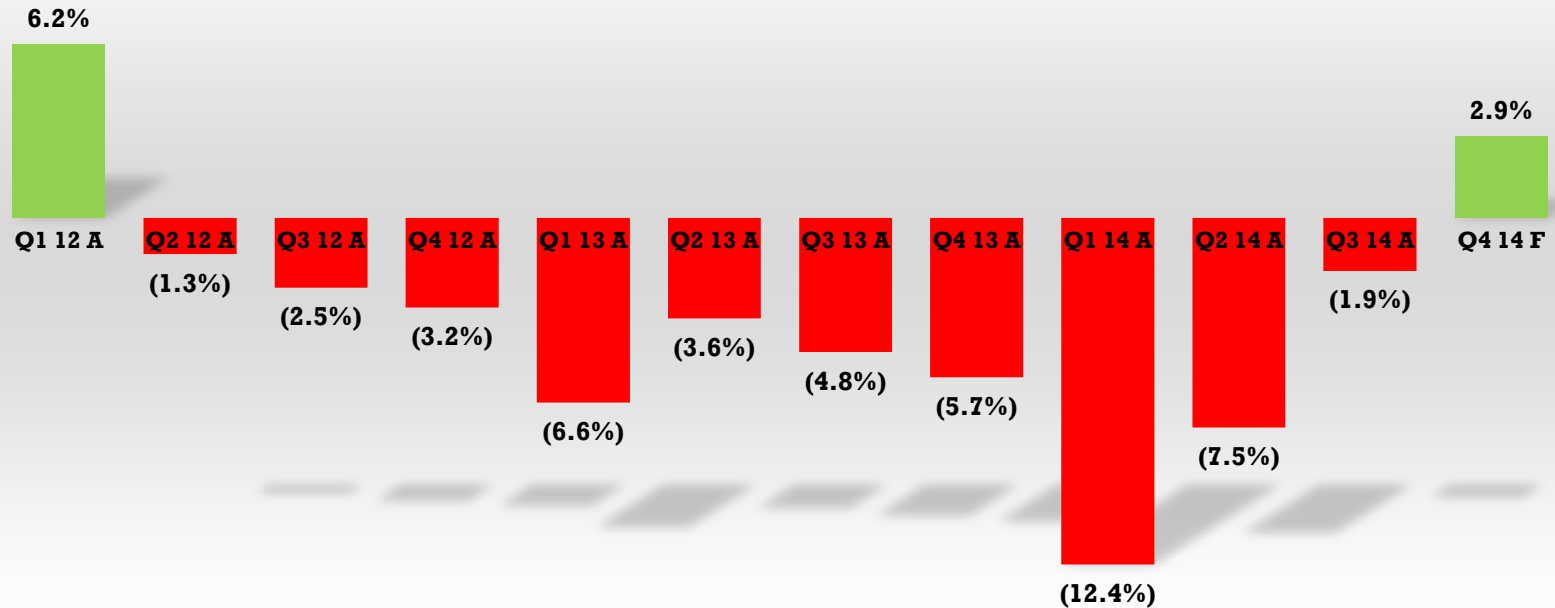
⁽²⁾ As reported in public filings.

Reconciliation of Non-GAAP Measures To Net Income

	<u>13 Weeks Ended September 29, 2014</u>	<u>13 Weeks Ended September 30, 2013</u>
Restaurant Net Sales	\$ 18,574	\$ 20,602
Cost of Food and Beverage	\$ 5,087	\$ 5,177
Labor and Related Benefits	\$ 7,114	\$ 8,172
Occupancy and Other Operating Expenses	\$ 6,816	\$ 7,231
Restaurant Cash Flow	<u>\$ (443)</u>	<u>\$ 22</u>
Franchise Fees and Royalties	\$ 635	\$ 810
General and Administrative Expenses	\$ 3,110	\$ 2,565
Depreciation and Amortization	\$ 573	\$ 674
Restaurant Pre-Opening Expenses	\$ -	\$ 18
Provision For Losses On Asset Impairments and Disposals	\$ 317	\$ 5
Lease Termination Expense and Closed Store Costs	<u>\$ 62</u>	<u>\$ 34</u>
Operating Loss	\$ (3,870)	\$ (2,464)
Interest Expense	\$ (335)	\$ -
Other Income, net	\$ 57	\$ 9
Net Loss	<u>\$ (4,148)</u>	<u>\$ (2,455)</u>
EPS	\$ (0.20)	\$ (0.14)

Fourth Quarter 2014 Forecasted to be the First Positive Comp Sales in 10 Quarters

Quarterly Company-Owned Comp Restaurant Sales
Q1 2012 Actual - Q4 2014 Forecast



The fourth quarter forecast of +2.9% includes +2.5% for Period 10 and +3.0% for each of Periods 11 and 12

Company-Owned Restaurants

- **Estimated annual positive comparable net sales ranging between +5% to +10%**
- **Estimated annual net sales ranging between \$90 million to \$100 million**
 - **Average unit volume of up to \$1.5 million per restaurant**
 - **Includes impact of potential merger of Hearthstone restaurants into Cosi**

Franchise Restaurants

- **Development of seven new restaurants and one new kiosk**

G&A Expense

- **Estimated annual G&A expense not to exceed \$9.0 million**

Cash Flow

- **Positive cash flow from operations, excluding capital expenditures, in the latter part of 2015**