

TUESDAY MORNING CORPORATION
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(Unaudited)

GAAP Selling, general and administrative expenses to Non-GAAP Adjusted Selling, general and administrative expenses:

The following table reconciles selling, general, and administrative expenses, the most directly comparable GAAP financial measure, to adjusted selling, general, and administrative expenses, a non-GAAP financial measure:

(unaudited - in thousands)

| | <i>Three Months Ended</i> | | <i>Six Months Ended</i> | |
|---|---------------------------|------------------|-------------------------|-------------------|
| | <i>December 31,</i> | | <i>December 31,</i> | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Selling, general, and administrative expenses (GAAP) | \$ 84,824 | \$ 81,053 | \$ 180,980 | \$ 156,947 |
| Non-GAAP adjustments: | | | | |
| Compensation | — | — | — | (1,554) |
| Legal, consulting, and recruiting | — | (244) | — | (1,083) |
| Adjusted Selling, general, and administrative expenses (non-GAAP) | <u>\$ 84,824</u> | <u>\$ 80,809</u> | <u>\$ 180,980</u> | <u>\$ 154,310</u> |

GAAP Operating Income to Non-GAAP Adjusted Operating Income:

The following table reconciles operating income, the most directly comparable GAAP financial measure, to adjusted operating income, a non-GAAP financial measure:

(unaudited - in thousands)

| | <i>Three Months Ended</i> | | <i>Six Months Ended</i> | |
|---|---------------------------|------------------|-------------------------|------------------|
| | <i>December 31,</i> | | <i>December 31,</i> | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Operating income (GAAP) | \$ 24,222 | \$ 18,285 | \$ 18,468 | \$ 5,818 |
| Non-GAAP adjustments: | | | | |
| Adjustment to cost of sales: | | | | |
| Inventory write-down and merchandise category exit | — | 1,810 | — | 1,810 |
| Adjustments to selling, general and administrative expenses: | | | | |
| Compensation | — | — | — | 1,554 |
| Legal, consulting, and recruiting | — | 244 | — | 1,083 |
| Adjusted operating income (non-GAAP) | <u>\$ 24,222</u> | <u>\$ 20,339</u> | <u>\$ 18,468</u> | <u>\$ 10,265</u> |

GAAP Net Income to Non-GAAP Adjusted Net Income:

The following table reconciles net income from continuing operations, the most directly comparable GAAP financial measure, to adjusted net income from continuing operations, a non-GAAP financial measure:

(in thousands)

| | <i>Three Months Ended December 31,</i> | | <i>Six Months Ended December 31,</i> | |
|--|--|------------------|--|-----------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Net income (GAAP) | \$ 23,658 | \$ 17,674 | \$ 17,429 | \$ 5,665 |
| Non-GAAP adjustments: | | | | |
| Inventory write-down and merchandise category exit, net of tax ⁽¹⁾⁽²⁾ | — | 2,146 | — | 2,190 |
| Compensation, net of tax ⁽²⁾ | — | — | — | 1,880 |
| Legal, consulting, and recruiting, net of tax ⁽¹⁾⁽²⁾ | — | 289 | — | 1,208 |
| Disposal of systems, net of tax ⁽²⁾ | — | — | — | 103 |
| Deferred tax asset valuation allowance | — | (772) | — | (1,667) |
| Adjusted net income (non-GAAP) | <u>\$ 23,658</u> | <u>\$ 19,337</u> | <u>\$ 17,429</u> | <u>\$ 9,379</u> |

⁽¹⁾ The effective tax rate utilized in this non-GAAP adjusted net income reconciliation is 1.1% for the three months ended December 31, 2014 and (18.5%) for the three months ended December 31, 2013. These rates are inclusive of a deferred tax asset valuation allowance of \$14.2 million as of December 31, 2014 and of \$18.1 million as of December 31, 2013.

⁽²⁾ The effective tax rate utilized in this non-GAAP adjusted net income reconciliation is 1.9% for the six months ended December 31, 2014 and (21.0%) for the six months ended December 31, 2013. These rates are inclusive of a deferred tax asset valuation allowance of \$14.2 million as of December 31, 2014 and of \$18.1 million as of December 31, 2013.

GAAP Diluted Income Per Share to Non-GAAP Adjusted Diluted Income Per Share:

The following table reconciles diluted income per share from continuing operations, the most directly comparable GAAP financial measure, to adjusted diluted income per share from continuing operations, a non-GAAP financial measure:

| | <i>Three Months Ended</i> | | <i>Six Months Ended</i> | |
|--|---------------------------|----------------|-------------------------|----------------|
| | <i>December 31,</i> | | <i>December 31,</i> | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Diluted income per share (GAAP) | \$ 0.54 | \$ 0.41 | \$ 0.40 | \$ 0.13 |
| Non-GAAP adjustments: | | | | |
| Inventory write-down and merchandise category exit, net of tax ⁽¹⁾⁽²⁾ | — | 0.05 | — | 0.06 |
| Compensation, net of tax ⁽²⁾ | — | — | — | 0.04 |
| Legal, consulting, and recruiting, net of tax ⁽¹⁾⁽²⁾ | — | 0.01 | — | 0.03 |
| Disposal of systems, net of tax ⁽²⁾ | — | — | — | — |
| Deferred tax asset valuation allowance | — | (0.02) | — | (0.04) |
| Adjusted diluted income per share (non-GAAP) | <u>\$ 0.54</u> | <u>\$ 0.45</u> | <u>\$ 0.40</u> | <u>\$ 0.22</u> |

⁽¹⁾ The effective tax rate utilized in this non-GAAP adjusted net income reconciliation is 1.1% for the three months ended December 31, 2014 and (18.5%) for the three months ended December 31, 2013. These rates are inclusive of a deferred tax asset valuation allowance of \$14.2 million as of December 31, 2014 and of \$18.1 million as of December 31, 2013.

⁽²⁾ The effective tax rate utilized in this non-GAAP adjusted net income reconciliation is 1.9% for the six months ended December 31, 2014 and (21.0%) for the six months ended December 31, 2013. These rates are inclusive of a deferred tax asset valuation allowance of \$14.2 million as of December 31, 2014 and of \$18.1 million as of December 31, 2013.

RESULTS OF OPERATIONS

The following tables set forth certain financial information from our consolidated statements of operations for the three and six months ended December 31, 2014 and the corresponding periods in fiscal 2014. In addition to our reported results, we have also provided adjusted (non-GAAP) financial information to provide readers with additional information comparing our core results between the three and six months ended December 31, 2014 and the corresponding periods in fiscal 2014.

Tuesday Morning Corporation
Supplemental Schedules
Reconciliation of GAAP and Non-GAAP Adjusted Results
(unaudited)
(\$ in thousands)

| <i>Q2 Fiscal 2015</i> | | | | | | | |
|--|----------------------------------|-------------------|--------------|--------------|-------|---|---------------|
| | <i>Adjustments*</i> | | | | | | |
| | GAAP Net Income/ (Loss) | Inventory Adj. | Compensation | All Other | Total | Adjusted Non-GAAP Net Income/ (Loss) | % of Sales |
| Net Sales | \$ 301,401 | | | | | \$ 301,401 | |
| Cost of Sales | \$ 192,355 | | | | | \$ 192,355 | 63.8% |
| Gross Profit | \$ 109,046 | | | | | \$ 109,046 | 36.2% |
| Selling, General & Administrative Expenses | \$ 84,824 | | | | | \$ 84,824 | 28.1% |
| Operating Income | \$ 24,222 | | | | | \$ 24,222 | 8.0% |
| Other Expense | \$ 306 | | | | | \$ 306 | 0.1% |
| Income Before Tax | \$ 23,916 | | | | | \$ 23,916 | 7.9% |
| Income Tax Provision | \$ 258 | | | | | \$ 258 | 0.1% |
| Net Income | \$ 23,658 | | | | | \$ 23,658 | 7.8% |

| <i>Q2 Fiscal 2014</i> | | | | | | | |
|--|----------------------------------|-------------------|--------------|--------------|------------|---|---------------|
| | <i>Adjustments*</i> | | | | | | |
| | GAAP Net Income/ (Loss) | Inventory Adj. | Compensation | All Other | Total | Adjusted Non-GAAP Net Income/ (Loss) | % of Sales |
| Net Sales | \$ 285,771 | | | | | \$ 285,771 | |
| Cost of Sales | \$ 186,433 | \$ (1,810) | | | \$ (1,810) | \$ 184,623 | 64.6% |
| Gross Profit | \$ 99,338 | \$ 1,810 | | | \$ 1,810 | \$ 101,148 | 35.4% |
| Selling, General & Administrative Expenses | \$ 81,053 | | | \$ (244) | \$ (244) | \$ 80,809 | 28.3% |
| Operating Income | \$ 18,285 | \$ 1,810 | | \$ 244 | \$ 2,054 | \$ 20,339 | 7.1% |
| Other Expense | \$ 380 | | | | | \$ 380 | 0.1% |
| Income Before Tax | \$ 17,905 | \$ 1,810 | | \$ 244 | \$ 2,054 | \$ 19,959 | 7.0% |
| Income Tax Provision/(Benefit) | \$ 231 | \$ (336) | | \$ 727 | \$ 391 | \$ 622 | 0.2% |
| Net Income/(Loss) | \$ 17,674 | \$ 2,146 | | \$ (483) | \$ 1,663 | \$ 19,337 | 6.8% |

***Adjustment Notes:**

Inventory Adj. – Reduction in retail inventory value to exit certain categories and reduce clearance inventory levels.

Compensation – Severance, stock compensation, sign on bonuses related to senior management restructuring program.

All Other – Write-off of assets related to exited internet business, legal costs related to former CEO lawsuit and recognition of Deferred Tax Allowance.

Tuesday Morning Corporation
Supplemental Schedules
Reconciliation of GAAP and Non-GAAP Adjusted Results
(unaudited)
(\$ in thousands)

| <i>Q2 YTD Fiscal 2015</i> | | | | | | | |
|--|----------------------------------|-------------------|--------------|--------------|-------|--|-----------------------|
| <i>Adjustments*</i> | | | | | | | |
| | GAAP Net Income/ (Loss) | Inventory Adj. | Compensation | All Other | Total | Adjusted Non-GAAP Net Income/ (Loss) | <i>% of Sales</i> |
| Net Sales | \$ 503,609 | | | | | \$ 503,609 | |
| Cost of Sales | \$ 322,629 | | | | | \$ 322,629 | 64.1% |
| Gross Profit | \$ 180,980 | | | | | \$ 180,980 | 35.9% |
| Selling, General & Administrative Expenses | \$ 162,512 | | | | | \$ 162,512 | 32.3% |
| Operating Income | \$ 18,468 | | | | | \$ 18,468 | 3.7% |
| Other Expense | \$ 705 | | | | | \$ 705 | 0.1% |
| Income Before Tax | \$ 17,763 | | | | | \$ 17,763 | 3.6% |
| Income Tax Provision | \$ 334 | | | | | \$ 334 | 0.1% |
| Net Income | \$ 17,429 | | | | | \$ 17,429 | 3.5% |

| <i>Q2 YTD Fiscal 2014</i> | | | | | | | |
|--|----------------------------------|-------------------|--------------|--------------|------------|--|-----------------------|
| <i>Adjustments*</i> | | | | | | | |
| | GAAP Net Income/ (Loss) | Inventory Adj. | Compensation | All Other | Total | Adjusted Non-GAAP Net Income/ (Loss) | <i>% of Sales</i> |
| Net Sales | \$ 469,449 | | | | | \$ 469,449 | |
| Cost of Sales | \$ 306,684 | \$ (1,810) | | | \$ (1,810) | \$ 304,874 | 64.9% |
| Gross Profit | \$ 162,765 | \$ 1,810 | | | \$ 1,810 | \$ 164,575 | 35.1% |
| Selling, General & Administrative Expenses | \$ 156,947 | | \$ (1,554) | \$ (1,083) | \$ (2,637) | \$ 154,310 | 32.9% |
| Operating Income | \$ 5,818 | \$ 1,810 | \$ 1,554 | \$ 1,083 | \$ 4,447 | \$ 10,265 | 2.2% |
| Other Expense | \$ 671 | | | | | \$ 671 | 0.1% |
| Income Before Tax | \$ 5,147 | \$ 1,810 | \$ 1,554 | \$ 1,083 | \$ 4,447 | \$ 9,594 | 2.1% |
| Income Tax Provision/(Benefit) | \$ (518) | \$ (380) | \$ (326) | \$ 1,439 | \$ 733 | \$ 215 | 0.0% |
| Net Income/(Loss) | \$ 5,665 | \$ 2,190 | \$ 1,880 | \$ (356) | \$ 3,714 | \$ 9,379 | 2.1% |

***Adjustment Notes:**

Inventory Adj. – Reduction in retail inventory value to exit certain categories and reduce clearance inventory levels.

Compensation – Severance, stock compensation, sign on bonuses related to senior management restructuring program.

All Other – Write-off of assets related to exited internet business, legal costs related to former CEO lawsuit and recognition of Deferred Tax Allowance.