



For Immediate Release

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BOSTON PIZZA ROYALTIES INCOME FUND ANNOUNCES FRANCHISE SALES FROM ROYALTY POOL RESTAURANTS OF \$196.6 MILLION FOR THE SECOND QUARTER AND \$383.0 MILLION YTD

Boston Pizza to celebrate its 50th anniversary on August 12

Highlights

- System-Wide Gross Sales¹ of \$255.0 million for the Period and \$493.0 million YTD, representing increases of \$4.6 million and \$6.3 million, respectively, versus the same periods one year ago.
- Franchise Sales² from royalty pool restaurants of \$196.6 million for the Period and \$383.0 million YTD, each representing an increase of \$2.8 million versus the same periods one year ago.
- Payout Ratio³ of 97.4% for the Period and 105.5% YTD. On a trailing 12-month basis, the Fund's Payout ratio was 102.3% as at June 30, 2014.
- Trustees declared July 2014 distribution to unitholders of 10.2 cents per Unit.

VANCOUVER, BC, August 8, 2014 - Boston Pizza Royalties Income Fund (the "**Fund**") and Boston Pizza International Inc. ("**BPI**") reported financial results today for the second quarter period from April 1, 2014 to June 30, 2014 (the "**Period**") and for the year-to-date period from January 1, 2014 to June 30, 2014 (the "**YTD**"). A copy of this press release, the condensed consolidated interim financial statements and related Management's Discussion and Analysis of the Fund and BPI are available at www.sedar.com and www.bpincomefund.com. The Fund will host a conference call to discuss the results on August 8, 2014 at 8:30 a.m. Pacific Time (11:30 a.m. Eastern Time). The call can be accessed by dialling 1-800-319-4610 or 604-638-5340. A replay will be available until September 7, 2014 by dialling 1-800-319-6413 or 604-638-9010 and entering the pin code: 4452 followed by the # sign.

Same store sales growth ("**SSSG**"), a key driver of distribution growth for unitholders of the Fund, was negative 0.1% for the Period and negative 0.8% YTD compared to positive 3.6% and positive 3.4% for the same periods, respectively, in 2013. Franchise Sales, the basis upon which royalties are paid by BPI to the Fund, exclude revenue from the sale of liquor, beer, wine and tobacco and approved national promotions and discounts. On a Franchise Sales basis, SSSG was negative 0.7% for the Period and negative 1.3% YTD compared to positive 4.1% and positive 3.8% for the same periods, respectively, in 2013. The negative SSSG for the Period and YTD was principally due to a higher number of restaurant renovations in the same periods, respectively, one year ago. In addition, the YTD SSSG was negatively impacted by extreme winter weather in many parts of Canada during the first quarter of 2014. Franchise Sales of restaurants in the royalty pool were \$196.6 million for the Period and \$383.0 million YTD compared to \$193.8 million and \$380.2 million in the same periods, respectively, in 2013. The increases in Franchise Sales for the Period and YTD are attributed to additional Franchise Sales from 10 net new store openings from the prior year that were added to the Fund's royalty pool on January 1, 2014, offset by negative SSSG.

"Boston Pizza's sales in the second quarter of 2014 were driven by popular television and online campaigns to highlight our exciting menu innovation, continued growth in our online ordering platform and a national promotion featuring our restaurants as the best place to gather with friends and watch World Cup soccer games" said Mark Pacinda, President and CEO of BPI. "Boston Pizza started in Edmonton, Alberta in 1964 and has grown to become Canada's #1 casual dining brand, serving 40 million guests each year in over 350 locations coast-to-coast. On August 12, Boston Pizza will celebrate its 50th anniversary and we'll be rolling back prices on our individual gourmet pizzas to just \$5 on that day. We invite everyone to come and celebrate with BP."

The Fund's net income and comprehensive income was \$2.4 million for the Period and \$8.8 million YTD compared to \$4.0 million and \$3.3 million for the same periods, respectively, in 2013. The changes in net income for the Period and YTD were mainly driven by the fair value adjustments on the class B general partner units of Boston Pizza Royalties Limited Partnership (the "**Class B Unit liability**"). The Fund's net income under International Financial Reporting Standards ("**IFRS**") contains non-cash items, such as the fair value adjustment on the Class B Unit liability, that do not affect the Fund's business operations or its ability to pay distributions to unitholders. In the Fund's view, net income is not the only or most meaningful measurement of the Fund's ability to pay distributions.

Consequently, the Fund reports the non-IFRS metrics of Distributable Cash⁴ and Payout Ratio to provide investors with more meaningful information regarding the amount of cash that the Fund has generated to pay distributions. Readers are cautioned that Distributable Cash and Payout Ratio are non-IFRS financial measures that do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. For a reconciliation between cash flow from operating activities (the most directly comparable IFRS measure) and Distributable Cash see the “Financial Highlights” section of the Fund’s Management’s Discussion and Analysis for the Period. For a detailed discussion on the Fund’s Distributable Cash and Payout Ratio, please see the “Operating Results – Distributable Cash / Payout Ratio” section in the Fund’s Management’s Discussion and Analysis for the Period.

The Fund’s Distributable Cash was \$4.9 million or \$0.313 per unit of the Fund (“Unit”) for the Period and \$9.1 million or \$0.585 per Unit YTD compared to \$4.8 million or \$0.315 per Unit and \$9.2 million or \$0.592 per Unit for the same periods, respectively, in 2013. The increase in Distributable Cash for the Period is primarily attributed to BPI having exchanged class B general partner units (“Class B Units”) of Boston Pizza Royalties Limited Partnership (the “Partnership”) for 790,006 Units on March 10, 2014 (the “Exchange”), thereby reducing BPI’s percentage ownership of the Partnership and BPI’s right to receive distributions from the Partnership. Distributable Cash per Unit decreased for the Period as a result of the increase in the weighted average number of Units outstanding during the Period compared to the same period one year ago resulting from the Exchange, offset by Units purchased and cancelled through the Fund’s normal course issuer bid (the “NCIB”). It is important to note that while Distributable Cash is negatively impacted by the increase to interest expense when debt is used to fund purchases under the NCIB, there is an offsetting decrease to distributions payable when Units under the NCIB are cancelled. The decrease in Distributable Cash YTD and Distributable Cash per Unit YTD compared to the same period one year ago is primarily due to the payment of accrued interest expenses in the first quarter of 2014. Distributions for the Period were funded entirely by cash flow from operations. No debt was incurred at any point during the Period or the Year to fund distributions.

The Fund’s Payout Ratio was 97.4% for the Period and 105.5% YTD compared to 96.6% and 102.3% in the same periods, respectively, one year ago. The Fund’s Payout Ratio for the Period increased compared to the same period one year ago due to the increase in distributions paid in respect of the Period marginally outpacing the increase in Distributable Cash. The increase in distributions paid in respect of the Period was due to an increase in the number of Units outstanding as a result of the Exchange. The Fund’s Payout Ratio YTD increased compared to the same period one year ago due to the increase in distributions paid in respect of YTD and the decrease in Distributable Cash. The increase in distributions paid in respect of YTD was due to an increase in the number of Units outstanding as a result of the Exchange. The Fund strives to provide unitholders with regular monthly distributions, and as a result, the Fund will generally experience seasonal fluctuations in its Payout Ratio. The Fund’s Payout Ratio is likely to be higher in the first and fourth quarters compared to the second and third quarters since Boston Pizza restaurants experience higher Franchise Sales during the summer months when restaurants open their patios and benefit from increased tourist traffic. Higher Franchise Sales generally results in increases in Distributable Cash. On a trailing 12-month basis, the Fund’s Payout Ratio was 102.3% as at June 30, 2014. A key feature of the Fund is that it is a “top line” structure, in which BPI pays the Fund a royalty equal to 4% of Franchise Sales from restaurants in the Fund’s royalty pool. Accordingly, Fund unitholders are not directly exposed to changes in the operating costs or profitability of BPI or of individual Boston Pizza restaurants. Given this structure, and that the Fund has no current mandate to retain capital for other purposes, it is expected that the Fund will maintain a Payout Ratio close to 100% over time as the trustees of the Fund continue to distribute all available cash in order to maximize returns to unitholders.

The trustees of the Fund announced a cash distribution to unitholders of 10.2 cents per Unit for July 2014. The distribution will be payable to unitholders of record at the close of business on August 21, 2014 and will be paid on August 29, 2014. The Fund periodically reviews distribution levels based on its policy of stable and sustainable distribution flow to unitholders. Since the Fund’s initial public offering in 2002, unitholders have received 16 distribution increases. Including the July 2014 distribution, which will be paid in August 2014, the Fund will have paid out 145 consecutive monthly distributions totalling \$187.3 million or \$14.71 per Unit.

FINANCIAL SUMMARY

The tables below set out selected information from the Fund's consolidated interim financial statements together with other data and should be read in conjunction with the consolidated interim financial statements of the Fund for the three and six month periods ended June 30, 2014 and 2013.

	Q2 2014	Q2 2013	YTD 2014	YTD 2013
(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)				
System-wide Gross Sales	255,002	250,398	493,010	486,722
Number of restaurants in Royalty Pool	358	348	358	348
Franchise Sales reported by restaurants in the Royalty Pool	196,627	193,830	383,015	380,168
Royalty income	7,865	7,753	15,321	15,207
Interest income	453	452	905	905
Total revenue	8,318	8,205	16,226	16,112
Administrative expenses	(263)	(263)	(523)	(526)
Interest expense on debt	(307)	(247)	(600)	(461)
Interest expense on Class B Unit and Class C Unit liabilities	(1,194)	(1,365)	(2,139)	(2,263)
Profit before fair value adjustments and income taxes	6,554	6,330	12,964	12,862
Fair value adjustment on Class B Unit liability	(2,392)	(1,144)	(462)	(6,856)
Fair value adjustment on interest rate swaps	(37)	650	(307)	561
Current and deferred income tax expense	(1,681)	(1,816)	(3,374)	(3,299)
Net income and comprehensive income for the period	2,444	4,020	8,821	3,268
Basic and diluted earnings per Unit	0.16	0.26	0.57	0.21
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows from operating activities	6,458	6,572	12,279	12,387
Class C Unit distributions to BPI	(450)	(450)	(900)	(900)
BPI Class B Unit entitlement	(741)	(915)	(1,654)	(1,818)
Interest paid on long-term debt	(299)	(216)	(649)	(429)
SIFT Tax on Units	(41)	(156)	14	(89)
Distributable Cash	4,927	4,835	9,062	9,151
Distributions paid in respect of the period	4,799	4,673	9,559	9,365
Payout Ratio	97.4%	96.6%	105.5%	102.3%
Distributable Cash per Unit	0.313	0.315	0.585	0.592
Distributions per Unit	0.306	0.306	0.612	0.608
<u>Other</u>				
Same store sales growth	(0.1%)	3.6%	(0.8%)	3.4%
Number of restaurants opened during the period	2	4	2	4
Number of restaurants closed during the period	1	1	3	1
	Jun 30, 2014		Dec 31, 2013	
Total assets	278,517		268,945	
Total liabilities	115,268		119,726	

Notes:

- 1) "**System-wide Gross Sales**" means the gross revenue: (i) of the corporate Boston Pizza restaurants in Canada owned by BPI; and (ii) reported to BPI by franchised Boston Pizza restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), including revenue from the sale of liquor, beer, wine and tobacco and revenue from BPI approved national promotions and discounts and excluding applicable sales and similar taxes.
- 2) Franchise sales is the basis on which the royalty is payable; it means the revenues of Boston Pizza restaurants in respect of which the royalty is payable ("**Franchise Sales**"). The term "revenue" refers to the gross revenue: (i) of the corporate Boston Pizza restaurants in Canada owned by BPI; and (ii) reported to BPI by franchised Boston Pizza restaurants in Canada, without audit or other form of independent assurance, and in the case of both (i) and (ii), after deducting revenue from the sale of liquor, beer, wine and tobacco and revenue from BPI approved national promotions and discounts and excluding applicable sales and similar taxes. Nevertheless, BPI periodically conducts audits of the Franchise Sales reported to it by its franchisees, and the Franchise Sales reported herein include results from sales audits of earlier periods.
- 3) Payout Ratio is calculated by dividing the distributions payable by the Fund in respect of the applicable period by the Distributable Cash generated in that period. Payout Ratio is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This non-IFRS financial measure provides investors with useful information regarding the extent to which the Fund distributes cash on the Units. Investors are cautioned that this should not be construed as an alternative net income measure of profitability. As the Payout Ratio is calculated from a formula which includes Distributable Cash, which is a non-IFRS measure, a reconciliation of Payout Ratio to an IFRS measure is not possible. For additional information regarding this financial metric, see the heading "Description of Non-IFRS and Additional IFRS Measures" in the Management's Discussion and Analysis for the Period.
- 4) Distributable Cash is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. This non-IFRS financial measure provides useful information to investors regarding the amount of cash the Fund has generated for distribution on the Units. Investors are cautioned that this should not be construed as an alternative net income measure of profitability. The preceding tables provide a reconciliation from this non-IFRS financial measure to cash flows from operating activities, which is the most directly comparable IFRS measure. For additional information regarding this financial metric, see the heading "Description of Non-IFRS and Additional IFRS Measures" in the Fund's Management's Discussion and Analysis for the Period.
- 5) Other capitalized terms used in these tables are defined in the Fund's Management's Discussion and Analysis for the Period.
- 6) Profit before fair value adjustments and income taxes is an additional IFRS measure and as such, does not have standardized meanings under IFRS. For additional information regarding these financial metrics, see the heading "Description of Non-IFRS and Additional IFRS Measures" in the Fund's Management's Discussion and Analysis for the Period.

	Q2 2014	Q1 2014	Q4 2013	Q3 2013
(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)				
System-wide Gross Sales	255,002	238,008	241,488	246,627
Number of restaurants in the Royalty Pool	358	358	348	348
Franchise Sales reported by restaurants in the Royalty Pool	196,627	186,388	183,742	191,510
Royalty income	7,865	7,456	7,350	7,660
Interest income	453	452	453	453
Total revenue	8,318	7,908	7,803	8,113
Administrative expenses	(263)	(260)	(274)	(250)
Interest expense on debt	(307)	(293)	(298)	(295)
Interest expense on Class B Unit and Class C Unit liabilities	(1,194)	(945)	(1,897)	(1,365)
Profit before fair value adjustments and income taxes	6,554	6,410	5,334	6,203
Fair value adjustment on Class B Unit liability	(2,392)	1,930	4,598	(1,166)
Fair value adjustment on interest rate swaps	(37)	(270)	(198)	(136)
Current and deferred income tax expense	(1,681)	(1,693)	(1,501)	(1,589)
Net income and comprehensive income for the period	2,444	6,377	8,233	3,312
Basic earnings per Unit	0.16	0.42	0.55	0.22
Diluted earnings per Unit	0.16	0.25	0.23	0.22
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows from operating activities	6,458	5,821	6,039	6,482
Class C Unit distributions to BPI	(450)	(450)	(450)	(450)
BPI Class B Unit entitlement	(741)	(913)	(992)	(915)
Interest paid on long-term debt	(299)	(350)	(297)	(276)
SIFT Tax on Units	(41)	27	85	53
Distributable Cash	4,927	4,135	4,385	4,894
Distributions paid in respect of the period	4,799	4,760	4,599	4,605
Payout Ratio	97.4%	115.1%	104.9%	94.1%
Distributable Cash per Unit	0.313	0.272	0.292	0.324
Distributions per Unit	0.306	0.306	0.306	0.306
<u>Other</u>				
Same store sales growth	(0.1%)	(1.7%)	(1.5%)	0.8%
Number of restaurants opened during the period	2	0	7	1
Number of restaurants closed during the period	1	2	0	1

	Q2 2013	Q1 2013	Q4 2012	Q3 2012
(in thousands of dollars – except restaurants, SSSG, Payout Ratio and per Unit items)				
System-wide Gross Sales	250,398	236,324	239,764	239,269
Number of restaurants in the Royalty Pool	348	348	343	343
Franchise Sales reported by restaurants in the Royalty Pool	193,830	186,338	185,197	186,084
Royalty income	7,753	7,454	7,408	7,443
Interest income	452	453	453	453
Total revenue	8,205	7,907	7,861	7,896
Administrative expenses	(263)	(263)	(244)	(382)
Interest expense on debt	(247)	(214)	(218)	(234)
Interest expense on Class B Unit and Class C Unit liabilities	(1,365)	(898)	(1,978)	(1,628)
Profit before fair value adjustments and income taxes	6,330	6,532	5,421	5,652
Fair value adjustment on Class B Unit liability	(1,144)	(5,712)	633	(5,890)
Fair value adjustment on interest rate swaps	650	(89)	69	67
Current and deferred income tax expense	(1,816)	(1,483)	(1,781)	(1,410)
Net income (loss) and comprehensive income (loss) for the period	4,020	(752)	4,342	(1,581)
Basic earnings (loss) per Unit	0.26	(0.05)	0.29	(0.11)
Diluted earnings (loss) per Unit	0.26	(0.05)	0.23	(0.11)
<u>Distributable Cash / Distributions / Payout Ratio</u>				
Cash flows from operating activities	6,572	5,815	6,221	6,319
Class C Unit distributions to BPI	(450)	(450)	(450)	(450)
BPI Class B Unit entitlement	(915)	(903)	(986)	(1,211)
Interest paid on long-term debt	(216)	(213)	(215)	(130)
SIFT Tax on Units	(156)	67	(31)	-

Distributable Cash	4,835	4,316	4,539	4,528
Distributions paid in respect of the period	4,673	4,692	4,480	4,284
Payout Ratio	96.6%	108.7%	98.7%	94.6%
Distributable Cash per Unit	0.315	0.277	0.303	0.311
Distributions per Unit	0.306	0.302	0.294	0.294
Other				
Same store sales growth	3.6%	3.2%	2.2%	1.0%
Number of restaurants opened during the period	4	0	4	1
Number of restaurants closed during the period	1	0	0	0

OUTLOOK

Boston Pizza is well positioned for future growth and should continue to strengthen its position as the number one casual dining brand in Canada by achieving positive SSSG and continuing to open new Boston Pizza locations across Canada.

The two principal factors that affect SSSG are changes in customer traffic and changes in average guest cheque. BPI's strategies to drive higher guest traffic include attracting a wide variety of guests into the restaurant, sports bar and take-out/delivery parts of each location, offering a compelling value proposition to our guests and leveraging a larger marketing budget versus the previous year along with a revised calendar of national and local store promotions. Increased average cheque levels are expected to be achieved through a combination of culinary innovation and annual menu re-pricing. In addition, BPI's franchise agreement requires that each Boston Pizza restaurant undergo a complete store renovation every seven years. Restaurants typically close for two to three weeks to complete the renovation and experience an incremental sales increase in the year following the re-opening.

Boston Pizza remains well positioned for future expansion as evidenced by the three new Boston Pizza restaurants that have opened to date in 2014 and the additional seven new locations that are currently under construction. BPI's management believe that Boston Pizza will continue to strengthen its position as the number one casual dining brand in Canada by pursuing further restaurant development opportunities across the country.

Certain information in this press release constitutes "forward-looking information" that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of the Fund, Boston Pizza Holdings Trust, the Partnership, Boston Pizza Holdings Limited Partnership, Boston Pizza Holdings GP Inc., Boston Pizza GP Inc., BPI, Boston Pizza restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. All statements, other than statements of historical facts, included in the press release that address activities, events or developments that the Fund or management of BPI expects or anticipates will or may occur in the future, including such things as, seasonal fluctuations in the Payout Ratio, the Payout Ratio is likely to be higher in the first and fourth quarters, higher Franchise Sales generally result in increases in Distributable Cash, a Payout Ratio close to 100% will be maintained, trustees of the Fund will continue to distribute all available cash in order to maximize returns to unitholders, Boston Pizza being well positioned for future growth, the strengthening of Boston Pizza's position as the number one casual dining brand in Canada, the achievement of positive SSSG, opening of new restaurants, increases in average guest cheques levels, incremental sales increasing after store renovations, plans to pursue restaurant development opportunities and other such matters are forward-looking information. When used in this press release, forward-looking information may include words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan", "should", "continue" and other similar terminology. The material factors and assumptions used to develop the forward-looking information contained in this press release include the following: future results being similar to historical results, expectation related to future general economic conditions, business plans, speed of permitting, receipt of franchise fees and other amounts, franchisees access to financing, pace of commercial real estate development, protection of intellectual property rights of the Partnership and absence of changes of laws. Risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by the forward-looking information contained herein, relate to (among others) competition, demographic trends, consumer preferences and discretionary spending patterns, business and economic conditions, legislation and regulation, Distributable Cash and reliance on operating revenues, accounting policies and practices, the results of operations and financial condition of BPI and the Fund, as well as those factors discussed under the heading "Risks and Uncertainties" in the Fund's Management's Discussion and Analysis for the Period. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this press release. Except as required by law, the Fund and BPI assume no obligation to update previously disclosed forward-looking information. For a complete list of the risks associated with forward-looking information and our business, please refer to the "Risks and Uncertainties" and "Note Regarding Forward-Looking Information" sections included in the Fund's Management's Discussion and Analysis for the Period available at www.sedar.com and www.bpincomefund.com. The trustees of the Fund have approved the contents of this press release.

FOR FURTHER INFORMATION PLEASE CONTACT:

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