# Brazil Fast Food Announces First Quarter 2014 Results

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**Rio de Janeiro, Brazil, May 14, 2014 -- Brazil Fast Food Corp.** (OTC Markets: BOBS) (?Brazil Fast Food?, or ?the Company?), one of the largest food service groups in Brazil with 1,192 points of sale, operating under (i) the Bob?s brand, (ii) the Yoggi brand, (iii) KFC and Pizza Hut S?o Paulo as franchisee of Yum! Brands, and (iv) Doggis as master franchisee of Gastronomia & Negocios S.A. (former Grupo de Empresas Doggis S.A.), today announced financial results for the first quarter ended March 31, 2014.

**Q1 2014 Highlights**

? System-wide sales totaled R$ 349.9 million, up 17.6% from Q1 2013

? Revenue totaled R$ 66.5 million, up 14.2% from Q1 2013

? Points of sale totaled 1,192 at March 31, 2014 (505 kiosks and 19 temporary points of sale), up from 1,049 at March 31, 2013

? EBITDA was R$ 8.7 million, down 23.7% from R$ 11.4 million in Q1 2013

? Operating income was R$ 6.6 million, down 35.2% from R $10.2 million in Q1 2013

? Net income was R$ 4.6 million, or R$ 0.56 per basic and diluted share

Note that all numbers are in Brazilian currency.

?We continued to experience a very challenging operating environment in Brazil?s fast food industry during the first quarter of 2014, characterized by escalating costs for food and labor, muted growth in incomes and consumer spending. The market environment has also turned increasingly competitive, due to significant branding efforts of one of our established competitors sponsoring the upcoming FIFA World Cup. Renewed efforts of established international brands to increase share in Brazil created fierce competition between incumbents and expanding international brands in fast food. This has required increased investment in branding, facilities and promotions, and made it challenging to pass through these higher costs to our customers. While our revenues continued to expand at over 14%, our profitability dropped significantly as compared to the first quarter of 2013, with operating income down 35,2%,? said Mr. Ricardo Bomeny, CEO and CFO of Brazil Fast Food.

?Looking in more detail at our brands, we are very pleased with the performance of our Bob?s franchised stores, where net franchise revenues grew 17% and operating income grew by 22.2% to R$ 10.1 million with an operating margin of 73%. The number of franchise outlets grew to 1,093, from 972 on March 31, 2013. Our owned-and-operated Bob?s stores grew revenues by 2.8% over Q1 2013, but were barely profitable for the quarter. We have recently made some changes to our management structure and incentives for these stores that we believe will help to restore a reasonable level of profitability.

?We were pleased with the continued expansion of Pizza Hut stores, where we added 12 new stores and net revenues grew by 30.7% over Q1 2013, although contribution to operating income is similar to last year. Our KFC stores continued to struggle in the local market with a slight decline in revenues and a $1.8 million operating loss for the quarter. We are in active discussions with Yum! Brands as to how to better adapt the KFC concept, marketing, and menu offerings to the Brazilian market so as to create a more vibrant future for this brand,? Mr. Bomeny said.

**First Quarter 2014 Results**

System-wide sales grew 17.6% in the first quarter to R$ 349.9 million, driven by an increase in the number of franchised points of sale.

Total revenue for the first quarter of 2014 was R$ 66.5 million, an increase of 14.2% as compared to R$ 58.3 million in the first quarter of 2013, due to higher revenues from franchisees and own-operated restaurants.

Net restaurant sales for company-owned restaurants increased 13.5% year-over-year to R$ 52.7 million in the first quarter of 2014, driven by higher sales at Bob?s and Pizza Hut.

Net revenue from franchisees increased 16.9% year-over-year to R$ 13.9 million, driven primarily by an increase in number of franchised retail outlets to 1,093, as compared to 972 a year ago.

Operating expenses increased 24.7% to R$ 59.9 million in the first quarter of 2014 from R$ 48 million in the first quarter of 2013. As a percentage of revenue, operating costs increased to 90% of total revenue in the first quarter of 2014 from 82.4% of total revenue in the first quarter of 2013.

Operating income for the first quarter of 2014 was R$ 6.6 million, a decrease of 35.2% from R$ 10.2 million in the first quarter of 2013. Operating margin in the first quarter of 2014 declined to 10%, as compared to 17.6% in the first quarter of 2013.

EBITDA in the first quarter of 2014 was R$ 8.7 million, down by 23.7% as compared to R$ 11.4 million in the first quarter of 2013. EBITDA margin was 13%, as compared to 19.5% in the first quarter of 2013. Please refer to Table No. 4 in this press release for a reconciliation of EBITDA to its nearest GAAP equivalent.

Interest expense was R$ 1.1 million in the first quarter of 2014, as compared to interest income of R$ 0.1 million in the first quarter of 2013.

Net income in the first quarter of 2014 was R$ 4.6 million, or R$ 0.56 per basic and diluted share, as compared to R$ 6.7 million, or R$ 0.83 per basic and diluted share in the first quarter of 2013.

**Financial Condition**

As of March 31, 2014 the Company had R$ 53.1 million in cash and equivalents, up from R$ 50.1 million as of March 31, 2013. Working capital was R$ 41.6 million at March 31, 2014, compared with R$ 41.9 million as of March 31, 2013. Debt obligations with financial institutions were R$23.5 million as of March 31, 2014, compared with R$23.6 million as of March 31, 2013. Total shareholders' equity was R$ 85.5 million at March 31, 2014, compared to R$ 80.8 million at March 31, 2013.

**Recent Events**

There were no developments during the first quarter of 2014 regarding the Company?s administrative appeal against the penalty charged by the Brazilian Internal Revenue Service related to the its restructuring in 2006.

**Business Outlook**

In 2014, the company expects to continue a higher level of investment in facilities, advertising and promotion in order to support the growth of its brands in Brazil and respond to international competitors. This will continue to put pressure in profitability and operating results in the near future.

?Despite the near-term challenges due to the macro-economy and escalating competition, we strongly believe that we have the right brand assets and management team in place to drive continued growth. In the first quarter of 2014 we invested $7.8 million in new stores that includes a new multi-brand format combining Bob?s, Doggis and Yoggi in one location, a new standalone Yoggi store concept called Yoggi Desigual, and expansion of Pizza Huts in high-traffic locations,? Mr. Bomeny said.

?For 2014, to support our expansion and competitive position, we will also be making a significant investment in branding and promotion activities. Bob?s recently presented its new visual identity, with a different store design and ambiance, communications, equipment and ingredients, to its franchisees at its National Convention. We will make a significant investment to refresh our owned-and-operated stores and will continuously incentivize our franchisees to do the same. While we expect to see continued margin pressure due to these activities, our goal is to achieve some improvement in our overall profit margins from Q1 2014 levels. Our strong balance sheet provides us with the ability to pursue this expansion strategy without recourse to outside financing.

?Brazil?s economy has slowed significantly, with real GDP growth for 2014 expected to be in the range of 2% and inflation north of 6%, primarily due to rising food and labor prices. This will create difficulties across the restaurant industry and create near-term financial headwinds for Brazil Fast Food. But we continue to believe that the opportunity to build a significant player in the fast food industry is compelling and that we are on the right path to build long-term value with our unique business,? concluded Mr. Bomeny.

**About Brazil Fast Food Corp.**

Brazil Fast Food Corp., through its holding company in Brazil, BFFC do Brasil Participa??es Ltda. (?BFFC do Brasil?, formerly 22N Participa??es Ltda.), and its subsidiaries, manage one of the largest food service groups in Brazil and franchise units in Angola and Chile. Our subsidiaries are Venbo Com?rcio de Alimentos Ltda. (?Venbo?), LM Com?rcio de Alimentos Ltda. (?LM?), PCN Com?rcio de Alimentos Ltda. (?PCN?), CFK Com?rcio de Alimentos Ltda. (?CFK?, former Clematis Ind?stria e Com?rcio de Alimentos e Participa??es Ltda.), CFK S?o Paulo Com?rcio de Alimentos Ltda. (?CFK SP?), MPSC Com?rcio de Alimentos Ltda. (?MPSC?),DGS Com?rcio de Alimentos Ltda. (?DGS?), CLFL Com?rcio de Alimentos Ltda. (?CLFL?), Little Boss Com?rcio de Alimentos Ltda. (?Little Boss?), Separk Com?rcio de Alimentos Ltda. (?Separk?), Schott Com?rcio de Alimentos Ltda. (?Schott?), FCK Franquias e Participa??es Ltda. (?FCK?, former Suprilog Log?stica Ltda.), Yoggi do Brasil Ltda. (?Yoggi?), and Internacional Restaurantes do Brasil S.A. (?IRB?). IRB has 40% of its capital held by individuals, including the CEO of IRB.

**Safe Harbor Statement**

*This press release contains forward-looking statements within the meanings of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, and within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known or unknown risks, uncertainties and other factors that may cause the actual results to differ materially from those expressed or implied by such forward looking statements. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see the disclosures on the Company?s website and in the Company's filings with the Securities and Exchange Commission, including the risk factors contained in the Company's previous public disclosures.*

**--FINANCIAL TABLES FOLLOW?**

**BRAZIL FAST FOOD CORP. AND SUBSIDIARIES**

**CONSOLIDATED INCOME STATEMENTS**

**(in thousands of Brazilian Reais, except share amounts)**

| | Note | Three Months Ended March 31, 2014 | | Three Months Ended March 31, 2013 | |
|---|---|---|---|---|---|
| | | (unaudited) | | | |
| *REVENUES FROM RESTAURANTS AND FRANCHISEES* | | | | | |
| Net revenues from own-operated restaurants | 13 | R$ | 52.681 | R$ | 46.419 |
| Net revenues from franchisees | 13 | | 13.863 | | 11.860 |
| *TOTAL REVENUES FROM RESTAURANTS AND FRANCHISEES* | | | *66.544* | | *58.279* |
| Store Costs and Expenses | 13 | | (52.404) | | (45.511) |
| Franchise Costs and Expenses | 13 | | (3.751) | | (3.584) |
| Administrative Expenses | | | (8.169) | | (7.552) |
| Income from supply agreements | | | 5.768 | | 6.446 |
| Other income | | | 583 | | 147 |
| Other Operating Expenses | | | (1.771) | | (1.012) |
| Net result of assets sold and impairment of assets | 6 | | (170) | | 3.030 |
| OPERATING INCOME | | | 6.630 | | 10.243 |
| Interest Expense | | | (1.054) | | (83) |
| NET INCOME BEFORE INCOME TAX | | | 5.576 | | 10.160 |
| Income taxes | | | (1.212) | | (3.086) |
| NET INCOME BEFORE NON-CONTROLLING INTEREST | | | 4.364 | | 7.074 |
| Net loss attributable to non-controlling interest | | | 226 | | (328) |
| NET INCOMEATTRIBUTABLE TO BRAZIL FAST FOOD CORP. | | R$ | 4.590 | R$ | 6.746 |
| NET INCOME PER COMMON SHARE | | | | | |
| BASIC AND DILUTED | | R$ | 0,56 | R$ | 0,83 |
| WEIGHTED AVERAGE COMMON | | | | | |
| SHARES OUTSTANDING: BASIC AND DILUTED | | | 8.129.437 | | 8.129.437 |

**BRAZIL FAST FOOD CORP. AND SUBSIDIARIES**

**BALANCE SHEETS - ASSETS**

**(in thousands of Brazilian Reais, except share amounts)**

| | Note | March, 31 2014 (unaudited) | December 31, 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 4 | R$ 53.097 | R$ 50.083 |
| Inventories | | 2.954 | 3.090 |
| Accounts receivable | | | |
| Clients - food sales | | 10.730 | 11.051 |
| Franchisees | | 19.815 | 20.872 |
| Allowance for doubtful accounts | | (164) | (163) |
| Prepaid expenses | | 2.036 | 747 |
| Advances to suppliers | | 2.855 | 2.962 |
| Bob's Marketing fund credits | 5a | - | 717 |
| Other current assets | 5b and 6 | 3.433 | 3.761 |
| TOTAL CURRENT ASSETS | | 94.756 | 93.120 |
| NON-CURRENT ASSETS: | | | |
| Other receivables and other assets | 5a and 6 | 14.086 | 13.118 |
| Deferred tax asset, net | | 10.644 | 10.644 |
| Goodwill | 3,3 | 1.121 | 1.121 |
| Property and equipment, net | 7 | 49.222 | 47.240 |
| Intangible assets, net | 8 | 13.486 | 13.463 |
| TOTAL NON-CURRENT ASSETS | | 88.559 | 85.586 |
| TOTAL ASSETS | | R$ 183.315 | R$ 178.706 |

**BRAZIL FAST FOOD CORP. AND SUBSIDIARIES**

**BALANCE SHEETS - LIABILITIES AND EQUITY**

**(in thousands of Brazilian Reais, except share amounts)**

| | Note | March, 31 2014 (unaudited) | December 31, 2013 |
|---|---|---|---|
| **LIABILITIES AND SHAREHOLDERS? EQUITY** | | | |
| CURRENT LIABILITIES: | | | |
| Loans and financing | 11 | R$ 13.050 | R$ 12.816 |
| Accounts payable and accrued expenses | | 14.338 | 13.941 |
| Payroll and related accruals | | 7.262 | 6.501 |
| Taxes | | 4.772 | 7.884 |
| Current portion of deferred income | 10 | 11.056 | 7.537 |
| Current portion of litigations and reassessed taxes | 9 | 2.381 | 2.381 |
| Other current liabilities | | 294 | 144 |
| TOTAL CURRENT LIABILITIES | | 53.153 | 51.204 |
| Deferred income, less current portion | 10 | 7.546 | 8.877 |
| Loans and financing, less current portion | 11 | 10.418 | 10.744 |
| Litigations and reassessed taxes, less current portion | 9 | 19.983 | 20.190 |
| Other liabilities | 12 | 2.173 | 2.170 |
| TOTAL NON-CURRENT LIABILITIES | | 40.120 | 41.981 |
| TOTAL LIABILITIES | | 93.273 | 93.185 |
| **SHAREHOLDERS? EQUITY:** | | | |
| Preferred stock, $.01 par value, 5,000 shares authorized; no shares issued | | - | - |
| Common stock, $.0001 par value, 12,500,000 shares authorized; | | | |
| 8,472,927 shares issued for both 2014 and 2013; and 8,121,937 | | | |

| | | | |
|---|---|---|---|
| and 8,129,437 shares outstanding for both 2014 and 2013 | | 1 | 1 |
| Additional paid-in capital | | 61.148 | 61.148 |
| Treasury Stock (350,990 and 343,490) | 14 | (2.358) | (2.060) |
| Retained Earnings | | 28.040 | 23.450 |
| Accumulated comprehensive loss | | (1.314) | (1.769) |
| TOTAL SHAREHOLDERS? EQUITY | | 85.517 | 80.770 |
| Non-Controlling Interest | | 4.525 | 4.751 |
| TOTAL EQUITY | | 90.042 | 85.521 |
| TOTAL LIABILITIES AND EQUITY | | R$ 183.315 | R$ 178.706 |

**BRAZIL FAST FOOD CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands of Brazilian Reais)**

| | Three Months Ended March, 31 | |
|---|---|---|
| | 2014 | 2013 |
| CASH FLOW FROM OPERATING ACTIVITIES: | (unaudited) | |
| NET INCOME BEFORE NON-CONTROLLING INTEREST | R$ 4.364 | R$ 7.074 |
| Adjustments to reconcile net income to cash provided by | | |
| (used in) operating activities: | | |
| Depreciation and amortization | 2.629 | 2.076 |
| (Gain) Loss on assets sold, net | 170 | (3.030) |
| Deferred income tax | - | 104 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | 1.379 | (785) |
| Inventories | 136 | (284) |
| Prepaid expenses, advances to suppliers and other current assets | (137) | 573 |
| Other assets | (968) | 359 |

| | | |
|---|---|---|
| (Decrease) increase in: | | |
| Accounts payable and accrued expenses | 397 | 3.961 |
| Payroll and related accruals | 761 | 1.223 |
| Taxes | (3.112) | (1.483) |
| Deferred income | 2.188 | 1.825 |
| Litigations and reassessed taxes | (207) | (818) |
| Other liabilities | 153 | (697) |
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES | 7.753 | 10.098 |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Puechase of Company's share | (298) | - |
| Additions to property and equipment, net of proceed of sales | (4.724) | 1.039 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | (5.022) | 1.039 |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Net Borrowings (Repayments) under lines of credit | (92) | (4.604) |
| CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES | (92) | (4.604) |
| EFFECT OF FOREIGN EXCHANGE RATE | 375 | 19 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3.014 | 6.552 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 50.083 | 32.062 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | R$ 53.097 | R$ 38.614 |

**BRAZIL FAST FOOD CORP. AND SUBSIDIARIES**

**RECONCILIATION OF EBITDA TO NET INCOME**

Three Months Ended March 31,

| | 2014 | | 2013 | |
|---|---|---|---|---|
| NET INCOME | R$ | 4.590 | R$ | 6.746 |
| Interest expenses, Monetary and Foreign exchange loss | | 760 | | (21) |
| Income taxes | | 1.212 | | 2.950 |
| Depreciation and amortization | | 2.128 | | 1.719 |
| EBITDA | R$ | 8.689 | R$ | 11.393 |

* The Company Management reviewed the computation of previously disclosure of 2013 EBITDA in order to include the effect of non-controlling interest.

EBITDA represents earnings before net interest expense, income tax provision, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in evaluating companies in our industry. In addition, our management believes that EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the performance of our business. However, EBITDA is not a recognized measurement under generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, income from operations and net income, each as determined in accordance with GAAP. Not all companies use identical calculations, and our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management?s discretionary use, as it does not consider certain cash requirements such as a tax and debt service payments.

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