

For Immediate Release

Attention Business Editors:

PIZZA PIZZA ROYALTY INCOME FUND ANNOUNCES 2006 RESULTS

Toronto, Ontario, February 28, 2007 – Today, Pizza Pizza Royalty Income Fund (the “Fund”) reported financial results for the period of January 1, 2006 to December 31, 2006 (the “Year”). As the Fund began operations on July 6, 2005, a full year comparative is not available.

The Fund's earnings were \$15.9 million for the Year or \$0.89 per unit and the Fund declared distributions of \$15.1 million or \$0.84 per unit for the Year.

Same Store Sales Growth, the key driver of yield growth for Uniholders, was 4.5% for the Year compared with the same period in 2005. During the Year the Fund increased its February distribution by 2%, from \$0.0685 to \$0.0695, and the July distribution by 2%, from \$0.0695 to \$0.071.

Business activities underlying the Fund continued to be solid in the fourth quarter ended December 31, 2006 as Pizza Pizza Limited experienced a 5% same-store sales growth over the same period last year and the payout ratio was 90%. For the Year the Fund's payout ratio was 95%.

With the continued increase in same store sales, the Fund has previously announced a 2.8% increase of its January 2007 distribution to \$0.073 from \$0.071 per unit. This was the fourth distribution increase since the Fund's initial public offering in July 2005. The current distribution equates to an annualized rate per unit of \$0.876.

For those Unitholders holding units outside a tax deferred plan, the 2006 distributions will be treated as 49.46% taxable income and 50.54% as a tax-deferred return of capital. A history of the monthly distributions can be found on the Fund's website at www.pizzapizzaroyaltyincomefund.com.

January 1, 2007, the pool of Pizza Pizza restaurants (the “Royalty Pool”) for which royalties are paid to the Fund by Pizza Pizza Limited (“PPL”) was increased to include the 35 new restaurants opened between September 1, 2005 and December 31, 2006. Five locations were closed during the calendar year 2006. Of the 35 new restaurants, 16 are traditional restaurants and 19 are non-traditional locations. With the addition of these 30 net, new restaurants, royalties are now paid to the Fund from 531 Pizza Pizza restaurants in the Royalty Pool. The forecasted 2007 system sales for the 35 new restaurants is \$16,000,000 and system sales will be reduced by \$592,064 as a result of the five closed restaurants.

FINANCIAL HIGHLIGHTS

Equity income earned by the Fund through its interest in the Pizza Pizza Royalty Limited Partnership (the “Partnership”) and interest income from the PPL Loan for the Year, have been derived as shown in the table below:

Pizza Pizza Royalty Limited Partnership Analysis of Distributable Cash

	January 1, 2006 to December 31, 2006	Period from July 6, 2005 to December 31, 2005
(in thousands of dollars, except number of restaurants, days in the period, and per unit amounts)		
Restaurants in Royalty Pool	501	500
Days in the Period	365	179
Same store sales growth	4.5%	6%
System sales reported by restaurants in the Royalty Pool	\$ 353,138	\$ 173,233
Royalty - 6% of system sales	\$ 21,188	\$ 10,394
Partnership expenses ⁽¹⁾	(1,710)	(781)
Partnership earnings for the period before under-noted	19,478	9,613
Pizza Pizza's interest ⁽²⁾	(5,388)	(2,627)
Equity income related to Pizza Pizza royalties earned by Fund ⁽³⁾	14,090	6,985
Interest income ⁽⁴⁾	1,800	880
Net earnings ⁽³⁾	\$ 15,890	\$ 7,865
Earnings per Fund unit⁽³⁾	\$ 0.885	\$ 0.438
Distributions declared	\$ 15,108	\$ 7,041
Distributions per Fund unit	\$ 0.842	\$ 0.392
Payout ratio	95%	89%
	December 31, 2006	December 31, 2005
Total assets	\$ 171,796	\$ 170,363
Total liabilities	\$ 1,275	\$ 1,223

- (1) The Fund, indirectly through the Partnership, incurs administrative expenses and interest expense on the \$20 million outstanding bank loan. Interest expense on the bank loan for the current year was \$1.1 million.
- (2) Represents the interest of Pizza Pizza in the earnings of the Partnership from Class B and Class C Partnership units. The Class B units are exchangeable into Fund units based on the value of the Class B Exchange Multiplier at the time of exchange as defined in the Licence and Royalty Agreement.
- (3) For December 31, 2005, earnings shown exclude structuring costs of \$9.5 million related to indirectly receiving proceeds from the Fund's initial public offering. The structuring costs were paid from the initial public offering proceeds and were expensed during 2005 since they were determined to be a cost without a future benefit.
- (4) The Fund indirectly earns interest income on the \$30 million loan to Pizza Pizza, with interest income accruing at 6% per annum, payable monthly.

Working capital of the Fund combined with working capital of the Partnership totalled \$1.5 million at December 31, 2006 and has been accumulated as a reserve to cover seasonality and any unusual administrative expenditures.

Proposed Tax Changes

On October 31, 2006, the Minister of Finance (Canada) announced proposals to significantly change the income tax treatment of most publicly traded trusts and partnerships (other than certain real estate investment trusts) and the distributions and allocations, as the case may be, from these entities to their investors. The proposals were released in draft legislative form on December 21, 2006.

Under the proposals, certain income earned by these entities will be taxed in a manner similar to income earned by a corporation and distributions or allocations of such income made by these entities to investors will be taxed in a manner similar to dividends from taxable Canadian corporations. The deemed dividend will be eligible for the new enhanced dividend tax credit if paid or allocated to a resident of Canada. These proposals will be effective commencing in the 2011 taxation year for trusts and partnerships that were publicly traded prior to November 1, 2006, such as the Fund. However, the deferral until 2011 may be rescinded where the affected entity does not comply with the Department of Finance's "normal growth" guidelines.

For illustrative purposes, the consequence for an individual Unitholder, holding units outside a tax-deferred plan who received a \$1 distribution would be as follows, assuming that 25% of the distribution was a non-taxable return of capital:

	2006 Tax Measures	Proposed 2011 Tax Measures
Distributable amount before tax	\$1.00	\$1.00
Tax paid by the Fund ⁽¹⁾	\$0.00	\$0.24
Distribution after the Fund's tax	\$1.00	\$0.76
Tax paid by the unitholder	\$0.35 ⁽²⁾	\$0.11 ⁽³⁾
Net amount ⁽⁴⁾	\$0.65	\$0.65

Notes:

- (1) 31.5% on the taxable portion (75% of the \$1.00 distribution)
- (2) Assuming a 46.41% combined tax rate currently in effect in Ontario on 75% of the distribution treated as income
- (3) Assuming a 22.38% tax rate on the deemed dividend income, and assuming that Ontario adopts the reduction in the tax rate on dividends proposed by the Federal government

The Fund is currently considering these proposals and the guidelines and the possible impact they will have on the Fund and its investors. These measures do not have a force of law and could be modified or not adopted. These proposals are not expected to have an immediate impact on the Fund's tax treatment or distribution policy or the tax treatment of distributions to investors. Until the final legislation implementing the proposed changes is introduced, the exact impact of the changes to the Fund is unknown.

The foregoing presentation is based on the Fund's understanding of the proposals announced to date by the federal government, which are subject to change prior to the implementation of final legislation and related rules and interpretations by the Department of Finance. The tax consequences of these proposals to a Unitholder that is tax-exempt, holds units in a tax-deferred plan or is a non-resident of Canada would differ from the presentation set forth above. Unitholders are encouraged to consult their own tax advisors concerning the application of these proposals to their investment in units, with reference to their particular circumstances.

The audited, consolidated financial statements of the Fund, together with its Management's Discussion and Analysis, will be available at www.sedar.com and on the Fund's website at www.pizzapizzaroyaltyincomefund.com on or before March 1, 2007.

Outlook

PPL management has advised the Trustees that in 2007 it expects to grow the number of restaurants in the Ontario network by 3% and to continue researching potential expansion opportunities outside its, predominantly, Ontario market with potential expansion coming through organic growth and/or acquisitions. Additionally, Pizza Pizza expects to continue franchising its remaining Company-owned restaurants.

With over 95% of traditional restaurants expanded or relocated within the last six years, Pizza Pizza offers expanded seating capacity, thereby targeting additional day-parts and allowing for additional product offerings to enable restaurants to continue increasing same store sales.

The Trustees of the Fund have approved the contents of this press release.

Forward Looking Information

Certain statements in this report may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this report, such statements include such words as "may", "will", "expect", "believe", "plan", and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this report. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in national and local business and economic conditions; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of Pizza Pizza. The foregoing list of factors is not exhaustive.

About the Fund, a publicly-traded entity

The Fund is a limited purpose, open-ended trust established under the laws of Ontario to indirectly acquire the trademarks and trade names used by Pizza Pizza Limited ("Pizza Pizza") in its restaurants. The trademarks were licensed to Pizza Pizza in 2005 for 99 years, for which Pizza Pizza pays the Fund a royalty equal to 6% of the system sales of its Pizza Pizza restaurants in the Royalty Pool. As of January 1, 2007, there were 531 Pizza Pizza restaurants in the Royalty Pool.

A key attribute of the Fund is that it is based on top-line, system sales of the Royalty Pool restaurants and not on the profitability of either Pizza Pizza or the restaurants in the Royalty Pool. The success of the Fund depends primarily on the ability of Pizza Pizza to maintain and increase system sales of the Royalty Pool and to meet its royalty obligations.

The Fund's trust units are listed on the Toronto Stock Exchange under the symbol PZA.UN.

About Pizza Pizza Limited, the privately-owned operating company

Pizza Pizza Limited, a privately-held Canadian corporation, is one of Canada's most successful operators in the quick service restaurant industry. Founded in 1967, Pizza Pizza is guided by a mission to provide the “best food, made especially for you” and a focus on quality ingredients, customer service, community contribution and continual innovation.

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