

For Immediate Release

Attention Business Editors:

PIZZA PIZZA ROYALTY INCOME FUND ANNOUNCES SECOND QUARTER 2007 RESULTS

Toronto, Ontario, August 1, 2007 – Today, Pizza Pizza Royalty Income Fund (the “Fund”) reported financial results for the three and six months ended June 30, 2007.

As previously announced, the Fund reported another strong quarter with 4.3% same store sales growth and 4.9% for the 6 months ended June 30, 2007, compared with 4% for the same quarter in 2006 and 5% for the 6 months ended June 30, 2006. Same store sales growth is the key driver of yield growth for Unitholders. This represents the eighth consecutive quarter of sales growth since the Fund’s inception in July 2005.

System Sales for the Pizza Pizza Limited (“Pizza Pizza”) restaurants in the Fund’s Royalty Pool for the second quarter increased by \$6.1 million or 7.1% to \$92.2 million compared with \$86 million for the same quarter in the prior year. System Sales of the Royalty Pool for the six months ended June 30, 2007 increased by \$13.2 million or 7.8% to \$181.7 million compared with \$168.5 million for the same quarter in the prior year. The increase in sales reflects the sales generated by the new restaurants in the Royalty Pool and an increase in same store sales.

Distributable Cash

Distributable cash for the second quarter of 2007 was \$4.0 million or \$0.221 per unit compared with \$3.8 million or \$0.214 per unit for the second quarter of 2006, which represents a 3.2% increase in distributable cash per unit. The Fund declared distributions of \$3.9 million or \$0.219 per unit for the quarter compared with \$3.7 million or \$0.209 for the same quarter last year. The payout ratio for the quarter was 99%.

Distributable cash for the six months ended June 30, 2007 was \$7.9 million or \$0.443 per unit compared with \$7.5 million or \$0.419 per unit for the six months ended June 30, 2006. The Fund declared distributions of \$7.9 million or \$0.438 per unit for the six months compared with \$7.5 million or \$0.416 for the comparable six months of 2006. The payout ratio for the six-month period ended June 30, 2007 was 99%.

Distributable cash is not an earnings measure recognized by generally accepted accounting principles (“GAAP”) and therefore may not be comparable to similar measures presented by other issuers. Distributable cash, calculated as net earnings before non-cash, future income tax expense, is based on the operating activities of the Fund and its share of the operations of the Pizza Pizza Royalty Limited Partnership (the “Partnership”).

Restaurants

Pizza Pizza opened 11 restaurants and closed 1 during the quarter, and on a year-to-date basis opened 13 and closed 2, bringing the total number to 542 restaurants. The 542 restaurants are comprised of 357 traditional restaurants and 185 non-traditional restaurants.

New Income Tax Legislation and the Non-cash affect on Current Operating earnings

On October 31, 2006, the Department of Finance (Canada) announced proposed tax legislation which included a provision to eliminate the deduction of distributions from taxable income for certain forms of publicly traded income trusts and partnerships. The proposed legislation became substantively enacted law on June 12, 2007 and changes the rules applicable to publicly traded income trusts in 2011. As the new trust tax legislation has been substantively enacted, the Fund is required to give accounting recognition to these new rules. As a result, on June 12, 2007, the Fund recognized a non-cash future income tax expense and corresponding liability amounting to \$8.7 million. This liability represents the Fund's proportionate share of the temporary difference between the accounting and tax basis, at the 31.5% tax rate applicable to the Fund, on the Rights and Marks in the Partnership. The Fund will not be liable for current taxes until January 1, 2011.

With the application of GAAP as a result of this new tax legislation, the fund is reporting a net loss after impact of the non-cash, future income tax expense for the quarter ended June 30, 2007 of \$4.7 million or \$0.26 loss per unit, as compared to net earnings of \$3.8 million or \$0.214 per unit for the second quarter of 2006. Net loss for the six month period ended June 30, 2007 was \$0.8 million or \$0.04 loss per unit, as compared to net earnings of \$7.5 million of \$0.419 per unit for the comparable period in 2006. **The net loss for the current quarter and six month period ended June 30, 2007 is solely the result of the non-cash, future tax expense recognized in the second quarter of 2007 as further discussed below.**

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 Period, have been derived as shown in the table below:

**Pizza Pizza Royalty Limited Partnership
Analysis of Distributable Cash**

	3 months ended		6 months ended	
	June 30, 2007 (unaudited)	June 30, 2006 (unaudited)	June 30, 2007 (unaudited)	June 30, 2006 (unaudited)
(in thousands of dollars, except number of restaurants, days in the period, and per unit amounts)				
Restaurants in Royalty Pool	531	501	531	501
Days in the Period	90	91	181	181
Same store sales growth	4.3%	4%	4.9%	5%
System sales reported by restaurants in the Royalty Pool	\$ 92,162	\$ 86,015	\$ 181,680	\$ 168,498
Royalty - 6% of system sales	\$ 5,530	\$ 5,161	\$ 10,901	\$ 10,110
Partnership expenses ⁽¹⁾	(498)	(455)	(836)	(894)
Earnings available for distribution to the Fund and Pizza Pizza	5,032	4,706	10,065	9,216
Pizza Pizza's interest ⁽²⁾	(1,508)	(1,314)	(3,017)	(2,589)
	3,524	3,392	7,048	6,627
Interest income ⁽³⁾	450	450	900	900
Net earnings excluding the impact of the non-cash, future income tax expense	\$ 3,974	\$ 3,842	\$ 7,948	\$ 7,527
Net earnings (loss) ⁽⁴⁾	\$ (4,726)	\$ 3,842	\$ (752)	\$ 7,527
Basic earnings per Fund unit excluding impact of non-cash future income tax expense	\$ 0.221	\$ 0.214	\$ 0.443	\$ 0.419
Basic earnings (loss) per Fund unit ⁽⁴⁾	\$ (0.263)	\$ 0.214	\$ (0.043)	\$ 0.419
Diluted earnings (loss) per Fund unit ⁽⁴⁾	\$ (0.157)	\$ 0.209	\$ 0.058	\$ 0.409
Distributable cash per Fund unit ⁽⁵⁾	\$ 0.221	\$ 0.214	\$ 0.443	\$ 0.419
Distributions declared	\$ 3,931	\$ 3,744	\$ 7,862	\$ 7,461
Distributions per Fund unit	\$ 0.219	\$ 0.209	\$ 0.438	\$ 0.416
Payout ratio	99%	97%	99%	99%

	June 30, 2007	December 31, 2006
Total assets	\$ 177,785	\$ 171,796
Total liabilities	\$ 10,010	\$ 1,275

- (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 quarter was \$265 and \$527 for the six months ended (2006 - \$277 and \$551).
- (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 value of the Class B Exchange Multiplier at the time of exchange as defined in the Licence and Royalty Agreement and represents 23% of the fully diluted units of the Fund at June 30, 2007.
- (3) The Fund indirectly earns interest income on the \$30 million loan to Pizza Pizza, with interest income accruing at 6% per annum, payable monthly.
- (4) Net loss for the quarter and six months ended June 30, 2007 reflect the non-cash, future tax expense of \$8.7 million relating to the new tax legislation substantively enacted on June 12, 2007.
- (5) "Distributable cash per unit" represents a non-GAAP measure and equals net earnings excluding the effect of the non-cash, future income tax expense of \$8.7 million relating to the new tax legislation substantively enacted on June 12, 2007.

Subsequent Events

On July 24, 2007, the Fund and Pizza Pizza announced the acquisition of Pizza 73, Inc. and its affiliated companies (together, "Pizza 73"). In connection with this transaction, the Fund has acquired the trademarks and other intellectual property associated with Pizza 73 restaurant operations.

The Fund and Pizza Pizza acquired Pizza 73 for a combined purchase price of \$70.25 million. The Fund, through the Partnership, acquired the trademarks and other intellectual property of Pizza 73 for \$54.04 million (the "Transaction") and Pizza Pizza acquired the operating business of Pizza 73 for \$16.21 million. An additional \$3 million earnout will be paid to the Pizza 73 vendors by Pizza Pizza in July 2008, provided certain revenue and profitability targets are met. Pizza Pizza will license the trademarks and other intellectual property associated with Pizza 73 from the Partnership for a 9% royalty payment to the Fund on system sales generated by the Pizza 73 restaurants in the Royalty Pool.

Effective July 24, 2007, the Fund issued 2,600,000 units to the public at \$9.15 per unit for gross proceeds of \$23.79 million and 766,392 units at \$9.15 through a private placement with the ultimate shareholder of Pizza Pizza and the vendors of Pizza 73 for gross proceeds of approximately \$7 million. Concurrent with the closing of the Transaction, the Partnership has entered into a credit facility to finance the remaining portion of the purchase price payable in the Transaction and to re-finance existing indebtedness.

About PIZZA 73

Founded in 1985, Pizza 73, with its recognizable phone numbers ending in "7373", currently has 48 restaurants in its system. Pizza 73 operates in the take-out and delivery pizza QSR segment, principally in the province of Alberta. Pizza 73 currently has four locations outside of Alberta; three in Saskatchewan and one in British Columbia. Systems sales through its centralized call centre and pizza73.com together accounted for approximately 95% of Pizza 73's sales for the 52 weeks ended April 21, 2007. Pizza 73 restaurants are not franchised, but instead are owned and operated as independent businesses. Each restaurant is a corporation equally owned by an independent owner/operator and Pizza 73. Pizza 73 supports its independent owner/operators with new restaurant openings, product development and supplier arrangements and a centralized marketing program funded by contributions from each restaurant equal to approximately 8% of annual sales. The Pizza 73 business also includes two commissaries and a call centre. For the 52 weeks ended April 21, 2007, Pizza 73 had system sales of \$65.0 million. For the years ended July 22, 2006 and July 23, 2005, Pizza 73 had system sales of \$52.8 million and \$40.8 million, respectively.

The unaudited, 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 August 2, 2007.

The Fund will hold a conference call to discuss the first quarter results on August 2, 2007 at 9:00 a.m. EST. The call can be accessed by dialing (416) 642-5212 or 1-866-321-6651. A replay will be available until August 15, 2007 by dialing (416) 915-1028 or 1-866-244-4494, reservation number 786640.

Outlook

Pizza Pizza management has advised the Trustees that in 2007 it expects to organically grow the number of Pizza Pizza restaurants by 3% this year, and to continue researching strategic expansion opportunities. Additionally, Pizza Pizza expects to continue franchising its remaining Company-owned restaurants.

With over 95% of traditional restaurants now expanded or relocated, 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.

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.

Non-GAAP Measures

Certain financial information contained in this news release, including references to cash available for distribution, are not standard measures under GAAP in Canada and may not be comparable to similar measures presented by other entities. These measures are considered to be important measures used by the investment community to assess the source and sustainability of the Fund's cash distributions and should be used to supplement other performance measures prepared in accordance with GAAP in Canada.

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 in its Pizza Pizza and Pizza 73 branded restaurants. The Pizza Pizza 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. Effective July 24, 2007, the Fund acquired the Pizza 73 trademarks and licensed them to Pizza Pizza, for which Pizza Pizza pays the Fund a royalty equal to 9% of the system sales of the 41 Pizza 73 restaurants added to the Royalty Pool.

Since its initial public offering in 2005, the Fund has increased distributions four times while maintaining an average of 5% same restaurant sales growth at its Pizza Pizza restaurants. The

last distribution increase was in January 2007 when monthly distributions were increased from \$0.071 per unit to \$0.073 per unit.

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 and is celebrating its 40th anniversary this year. 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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