

## **For Immediate Release**

**Attention Business Editors:**

### **PIZZA PIZZA ROYALTY INCOME FUND ANNOUNCES THIRD QUARTER 2007 RESULTS**

**Toronto, Ontario, November 12, 2007** – Today, Pizza Pizza Royalty Income Fund (the “Fund”) reported financial results for the quarter and nine months ended September 30, 2007.

During the quarter, the Fund acquired the Pizza 73 trademarks thereby increasing the Royalty Pool by 41 “Pizza 73” restaurants. Quarterly sales from the 572 restaurants on which the Fund earns royalties were \$108.9 million of which \$13.9 million were Pizza 73 sales; sales from the 501 restaurants during the third quarter of 2006 were \$90.8 million.

Same store sales growth (“SSSG”), the key driver of yield growth for Fund unitholders, was 5.1% for the quarter and 5% for the nine months ended September 30, 2007. By brand for the quarter, Pizza 73 SSSG was 20.8% and Pizza Pizza SSSG was 3.1%.

Commenting on the two distinct markets, Pizza Pizza’s Chief Marketing Officer, Pat Finelli, indicated that, “While Alberta’s foodservice industry is the number one growth market for Canada’s restaurant business, retail sales for Ontario’s limited service food industry, generally, have been negatively affected by pressures on Ontario’s manufacturing base and the continued decline in tourism. Having said that, we are very satisfied with the quarterly results and we continue to remain focused on providing the “best food, made especially for each customer.”

“Pizza Pizza is very pleased with the operational performance and the progress of the integration plan at our recent acquisition in western Canada”, said Curt Feltner, Chief Financial Officer. “The exceptional Pizza 73 sales growth coupled with Pizza Pizza’s consistent growth continues to generate excellent returns for our unitholders. “

#### **Distributable Cash**

Distributable cash for the third quarter was \$5.1 million or \$0.248 per unit compared with \$4.1 million or \$0.229 per unit for the third quarter of 2006, which represents an 8.3% increase in distributable cash per unit. The Fund declared distributions of \$4.8 million or \$0.222 per unit for the quarter compared with \$3.8 million or \$0.213 for the same quarter last year, or a 4.2% increase. The payout ratio for the quarter was 94%.

Distributable cash for the nine months ended September 30, 2007 was \$13 million or \$0.692 per unit compared with \$11.7 million or \$0.649 per unit for the nine months ended September 30, 2006 equating to a 6.6% per unit increase. The Fund declared distributions of \$12.6 million or \$0.660 per unit for the nine months compared with \$11.3 million or \$0.629 for the comparable nine months of 2006, or a 4.9% increase. The payout ratio for the nine-month period was 97%.

As of September 30, 2007, working capital of the Pizza Pizza Royalty Limited Partnership (the “Partnership”) was \$1.6 million (December 31, 2006 - \$1.5 million), accumulated as a reserve to cover seasonality and any unusual administrative expenditures.

The Fund previously announced it increased its September 2007 distribution by 4.1%, from \$0.073 to \$0.076 per unit. This is the fifth distribution increase since the Fund’s initial public offering and the second increase in 2007. The increase is attributable to Pizza Pizza’s acquisition of Pizza 73 and to continued same stores sales growth.

## Restaurants

During the quarter, Pizza Pizza opened three traditional and three non-traditional locations and closed five non-traditional locations; year-to-date five traditional and 14 non-traditional locations have opened and seven non-traditional locations have closed. This brings the total number of Pizza Pizza locations to 543 of which 531 are in the Fund's 2007 royalty pool. The 543 restaurants are comprised of 360 traditional restaurants and 183 non-traditional restaurants. One traditional and one non-traditional Pizza 73 location were opened during the quarter, bringing the total number of Pizza 73 restaurants to 50 of which 41 are in the Fund's 2007 Royalty Pool.

## FINANCIAL HIGHLIGHTS

Equity income earned by the Fund through its interest in 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		9 months ended	
	September 30, 2007 (unaudited) <sup>(1)</sup>	September 30, 2006 (unaudited)	September 30, 2007 (unaudited) <sup>(1)</sup>	September 30, 2006 (unaudited)
Restaurants in Royalty Pool <sup>(1)</sup>	572	501	572	501
Same store sales growth	5.1%	4.0%	5.0%	4.5%
System sales reported by Pizza Pizza restaurants in the Royalty Pool	\$ 95,041	\$ 90,773	\$ 276,721	\$ 259,272
System sales reported by Pizza 73 restaurants in the Royalty Pool	13,894	-	13,894	-
	\$ 108,935	\$ 90,773	\$ 290,615	\$ 259,272
Royalty – 6% on Pizza Pizza system sales	\$ 5,703	\$ 5,446	\$ 16,604	\$ 15,556
Royalty – 9% on Pizza 73 system sales	1,250	-	1,250	-
Total Royalty on System Sales	6,953	5,446	17,854	15,556
Partnership expenses <sup>(2)</sup>	(813)	(390)	(1,649)	(1,284)
Earnings available for distribution to the Fund and Pizza Pizza	6,140	5,056	16,205	14,272
Pizza Pizza Limited's interest <sup>(3)</sup>	(1,564)	(1,385)	(4,581)	(3,974)
Fund equity income excluding issuance costs	4,576	3,671	11,624	10,298
Interest income <sup>(4)</sup>	499	450	1,399	1,350
Distributable cash	\$ 5,075	\$ 4,121	\$ 13,023	\$ 11,648
Distributions declared	\$ 4,772	\$ 3,824	\$ 12,634	\$ 11,285
Distributable cash per unit	\$ 0.248	\$ 0.229	\$ 0.692	\$ 0.649
Distributions per Fund unit	\$ 0.222	\$ 0.213	\$ 0.660	\$ 0.629
Payout ratio	94%	93%	97%	97%

	September 30, 2007	December 31, 2006
Total assets	\$ 212,332	\$ 171,796
Total liabilities	\$ 14,556	\$ 1,275

- (1) Pizza 73 trademarks were acquired on July 24, 2007 and resulted in the addition of 41 restaurants to the Royalty Pool.
- (2) The Fund, indirectly through the Partnership, incurs administrative expenses and interest expense on the \$47 million outstanding bank loan. Interest expense on the bank loan for the current quarter was \$590 and \$1.1 million for the nine months ended (2006 - \$255 and \$806) and excludes the write-off of \$207 in issuance costs paid from the proceeds raised to acquire the Pizza 73 trademarks and rights on July 24, 2007.
- (3) 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 18.4% of the fully diluted units of the Fund at September 30, 2007.
- (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.

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 and issuance costs, is based on the operating activities of the Fund and its share of the operations of the Partnership.

The unaudited, consolidated financial statements of the Fund, together with its Management's Discussion and Analysis, will be available at [www.sedar.com](http://www.sedar.com) and on the Fund's website at [www.pizzapizzaroyaltyincomefund.com](http://www.pizzapizzaroyaltyincomefund.com) on or before November 12, 2007.

The Fund will hold a conference call to discuss the first quarter results on November 12, 2007 at 4:30 p.m. EST. The call can be accessed by dialing (416) 642-5212 or 1-866-321-6651. A replay will be available until November 26, 2007 by dialing (416) 915-1028 or 1-866-244-4494, reservation number 346887.

### 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 disclosures 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. The Fund, through a subsidiary, has acquired the trademarks and trade names used in Pizza Pizza and Pizza 73 branded restaurants. The Pizza Pizza trademarks were licensed to Pizza Pizza Limited in 2005 for 99 years, for which it pays the Fund a royalty equal to 6% of the system sales of its Pizza Pizza restaurants in the Royalty Pool. Effective July 24, 2007, the Partnership acquired the Pizza 73 trademarks and trade names and licensed them to Pizza Pizza Limited, for which it pays the Fund a royalty equal to 9% of the system sales of the 41 Pizza 73 restaurants added to the Royalty Pool. By adding these 41 Pizza 73 restaurants to the 531 Pizza Pizza restaurants already in the pool, the Fund's Royalty Pool is 572 restaurants for the remainder of 2007.

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 QSR industry. It operates franchised and corporate restaurants under the brand names Pizza Pizza and Pizza 73. The Pizza Pizza brand is celebrating its 40<sup>th</sup> anniversary this year and dominates the Ontario pizza QSR. The Pizza 73 brand is celebrating its 22<sup>nd</sup> anniversary and was recently awarded the distinction of being named one of Canada's "50 Best Managed" companies for 2006. Pizza Pizza Limited 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, especially in offering health-conscious menu choices.

### **For further information:**

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