

**FOR IMMEDIATE RELEASE: Friday, May 4, 2007**

**PARKLAND REPORTS RECORD FIRST QUARTER, ANNOUNCES  
INCREASE IN DISTRIBUTIONS and ANNOUNCES UNIT SPLIT**

Performance Highlights

- Record first quarter EBITDA
- Completed the acquisition of Neufeld Petroleum & Propane
- Completed \$50 million bought deal financing
- Completed the acquisition of Joy Propane
- Announced the acquisition of United Petroleum Products
- Monthly distributions increased by four cents (\$0.0133 post split)
- Initiated unit split

Red Deer, May 4, 2007 – Parkland Income Fund today announced its business performance for the three months ended March 31, 2007. Volumes, revenue, earnings and EBITDA were all at record levels compared to the first quarter of any previous year. This allowed the Fund to increase monthly distributions to \$0.29 per unit (\$0.0967 post split) after considering the impact of acquisitions and the outlook for 2007.

President and CEO Mike Chorlton commented “Parkland’s results in the first quarter were substantially stronger than any previous first quarter based on performance of our recent acquisition and very strong margins. We were able to increase monthly distributions for the sixth time in the past twelve months. The strength of Parkland’s operations has prompted the Directors to initiate a three-for-one unit split.”

The commercial operations added with the acquisition of Neufeld Petroleum on January 24, 2007 contributed strongly in the winter season as expected. In addition, fuel margins in the balance of Parkland’s business were stronger than those realized historically during this season. Subsequent to the end of the quarter Parkland was able to complete the acquisition of Joy Propane Ltd. for \$16.3 million and also announce the signing of a purchase agreement for United Petroleum Products Inc. for \$18.0 million. Given the positive start to 2007 and the new acquisitions the Fund announced a one cent per unit increase in distributions in conjunction with the Joy Propane acquisition and another four cents with this first quarter report.

**Executive Summary of First Quarter Results**

Fuel margins in the first quarter of 2007 started at a seasonally low level in line with historic performance and then increased significantly in the latter part of the quarter along with the North America wide market, led by strong refiners’ margins. Margins continue

strong as of this date and we are monitoring their direction as North American refineries resume production after seasonal maintenance down-time.

For the balance of 2007 significant management time will be taken with the integration of the acquired businesses.

*Acquisition of Neufeld Companies (“Neufeld”)*

The Neufeld business is described more fully in Parkland’s annual report for 2006. The acquisition was closed on January 24, 2007 and subsequent earnings included in our first quarter financial statements. The transaction had an effective date of November 1, 2006 and the net after-tax earnings up to January 24, 2007 were credited to the purchase price resulting in a net purchase price of \$133 million.

Based in Grande Prairie, Alberta, Neufeld operates 13 locations in northern Alberta, northwest British Columbia and the Northwest Territories.

Neufeld markets fuel, propane and agricultural inputs such as fertilizers and farm chemicals, along with industrial products such as lubricants and frac oils to commercial customers. Neufeld also services residential customers for their home heating needs.

Neufeld’s fuel and propane gross margin contributions are included in our Fuel Marketing segment and all other contributions are included in our Commercial segment.

*Acquisition of Joy Propane Ltd. (“Joy”)*

On April 24, 2007 Parkland purchased Joy of Dawson Creek, British Columbia for \$16.3 million funded by the issuance of 130,530 Class C Limited Partnership units with an aggregate value of \$5.1 million and \$11.2 million in cash. Joy markets propane to automotive, commercial, agricultural and residential customers from six locations in northeastern British Columbia and northwestern Alberta. Annual propane volumes have exceeded 20 million litres in recent years.

This acquisition extends the market area established through the Neufeld acquisition and will provide opportunities for operational synergies.

*Acquisition of United Petroleum Products Inc. (“UPPI”)*

On May 2, 2007 Parkland announced it had entered into an agreement to purchase UPPI of Burnaby, British Columbia, for \$18.0 million, subject to adjustments for working capital. The purchase will be funded by the issuance of Class C Limited Partnership units with an aggregate value of \$7 million and the balance in cash. The cash portion is expected to be funded from Parkland’s existing credit facility. Closing is anticipated within the next four weeks with an effective date of May 1, 2007.

UPPI is an independent fuel and lubricants marketer in British Columbia with annual fuel sales volumes in the range of 180 million litres distributed through a network of commercial accounts and independent service station operators.

### *Equity Financing*

In January, 2007, Parkland completed the issuance of 1,360,000 Fund units for net proceeds of \$47.5 million on a bought deal basis through a syndicate of investment dealers. The proceeds were used in part to fund the purchase of Neufeld and to repay approximately \$10 million of Parkland's term debt.

### *Unit Split*

On May 4, 2007, the Directors passed a resolution authorizing the Fund to provide for a division of its units on a three-for-one unit basis. The Fund and the Board believe that the three-for-one unit split will enhance the marketability of Parkland's units and make the units more accessible to a wider range of investors. The unit split will not change the rights of the holders of units and each unit outstanding after the unit split will be entitled to one vote. The unit split will apply to the Class B and C Limited Partnership units and Fund units equally. The three-for-one split will increase the number of outstanding units as of March 31, 2007 from approximately 15.8 million to approximately 47.4 million. The completion of the unit split is subject to receipt of all regulatory approvals.

### **Consolidated Operating and Financial Highlights**

(\$ millions except volume and per unit amounts)	For the three months ended March 31		
	2007	2006	2005
Fuel volumes (millions of litres)	<b>440</b>	329	268
Net sales and operating revenue	<b>\$334.0</b>	\$ 241.6	\$ 177.1
EBITDA	<b>\$ 19.2</b>	\$ 8.2	\$ 3.2
Net earnings	<b>\$ 13.2</b>	\$ 5.6	\$ 0.8
Per unit – basic	<b>\$ 0.83</b>	\$ 0.44	\$ 0.07
Per unit – diluted	<b>\$ 0.82</b>	\$ 0.43	\$ 0.06

### **Management's Discussion and Analysis**

The following discussion and analysis of the results of operations and financial condition of Parkland Income Fund (the "Fund") should be read in conjunction with the unaudited interim financial statements for the three month period ended March 31, 2007, Management's Discussion and Analysis and the audited financial statements for the year ended December 31, 2006 and the Fund's Annual Information Form dated March 16, 2007.

### **Non-GAAP Financial Measures**

In this document there are references to non-GAAP financial measures such as EBITDA and Cash Available for Distribution. EBITDA refers to Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization, Loss on Disposal of Capital Assets as well as the Loss on the Write-down of the Refinery and can be calculated from the GAAP amounts included in the Fund's financial statements. Management believes that EBITDA is a relevant measure to users of its financial information as it provides an indication of

pre-tax earnings available to distribute to debt and equity holders in the Fund. The Fund's definition of EBITDA may not be consistent with other providers of financial information and therefore may not be comparable.

Cash Available for Distribution is defined in the Fund's Deed of Trust and related documents and generally represents the cash available to be distributed to the Fund's Unitholders. Cash Available for Distribution is calculated as EBITDA less interest expense, current income taxes, if any, and maintenance capital expenditures. EBITDA is as defined above, while interest expense and current income taxes are GAAP measures. Maintenance Capital represents capital expenditures made by the Fund to maintain its current business operations. This differs from growth capital, which represents capital used to expand the Fund's business operations.

### **Three Months Ended March 31, 2007**

Higher fuel volumes, increased station count, higher average fuel margins, increased convenience store sales and margins and the addition of profits from the Neufeld business commencing January 24, 2007 all contributed to higher gross margins in the quarter. EBITDA increased significantly to \$19.2 million from \$8.2 million for the same period in 2006. Net earnings were \$13.2 million, also significantly higher than the \$5.6 million reported in the first quarter of 2006.

#### *Fuel Volumes*

Gasoline and diesel volumes increased by 81 million litres in the first quarter of 2007 to 410 million litres, an increase of 24 percent. In addition, another 30 million litres of propane fuel was sold by the Neufeld operations during the nine week period from January 24 to March 31, 2007. The station upgrade program, addition of the Esso retail branded distributorship sites and fuel sales from the Neufeld business continue to generate increased volumes for the Fund year over year.

#### *Sales and Cost of Sales*

Sales for the quarter ended March 31, 2007 were \$334 million, an increase of 38 percent over the same period in 2006. Fuel sales revenue increased to \$310 million from \$228 million in the prior year as a result of volume increases and higher average crude prices. Convenience store merchandise sales also increased with sales during the first quarter of \$14.4 million in 2007 as compared to \$13.1 million in 2006. With the acquisition of Neufeld the Fund now also sells fertilizer, lubes and other agricultural and industrial products and services. These sales are included in the Commercial segment in Note 4 to the Interim Consolidated Financial Statements and totaled \$9.1 million for the quarter.

Fuel cost of sales increased to \$279 million in 2007 as compared to \$209 million in 2006. Similar to sales revenue, cost of sales increased as a result of higher volumes and higher average per litre costs of fuel products. Convenience store merchandise cost of sales increased to \$10.7 million in 2007 from \$9.8 million in 2006, consistent with the increase in merchandise sales. Cost of sales related to fertilizer, lubes and other agricultural and industrial products and services for the quarter came to \$4.7 million.

### *Gross Margins*

These factors led to gross margins of \$40.0 million in 2007, which was \$17.2 million higher than the \$22.8 million achieved in the first quarter of 2006. The largest single contribution to the increase was average fuel margins rising to 6.8 cents per litre compared to 5.4 cents per litre in the same period in 2006.

### *Operating Expenses*

Site operating costs increased as 39 sites were added under the retail branded distributorship program. Site operating costs are sensitive to changes in fuel volume sales and, as a result, total costs were higher than the prior year. Also affecting site operating costs is the upward pressure on wage levels that are being experienced in western Canada due to a robust economy and tight labor supply, specifically for convenience store personnel.

Marketing, General and Administrative expenses were \$7.7 million for the quarter ended March 31, 2007 compared to \$3.8 million in 2006. Drivers of increased costs included provision for higher variable compensation costs arising from strong profits, costs related to compliance with the Multilateral Instrument 52-109 internal controls certification requirements and the inclusion of overhead costs of the Neufeld business. Increases in staffing resulted from the integration of the new business. The growth in personnel will provide the human resources to pursue further acquisitions.

### *Earnings*

Net earnings were \$13.2 million in 2007 compared to \$5.6 million in 2006, an increase of 136 percent. The increase in Parkland's base fuel business resulted largely from the combined increase in gross margins and fuel volumes, offset in part by increased site operating costs and marketing, general and administrative expenses. The acquisition of the Neufeld business and the inclusion of nine weeks of earnings in the first quarter of 2007 also contributed to the increase in earnings compared to the same period in 2006.

### *Capital Investments*

During the first quarter the Fund expended \$1.7 million net in capital investments, of which \$0.8 million was classified as maintenance capital and \$0.9 million was classified as growth capital. The classification of capital as growth or maintenance is a subjective determination by management as many of the Fund's capital projects have components of both. It is the Fund's policy to treat all capital related to service station upgrades (i.e. Fas Gas Plus) as maintenance capital even though it includes the expectation of a financial return, while the construction of a new building on an existing site is considered growth capital. The replacement of existing trucks and trailers is treated as maintenance capital whereas an expansion of the fleet is treated as growth capital.

The acquisition of the Neufeld business included the purchase of capital assets at an estimated fair value of \$93.5 million. Amortization for nine weeks on these acquired

capital assets plus amortization on intangible assets totaled \$2.9 million, accounting for most of the increase compared to the first quarter of 2006.

#### *Long-Term Debt and Cash Balances*

For the quarter ended March 31, 2007 interest on long-term debt was \$0.6 million. Most of the Fund's long-term debt bears interest at variable rates linked to prime.

In January 2007, the Fund received the terms and conditions of a proposed financing arrangement with HSBC Bank Canada. The proposed financing arrangement will provide for an increase in the Fund's credit facility from \$54.0 million to \$128.1 million. The proposed financing arrangement is comprised of \$32.0 million for operating debt, \$30.0 million for letters of credit and the remainder for term debt. The proposed arrangement will assist in the financing of the acquisitions of Joy Propane Ltd. and United Petroleum Products Inc. As of the date of this report documentation remains to be completed.

During the quarter the Fund used a portion of the proceeds from the equity financing to pay off \$9.9 million of long-term debt. Immediately following the repayment, \$3.3 million of long-term debt was refinanced under similar terms and conditions.

On March 30, 2007, the Fund borrowed an additional \$15.0 million against its existing capital loan facility. The Fund used the loan proceeds and existing cash on hand to repay \$20.1 million of assumed debt of Neufeld.

The Fund has available a \$40.0 million line of credit to finance letters of credit and to secure obligations and fund short-term cash flow needs. This was increased from \$32.0 million on April 13, 2007 as a temporary measure until such time as the proposed financing arrangement is finalized.

The cash balance at March 31, 2007 of \$11.1 million decreased from the December 31, 2006 balance of \$36.5 million largely due to the payment of the cash portion of the special distributions declared on December 29, 2006 and paid during the quarter. The cash consideration paid for the acquisition of Neufeld Petroleum was funded entirely through the new issue of Fund units on January 24, 2007 and therefore did not impact the cash balance.

#### *Accounting Estimates*

The financial statements include accounting estimates, the nature of which is described in the 2006 Annual Report.

### *Related Party Transactions*

Following the acquisition of Neufeld, Parkland entered into an agreement with Neufeld Petroleum and Propane (High Level) Ltd. (“NPPHL”) to provide labor and services on a contract basis. During the first quarter this arrangement was in transition and amounts payable under the agreement were nominal. The shareholder of NPPHL is Abe Neufeld, a Vice President of Parkland and the vendor in the Neufeld acquisition. Operational management of the Neufeld business is in transition to another Vice President.

### **Distributions and Income Tax**

The Fund is a mutual fund trust for income tax purposes. As such, the Fund is only taxed on any amount not allocated to unitholders. The Fund intends to comply with the provisions of the Income Tax Act (Canada) that permit, amongst other items, the deduction of distributions to unitholders from the Fund’s taxable income.

The Fund makes monthly distribution payments to its unitholders. As of the beginning of 2007, monthly distributions were \$0.22 per unit. This was increased on February 15, 2007 to \$0.24 per unit. On April 25, 2007 concurrent with the acquisition of Joy Propane Ltd, Parkland announced an increase of \$0.01 per unit to \$0.25 effective June 15, 2007 and with this report is announcing a further increase of \$0.04 to \$0.29 per unit (\$0.0967 post split) effective June 15, 2007 to Unitholders of record on May 31, 2007. Estimated distributions in 2007, assuming continued \$0.29 (subject to adjustments for the unit split) payments for the duration of the year, would be \$49.6 million.

Although it is typical for the Fund’s cash flow to have seasonal fluctuations, it is management’s current intention to pay consistent regular monthly distributions throughout the year based on estimated annual cash flows.

The Directors review distributions quarterly giving consideration to current performance, historical trends in the business and the expected sustainability or change in those trends, as well as maintenance capital requirements to sustain performance.

## **Cash Available for Distribution and Reconciliation of EBITDA to Cash from Operating Activities**

For the three months ended March 31

(\$000's)

**2007**

Cash from operating activities	<b>\$ 4,252</b>
Net changes in non-cash working capital	<b><u>14,849</u></b>
Funds flow from operations	<b>19,101</b>
Add back (deduct):	
Interest on long-term debt	<b>642</b>
Unit incentive compensation	<b>(571)</b>
Accretion expense	<b>(15)</b>
Current taxes	<b><u>16</u></b>
EBITDA	<b>19,173</b>
Maintenance capital expended	<b>(846)</b>
Current taxes and interest	<b><u>(658)</u></b>
Cash available for distribution	<b>\$17,669</b>
Cash distributed	<b><u>\$11,292</u></b>

### **Distribution Reinvestment Plan**

Parkland Income Fund has established a Distribution Reinvestment Plan administered by Valiant Trust Company. Details are available from the Fund or from Valiant Trust Company.

### **Internal Controls**

Parkland's Board and management are aware of regulations related to internal controls certification. As such, there is currently an initiative to review and enhance existing systems documentation, analyze risks and identify and test key controls. The project is being managed by consultants and the controls documentation is substantially complete except for work related to recent acquisitions: Neufeld Petroleum and Joy Propane. No major controls gaps have been identified. The Fund believes that it will be able to continue to comply with regulations as required.

### **Accounting Policies**

As a result of the acquisition of Neufeld Petroleum, the Fund has updated the following significant accounting policies and practices:

- Goodwill
- Intangible Assets
- Deferred Revenue

All of these updated accounting policies are described in more detail in Note 1 to the Interim Consolidated Financial Statements. The adoption of these new standards has had no impact on the Fund's net earnings or cash flows.

## **New Accounting Standards Adopted**

On January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants (CICA) handbook sections 1530 "Comprehensive Income", section 3251 "Equity" and section 3855 "Financial Instruments - Recognition and Measurement". These standards result in changes in the accounting for financial instruments as well as introduce comprehensive income as a separate component of unitholders' capital. As required, these standards have been adopted prospectively and comparative amounts for the prior periods have not been restated.

The adoption of these new standards is explained more fully in Note 2 to the Interim Consolidated Financial Statements.

## **Fund Description**

Parkland Income Fund operates retail and wholesale fuels and convenience store businesses under its Fas Gas Plus, Fas Gas, Race Trac Fuels and Short Stop Food Stores brands and through independent branded dealers, and transports fuel through its Petrohaul division. With over 550 locations, Parkland has developed a strong market niche in western and northern Canadian non-urban markets. Through Neufeld and Joy the Fund markets propane, gasoline, diesel, lubricants, industrial fluids, agricultural inputs and delivery services to commercial and industrial customers in northern Alberta, northeastern British Columbia and the Northwest Territories. To maximize value for its unitholders, the Fund is focused on the continuous refinement of its retail portfolio, increased revenue diversification through growth in non-fuel revenues and active supply chain management. Parkland operates the Bowden refinery near Red Deer, Alberta producing drilling fluids on a contract basis.

The Fund's units trade on the Toronto Stock Exchange (TSX) under the symbol PKI.UN. For more information, visit [www.parkland.ca](http://www.parkland.ca).

*Certain information included herein is forward-looking. Forward-looking statements include, without limitation, statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving Parkland. Many of these statements can be identified by looking for words such as "believe", "expects", "expected", "will", "intends", "projects", "projected", "anticipates", "estimates", "continues", or similar words and include but are not limited to, statements regarding the accretive effects of the acquisition and the anticipated benefits of the acquisition. Parkland believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties some of which are described in the Fund's annual report, annual information form and other continuous disclosure documents. Such forward-looking statements necessarily involve known and unknown risks and uncertainties and other factors, which may cause the Fund's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such*

*forward-looking statements. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; competitive action by other companies; refining and marketing margins; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; changes in environmental and other regulations; and other factors, many of which are beyond the control of Parkland. Any forward-looking statements are made as of the date hereof and the Fund does not undertake any obligation, except as required under applicable law, to publicly update or revise such statements to reflect new information, subsequent or otherwise.*

### **Conference Call**

Parkland will hold a conference call for Analysts, Brokers and Investors to discuss first quarter results as follows:

Monday, May 7, 2007, 9:00 a.m. (11:00 a.m. Eastern Time)  
Direct: 416-644-3418  
Toll-free: 800-732-9303

The replay will be available as follows:

From Monday May 7, 2007, 11:00 a.m. (1:00 p.m. Eastern Time)  
To Monday, May 21, 2007 at 11:59 p.m. (1:59 a.m. Eastern Time)  
Direct: 416-640-1917  
Toll-free: 877-289-8525  
Passcode: 21226722#

### **Webcast**

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1801580>

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For further information:

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