

**FOR IMMEDIATE RELEASE: Friday, August 3, 2007**

## **PARKLAND REPORTS RECORD SECOND QUARTER**

### Performance Highlights

- Record second quarter and six month EBITDA
- Completed the acquisitions of Joy Propane and United Petroleum Products
- Split units 3 for 1

Red Deer, August 3, 2007 – Parkland Income Fund today announced its business performance for the six months ended June 30, 2007. Volumes, revenue, earnings and EBITDA were all at record levels.

President and CEO Mike Chorlton commented “Parkland’s results in the second quarter were substantially stronger than any previous quarter. The superb performance resulted from Parkland delivering on our core strategies:

- Optimizing our supply contracts provided the opportunity to enjoy the best fuel margins in Parkland’s history;
- Building fuel sales volumes to increase our market presence was achieved through internal growth, expansion of the RBD program and completion of acquisitions;
- Building non-fuel profits to enhance the long term stability of the enterprise was achieved through increased convenience merchandise sales and the acquisition of a significant new commercial business segment marketing lubricants, farm inputs and related services.

During the quarter Parkland was able to complete the acquisitions of Joy Propane Ltd. for \$16.4 million and United Petroleum Products Inc. for \$17.6 million. Strong cash flows provided the initial funding of the cash portion of the acquisitions as well as temporarily paying down term debt. The three acquisitions completed in 2007 have met our expectations for financial performance and have been a major step in Parkland’s growth and diversification strategy.”

### **EXECUTIVE SUMMARY OF SECOND QUARTER RESULTS**

Fuel margins in the second quarter of 2007 increased significantly along with the North America wide market, led by strong refiners’ margins. Refiners’ margins have moderated as of this date but retail margins remain strong.

The integration of the acquired businesses was a major management focus during the second quarter. This includes evaluating and integrating operating procedures as well as melding the financial reporting and control systems.

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

On April 24, 2007 Parkland purchased Joy of Dawson Creek, British Columbia for \$16.4 million funded by the issuance of 130,530 (391,590 post split) 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 28, 2007 Parkland completed the purchase of UPPI of Burnaby, British Columbia, for \$17.6 million after adjustments for working capital. The purchase was funded by the issuance of 430,520 (post split) Class C Limited Partnership units with an aggregate value of \$6.5 million \$10.4 million in cash and the assumption of \$0.7 million of debt.

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.

### ***Unit Split***

Parkland completed a division of its units on a three for one basis with a record date of May 25, 2007. This was intended to enhance the marketability of Parkland’s units and make the units more accessible to a wider range of investors. The unit split applied to the Class B and C Limited Partnership units and Fund units equally. As of June 30, 2007, after the split Parkland had 34.3 million Fund units and 14.1 million Limited Partnership units outstanding.

## **CONSOLIDATED OPERATING AND FINANCIAL HIGHLIGHTS**

(\$millions except volume and per unit amounts)	Three Months Ended June 30			Six Months Ended June 30		
	2007	2006	2005	2007	2006	2005
Fuel volumes	471	374	290	911	703	558
Net sales and operating revenue	\$424.6	\$320.1	\$208.2	\$758.6	\$561.7	\$385.3
EBITDA	\$ 47.5	\$ 24.4	\$ 9.4	\$ 66.7	\$ 32.5	\$ 12.7
Net earnings	\$ 21.2	\$ 21.9	\$ 6.9	\$ 34.4	\$ 27.5	\$ 7.8
Per unit – basic	\$ 0.44	\$ 0.59	\$ 0.19	\$ 0.72	\$ 0.74	\$ 0.21
Per unit – diluted	\$ 0.44	\$ 0.58	\$ 0.19	\$ 0.71	\$ 0.73	\$ 0.21

## **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 six month period ended June 30, 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 and Loss on Disposal of Capital Assets 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 JUNE 30, 2007**

Higher fuel volumes, higher average fuel margins, increased convenience store sales and margins and the addition of profits from the acquired businesses all contributed to higher gross margins in the quarter. EBITDA increased significantly to \$47.5 million from \$24.4 million for the same period in 2006. Net earnings were \$21.2 million compared to \$21.9 million reported in the second quarter of 2006. Current earnings were reduced by two large charges more fully described under "Future Income Taxes" and "Current Tax Provision". The Future Income Tax charge of \$7.5 million is a non-cash item. The Current Tax provision reflects the significant amount of current earnings in excess of current distributions. The Current Tax provision will be adjusted through the balance of the year depending on earnings and unitholder distributions.

### ***Fuel Volumes***

Gasoline and diesel volumes increased by 76 million litres in the second quarter of 2007 to 450 million litres, an increase of 20 percent. In addition, another 21 million litres of propane fuel were sold by the commercial operations during the quarter. The station upgrade program, addition of the Esso retail branded distributorship sites and fuel sales from the Neufeld, Joy and UPPI businesses continue to generate increased volumes for the Fund year over year.

### ***Sales and Cost of Sales***

Net sales and operating revenue for the quarter ended June 30, 2007 was \$424.6 million, an increase of 32.6 percent over the same period in 2006. Fuel sales revenue increased to \$387 million from \$305 million in the prior year as a result of volume increases and higher prices. Convenience store merchandise sales also increased with sales during the second quarter of \$16.2 million in 2007 as compared to \$14.8 million in 2006. With the acquisitions 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 \$21.4 million for the quarter.

Fuel cost of sales increased to \$325 million in 2007 as compared to \$269 million in 2006. Cost of sales increased as a result of higher volumes of fuel products. Convenience store merchandise cost of sales increased to \$12.0 million in 2007 from \$10.9 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 \$15.9 million.

### ***Gross Margins***

These factors led to gross margins of \$71.7 million for the second quarter of 2007, which was \$31.8 million higher than the \$39.9 million achieved in the second quarter of 2006. The largest single contribution to the increase was average fuel margins rising to 12.7 cents per litre compared to 9.1 cents per litre in the same period in 2006.

### ***Operating Expenses***

Operating expenses increased as a result of the acquisitions and the addition of 26 sites under the retail branded distributorship program. Site operating costs are sensitive to changes in fuel sales volume and, as a result, total costs were higher than the prior year. Also affecting site operating costs is the upward pressure on wages that is 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 \$9.7 million for the quarter ended June 30, 2007 compared to \$4.3 million in 2006. Significant drivers of increased costs were the inclusion of overhead costs of the acquired businesses and provision for higher variable compensation costs arising from strong profits. Staffing levels increased as a result of the acquisitions.

### ***Future Income Taxes***

During the second quarter of 2007, Parkland recorded a non-cash tax expense in the amount of \$7.5 million. This followed the substantial enactment of federal legislation to levy a new income tax against business trusts at the rate of 31.5% beginning in 2011.

The future income tax adjustment represents the taxable temporary differences of the Fund tax affected at 31.5 percent, which is the rate that will be applicable in 2011 under the current legislation and the Fund's current corporate structure.

### ***Current Tax Provision***

During the first half of 2007, Parkland's taxable income significantly exceeded distributions to unitholders. In the absence of other actions such as special distributions to unitholders this would result in a current income tax obligation to the Fund. Accordingly, we have recorded a tax provision in the amount of \$11.2 million as of June 30, 2007. In 2006 we recorded a tax provision in the third quarter for the same reason. The 2006 provision was reversed at year end as the special distribution declared in December, 2006 transferred most of the taxable income to the unitholders. As of the current date, the directors have made no decision regarding a special distribution for 2007.

### ***Earnings***

Net earnings were \$21.2 million in 2007 compared to \$21.9 million in 2006. The fuels segment of Parkland's business contributed increased earnings as a result of the acquisitions and internal volume and margin growth and the non-fuel commercial business was boosted by the acquired businesses. These increases were offset by the provision for current income taxes and the non-cash booking of future income taxes.

### ***Capital Investments***

In addition to the two acquisitions, during the second quarter the Fund expended \$3.7 million net in capital investments, of which \$0.8 million was classified as maintenance capital and \$2.9 million was classified as growth capital.

The two acquisitions recorded in the second quarter included the purchase of capital assets at an estimated fair value of \$12.2 million. Amortization for capital assets acquired in 2007 plus amortization on intangible assets accounted for most of the increase compared to the second quarter of 2006. During the second quarter Parkland conducted valuations of the various asset classes included in the January, 2007 purchase of the Neufeld companies. This resulted in adjustments to the amounts recorded in the different asset categories.

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

For the quarter ended June 30, 2007 interest on long-term debt was \$139,000. Most of the Fund's long-term debt bears interest at variable rates linked to prime.

On August 1, 2007, the Fund entered into a syndicated financing arrangement with HSBC Bank Canada and Bank of Montreal. The new financing arrangement has a three year term and provides for credit facilities totaling \$128.1 million, comprised of \$32.0 million for operating debt, \$30.0 million for letters of credit and the remainder for term debt.

The cash balance at June 30, 2007 of \$12.5 million decreased from the December 31, 2006 balance of \$36.5 million due to the payment of the cash portion of the special distributions declared for Unitholders of record on December 29, 2006 and paid during the first quarter, cash consideration paid for the acquisitions and repayment of debt associated with the acquisitions.

### ***Equity Financing***

In January 2007, Parkland completed the issuance of 1,360,000 (4,080,000 post split) Fund units for net proceeds of \$47.1 million on a bought deal basis through a syndicate of investment dealers. The proceeds were used in part to fund the purchase of the Neufeld companies in January, 2007 and to repay approximately \$10 million of Parkland's term debt.

### **SIX MONTHS ENDED JUNE 30, 2007**

Sales volumes of refined products increased 22% over the six months ended June 30, 2006 driven by acquisitions, additional RBD sites and internal growth. Net sales and operating revenue increased by \$196.9 million or 35% through higher volume and average sales prices for fuel, higher merchandise sales and commercial operations.

Gross margins were \$111.7 million, compared to \$62.7 million in 2006, an increase of 78% year-over-year. Operating and direct costs increased to \$27.6 million from \$22.1 million in 2006, as a result of acquisitions, additional RBD sites and internal growth. Marketing, general and administrative costs were \$17.4 million, compared to \$8.1 million in 2006. These factors contributed to an increase in EBITDA to \$66.7 million as compared to \$32.5 million in the first six months of 2006.

The increase in EBITDA in 2007 compared to 2006 was driven by improvements in each area of the enterprise. Fuel margins increased as Parkland was able to optimize its product costs through its supply contracts. Fuel volumes increased as additional sites were brought on stream through its RBD program. Retail fuel marketing volumes increased as upgraded sites reached maturity and sales initiatives were targeted at specific markets. Convenience store contribution increased as several sites were converted to the company operated model. The acquisition of new business introduced a new, non-fuel commercial segment to Parkland's customer offering. This consists of lubricants, fertilizer, other agricultural inputs and industrial products and services.

### ***Accounting Estimates***

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

### ***Related Party Transactions***

During the second quarter of fiscal 2007, Parkland paid \$230,276 for legal services to Bennett Jones LLP where David Spencer, a Parkland director, is a partner. The majority of services received related to documentation for the acquisitions.

Parkland provides management, labor, accounting and delivery services to Neufeld Petroleum and Propane (High Level) Ltd. (NPPHL). NPPHL is owned by Abe Neufeld, Parkland's Vice President, Commercial Development and consists of a small scale Petro-Canada bulk fuel agency in High Level, Alberta. The services are provided by Parkland on a cost recovery basis and totaled \$252,744 in the second quarter. Parkland intends to purchase this business in the future.

### **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 makes monthly distribution payments to its unitholders. As of the beginning of 2007, after adjusting for the three for one unit split, monthly distributions were \$0.0733 per unit. This was increased on February 15, 2007 to \$0.08 per unit and on June 15, 2007 to \$0.0967 per unit. Estimated regular distributions in 2007, assuming continued \$0.0967 payments for the duration of the year, would be approximately \$52 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. As the year end approaches the Directors will consider the needs of the enterprise and the option of retaining taxable income within the corporate subsidiaries of the Fund or paying a special distribution in cash or units.

### **SUPPLEMENTARY INFORMATION**

Parkland seeks to provide relevant information to allow investors to evaluate its operations. The nature of this information is limited by competitive sensitivities, confidentiality terms in written agreements and Parkland's policy not to provide guidance regarding future earnings. We have developed a template of supplementary information that is published with each quarterly financial report. For persons seeking information regarding fuel margins we refer to outside sources: Bloomberg's Oil Buyers Guide, Nymex contracts for

gasoline and crude oil as well as Government of Canada, Department of Finance reports. Data from these sources will not be sufficient to calculate Parkland's fuel margin given that it does not correlate directly with our market region and supply contracts, but should indicate margin trends.

## **PARKLAND HOLDINGS LIMITED PARTNERSHIP**

At the time of Parkland's conversion to a Trust, we issued Class B limited partnership (LP) units to investors seeking a tax free rollover of their shares. The LP units have the same voting and economic rights and benefits as the TSX listed trust units, are non-transferable and can be converted by the holder into trust units at any time. The LP units had a call feature which would have resulted in their conversion to trust units in June, 2008 resulting in an income tax obligation to the holders. At a meeting of Class B LP unitholders on June 22, 2007 this call feature was deferred to June 30, 2011. This will give investors maximum flexibility should Parkland undertake a future re-organization in response to the federal government taxation of trusts planned for 2011. Parkland's current plans are to maintain its trust structure until there is a compelling reason to change.

## **CASH AVAILABLE FOR DISTRIBUTION AND RECONCILIATION OF EBITDA TO CASH FROM OPERATING ACTIVITIES**

(000's)	For the three months ended June 30, 2007	For the six months ended June 30, 2007
Cash from operating activities	\$ 54,946	\$ 59,198
Net changes in non-cash working capital	<u>(18,374)</u>	<u>(3,525)</u>
Funds flow from operations	36,572	55,673
Add back (deduct):		
Interest on long-term debt	139	781
Unit incentive compensation	(359)	(930)
Accretion expense	(15)	(30)
Current taxes	<u>11,190</u>	<u>11,206</u>
EBITDA	47,527	66,700
Maintenance capital expended	(794)	(1,640)
Current taxes and interest	<u>(11,329)</u>	<u>(11,987)</u>
Cash available for distribution	<u>\$ 35,404</u>	<u>\$ 53,073</u>
Cash distributed	\$ 13,182	\$ 24,474

## **DISTRIBUTION REINVESTMENT PLAN**

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

## **INTERNAL CONTROLS**

Parkland has completed the initial phases of a review and enhancement of internal controls as well as system documentation. A program has been developed to test the key internal controls. No major controls gaps have been identified. The same process is currently underway at the recently acquired businesses. The Fund believes that it will be able to continue to comply with regulations as required.

## **ACCOUNTING POLICIES**

As a result of the recent acquisitions, 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 approximately 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. Through United Petroleum the Fund markets wholesale and commercial fuels and lubricants throughout southern British Columbia. 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).

*This interim report includes forward-looking statements regarding Parkland Income Fund's operations, anticipated financial performance, business prospects and strategies. Forward-looking information may involve words such as "believe", "expect", "anticipate", or similar words implying future outcomes. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts and other forms of forward-looking information will not be achieved by Parkland Income Fund. Parkland Income Fund is under no obligation to update publicly or otherwise revise any forward-looking information. Certain information regarding Parkland Income Fund including management's assessment of future plans and operations, constitutes forward-looking information or statements under applicable securities laws and necessarily involve assumptions regarding factors and risks that could cause actual results to vary materially, including, without limitation, assumptions and risks associated with retail pricing and margins, availability and pricing of petroleum product supply, volatility of crude oil prices, marketing competition, environmental damage, credit granting, interest rate fluctuation and availability of capital and operating funds. The reader is cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate by Parkland at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Parkland's operations or financial results are included in Parkland's reports on file with Canadian securities regulatory authorities. In particular see Parkland's MD&A and the Risk Factors and Industry Conditions section of Parkland's Annual Information Form. Parkland's reports may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or Parkland's website ([www.parkland.ca](http://www.parkland.ca)). Consequently, there is no representation by Parkland that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained in this document are made as of the date of issue. Parkland does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.*

## **CONFERENCE CALL**

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

Tuesday, August 7, 2007, 9:00 a.m. (11:00 a.m. Eastern Time)

Direct: 416-644-3419

Toll-free: 800-731-6941

The replay will be available as follows:

From Tuesday, August 7, 2007, 11:00 a.m. (1:00 p.m. Eastern Time)

To Tuesday, August 21, 2007 at 9:59 p.m. (11:59 p.m. Eastern Time)

Direct: 416-640-1917

Toll-free: 877-289-8525

Passcode: 21240271#

## **Webcast**

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1929840>

- 30 -

For further information:

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*If you prefer to receive Company news releases via e-mail, please request at [corpinfo@parkland.ca](mailto:corpinfo@parkland.ca).*