

News Release

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FOR IMMEDIATE RELEASE

Luby's Announces Second Quarter Profit

- Company Posts Increased Same-Store Sales, Debt Reduction in Second Quarter -

HOUSTON, TX – March 29, 2005 - Luby's, Inc. (NYSE: LUB) today announced its results of operations for the second quarter of fiscal 2005, which ended February 9, 2005. Same-store sales increased 5.6% over the comparable prior year period and the Company posted a net income of \$2.6 million for the quarter compared to a net loss of \$5.0 million for the comparable period last year. The Company paid down its senior debt by \$2.1 million during the second quarter.

“The second quarter was a healthy quarter for Luby’s,” said Chris Pappas, President and CEO. “Same-store sales increased throughout the quarter, driven by sales during the holiday season and the continued success of our combination meals. This increase is especially significant given the year-over-year same-store sales increases posted during the second quarter last year.”

During the second quarter, sales increased 5.6%, from \$69.1 million in the second quarter of fiscal 2004 to \$73.0 million in the second quarter of this year. All of the Company’s sales during the second quarter were characterized as same-store sales. Total prime costs of food and labor as a percent of sales improved from 54.7% in the comparable period last year to 53.0% in the second quarter of this year. This was a result of a decline in labor costs as a percent of sales, down from 27.8% in the comparable period last year to 26.1% in the second quarter of this year. Food cost as a percent of sales stayed flat at 26.9% of sales. The Company posted a net income of \$2.6 million, or 12 cents a share, for the second quarter of 2005. That compares with a net loss of \$5.0 million, or 22 cents a share, in the comparable period last year.

“In addition to our same-store sales increases, Luby’s benefited from lower costs in a number of areas, helping us secure a profit for the second quarter. With the store closures outlined under the March 2003 business plan substantially complete and the sales of properties continuing at a good pace, we are benefiting from much lower costs associated with asset impairments and discontinued operations. Plus, with the refinancing of our debt and the subsequent pay-downs, we have lowered our interest expense,” continued Pappas. “I am proud of what we have accomplished during the past year – none of which would have been possible without the hard work of all of our employees throughout the Luby’s organization.”

Occupancy and other operating costs were \$22.3 million in the second quarter of this year compared to \$21.4 million in the comparable period last year, an increase of approximately \$900,000. Most of this increase was due to larger advertising expense this year associated with the Company’s increased television advertising campaign. The Company also experienced higher utility costs due to a more expensive commodity market. General and administrative expenses were lower than the comparable prior year period by approximately \$384,000, due in part to lower consulting fees. Depreciation was lower by approximately \$236,000, a result of a reduction in the depreciable base of the Company’s property, plant and equipment. Interest expense was lower by \$1.1 million due to the lower debt levels and a lower effective interest rate associated with the debt refinancing completed in June 2004.

Luby’s senior debt decreased by \$2.1 million during the second quarter. This was a result of \$6.1 million in reductions to the Company’s term debt using proceeds from sales of closed restaurant properties. This decrease was partially offset by an increase in the Company’s revolving line of credit from \$28.0 million to \$32.0 million, the proceeds of which the Company used to pay its property taxes. Property taxes in Texas, where the vast majority of the Company’s real estate holdings are located, were due in January.

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With respect to continuing operations, asset impairments and restaurant closings declined by \$842,000 in the second quarter of 2005 compared with the second quarter of 2004. For other income (loss), net, the Company posted an income of \$243,000 in the second quarter of this year, compared to an income of \$302,000 in the comparable period last year. Second quarter 2005 costs relating to the relocation of the Luby's corporate headquarters from San Antonio to Houston, which was completed in early December, were approximately \$308,000. Luby's reported an income from continuing operations of \$2.4 million and a net income of \$2.6 million for the second quarter of 2005. This compares to a loss from continuing operations of \$1.9 million and a net loss of \$5.0 million for the comparable period last year. From an EBITDA standpoint, the Company posted \$7.3 million in EBITDA in the second quarter of 2005 compared to \$5.1 million in EBITDA in the comparable period last year.

Year-to-date, Luby's posted sales of \$142.6 million for the first two quarters of fiscal 2005, compared to \$135.8 million for the comparable period in fiscal 2004. This represents an increase of 4.9%. Food cost for the first two quarters of fiscal 2005 were 27.4% of sales, compared to 27.0% of sales in the comparable period last year. Labor costs were 26.5% in the first two quarters of this year compared to 27.9% in the comparable period last year. The Company posted a net income of \$1.6 million for the first two quarters of fiscal 2005 compared to a net loss of \$9.4 million for the first two quarters of fiscal 2004, an improvement of \$11 million.

As previously reported, the Company completed a review in March 2005 of its historical lease accounting methods to determine whether these methods were in accordance with the views expressed by the Office of the Chief Accounting of the SEC on February 7, 2005, in a letter to the American Institute of Certified Public Accountants and other recent interpretations regarding certain operating lease accounting issues and their application under GAAP. The Company has historically recognized scheduled rent increases as they occurred over the lease term. The Company has determined that rent expense should be recorded on a straight-line basis over the lease term and that the lease term should commence on the date the Company takes possession of the leased space, which is generally six months prior to a store's opening date. Additionally, the Company has determined that rent expense should be recorded on a straight-line basis over lease periods that are consistent with or greater than the number of periods over which depreciation of leasehold improvements is recorded. Historically, the life used for rent expense purposes in some instances was not consistent with the life used for depreciation purposes. As a result, the Company restated its previously issued unaudited consolidated financial statements for the first quarter of fiscal year 2005 and its audited consolidated financial statements for the fiscal years 2004, 2003, and 2002.

Luby's provides its customers with delicious, home-style food, value pricing, and outstanding customer service at its 133 restaurants in Dallas, Houston, San Antonio, the Rio Grande Valley, and other locations throughout Texas and other states. Luby's stock is traded on the New York Stock Exchange (symbol LUB). For more information about Luby's, visit the Company's website at www.lubys.com.

The Company will hold its quarterly conference call with financial analysts to discuss second quarter results on Tuesday, March 29, 2005, at 11:00 a.m. (Central Time). Interested investors are invited to listen to the call by dialing 866-613-5217, PIN 6728836. A replay will be available approximately two hours following the call through April 5, 2005. The replay number is 866-453-6660; reference number 1599789.

The company wishes to caution readers that various factors could cause its actual financial and operational results to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements, and other written communications, as well as oral statements made from time to time by representatives of the company. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including but not limited to general business conditions, the impact of competition, the success of operating initiatives, changes in the cost and supply of food and labor, the seasonality of the company's business, taxes, inflation, governmental regulations, and the availability of credit, as well as other risks and uncertainties disclosed in periodic reports on Form 10-K and Form 10-Q.

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Prior period results have been reclassified to show the retroactive effect of discontinued operations per the new business plan. Reclassification facilitates more meaningful comparability to the Company's current information. As stores are closed in the future and presented in discontinued operations, quarterly and annual financial statements, where applicable, will be reclassified for further comparability.

Consolidated Statements of Operations (unaudited)

(In thousands except per share data)

	Quarter Ended		Two Quarters Ended	
	February 9, 2005 <i>(84 days)</i>	February 11, 2004 <i>(84 days)</i> (Restated)	February 9, 2005 <i>(168 days)</i>	February 11, 2004 <i>(168 days)</i> (Restated)
SALES	\$ 72,953	\$ 69,110	\$ 142,565	\$ 135,847
COSTS AND EXPENSES:				
Cost of food	19,625	18,604	39,127	36,629
Payroll and related costs	19,023	19,234	37,719	37,847
Occupancy and other operating expenses	22,293	21,354	45,514	42,516
Depreciation and amortization	3,605	3,841	7,177	7,736
Relocation and voluntary severance costs	308	-	580	-
General and administrative expenses	4,701	5,085	8,783	9,712
Provision for asset impairments and restaurant closings	221	1,063	221	1,339
	69,776	69,181	139,121	135,779
INCOME (LOSS) FROM OPERATIONS	3,177	(71)	3,444	68
Interest expense	(976)	(2,104)	(1,662)	(4,377)
Other income, net	243	302	190	493
Income (loss) from continuing operations before income taxes	2,444	(1,873)	1,972	(3,816)
Provision (benefit) for income taxes	-	-	-	-
Income (loss) from continuing operations	2,444	(1,873)	1,972	(3,816)
Discontinued operations, net of taxes	183	(3,156)	(368)	(5,546)
NET INCOME (LOSS)	\$ 2,627	\$ (5,029)	\$ 1,604	\$ (9,362)
Income (loss) per share - before discontinued operations - basic	\$ 0.11	\$ (0.08)	\$ 0.09	\$ (0.17)
- assuming dilution ^(a)	0.09	(0.08)	0.07	(0.17)
Income (loss) per share - from discontinued operations - basic	\$ 0.01	\$ (0.14)	\$ (0.02)	\$ (0.25)
- assuming dilution ^(a)	0.01	(0.14)	(0.01)	(0.25)
Net income (loss) per share				
- basic	\$ 0.12	\$ (0.22)	\$ 0.07	\$ (0.42)
- assuming dilution ^(a)	0.10	(0.22)	0.06	(0.42)
Weighted average shares outstanding:				
- basic	22,609	22,470	22,551	22,470
- assuming dilution	26,533	22,470	26,558	22,470

(a) In loss periods, earnings per share assuming dilution equals basic earnings per share since potentially dilutive securities are antidilutive

Consolidated Balance Sheets*(In thousands)*

	February 9, 2005	August 25, 2004 (Restated)
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,813	\$ 1,211
Short-term investments	6,588	4,384
Trade accounts and other receivables, net	486	101
Food and supply inventories	2,025	2,092
Prepaid expenses	1,449	1,028
Deferred income taxes	296	1,073
Total current assets	<u>14,657</u>	9,889
Property, plant, and equipment – net	189,845	194,042
Property held for sale	17,028	24,594
Investments and other assets	3,065	3,756
Total assets	<u><u>\$ 224,595</u></u>	<u><u>\$ 232,281</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 13,533	\$ 15,888
Accrued expenses and other liabilities	16,287	18,006
Total current liabilities	<u>29,820</u>	33,894
Credit facility debt	32,000	28,000
Term debt	14,560	23,470
Convertible subordinated notes, net-related party	1,927	2,091
Other liabilities	9,475	9,715
Deferred income taxes	4,487	5,061
Reserve for restaurant closings	500	500
Commitments and contingencies	-	-
Total liabilities	<u>92,769</u>	102,731
SHAREHOLDERS' EQUITY		
Common stock, \$.32 par value; authorized 100,000,000 shares, issued 27,534,067 shares at February 9, 2005 and 27,410,567 shares at August 25, 2004, respectively	8,811	8,771
Paid-in capital	43,541	43,564
Retained earnings	183,590	181,986
Less cost of treasury stock, 4,902,209 shares at February 9, 2005 and 4,933,063 shares at August 25, 2004	<u>(104,116)</u>	<u>(104,771)</u>
Total shareholders' equity	<u>131,826</u>	129,550
Total liabilities and shareholders' equity	<u><u>\$ 224,595</u></u>	<u><u>\$ 232,281</u></u>

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The Company's operating performance is evaluated using several measures. One of those measures, EBITDA, is a non-GAAP financial measure that is derived from the Company's Income (Loss) From Operations, which is a GAAP measurement. EBITDA has historically been used by the Company's lenders to measure compliance with certain financial debt covenants and the Company believes that EBITDA provides a meaningful measure of liquidity, providing additional information regarding the Company's cash earnings from ongoing operations and the Company's ability to service its long-term debt and other fixed obligations. The Company's senior debt agreements define EBITDA as the consolidated income (loss) from operations set forth in the Company's consolidated statements of operations before depreciation, amortization, other noncash expenses, interest expense, taxes, noncash income and extraordinary gains or losses, and other nonrecurring items of income or expense as approved by the required lenders.

The following table reconciles the Company's non-GAAP financial measure, EBITDA, with Income (Loss) from Operations, prepared in accordance with GAAP.

	Quarter Ended		Two Quarters Ended	
	February 9, 2005 <i>(84 days)</i>	February 11, 2004 <i>(84 days)</i>	February 9, 2005 <i>(168 days)</i>	February 11, 2004 <i>(168 days)</i>
	<i>(In thousands)</i>			
Income (loss) from operations	\$ 3,177	\$ (71)	\$ 3,444	\$ 68
Plus excluded items:				
Provision for (reversal of) asset impairments and restaurant closings	221	1,063	221	1,339
Relocation and voluntary severance costs	308	-	580	-
Depreciation and amortization	3,605	3,841	7,177	7,736
Noncash executive compensation expense	-	294	-	588
EBITDA	<u>\$ 7,311</u>	<u>\$ 5,127</u>	<u>\$ 11,422</u>	<u>\$ 9,731</u>

While the Company and many in the financial community consider EBITDA to be an important measure of operating performance, it should be considered in addition to, but not as a substitute for or superior to, other measures of financial performance prepared in accordance with U.S. generally accepted accounting principles, such as operating income, net income and cash flow from operating activities. In addition, the Company's definition of EBITDA is not necessarily comparable to similarly titled measures reported by other companies.

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