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For Immediate Release

Luby's Announces Fourth Quarter Results
Same-Store Sales Growth of 7.2 Percent

HOUSTON, TX – October 18, 2005 - Luby's, Inc. (NYSE: LUB) today announced unaudited financial results for its fourth quarter and fiscal 2005, which ended on August 31, 2005. Fiscal year 2005 was a 53 week year for Luby's, with the extra week occurring in the fourth quarter. The fourth quarter of fiscal 2005 was a 17 week period compared to a 16 week period in the fourth quarter of fiscal 2004.

Sales in the fourth quarter of fiscal 2005 were \$105.4 million, an increase of 13.8% compared to the fourth quarter of fiscal 2004. Excluding the additional week, same-store sales growth for the fourth quarter of fiscal 2005 were 7.2%. All of the Company's sales during the fourth quarter were characterized as same-store sales. The Company reported a net loss of \$1.9 million, or \$0.08 per share fully diluted, in the fourth quarter of fiscal 2005 compared to net income of \$3.0 million, or \$0.13 per share fully diluted, in the fourth quarter of fiscal 2004. The fourth quarter net loss in fiscal 2005 was primarily attributed to the one time non-cash charge of \$8.0 million to net income in the fourth quarter. This charge represented the write-off of the unamortized portion of the discount associated with the conversion feature of the subordinated convertible notes held by Chris and Harris Pappas, which were converted to common stock in August 2005.

Luby's reduced its outstanding debt by \$16.3 million during the fourth quarter and decreased its total debt to \$13.5 million as of August 31, 2005. The Company also has a new three year, unsecured revolving credit facility in the amount of \$45 million with the capacity to expand up to \$60 million, which replaced the Company's prior \$50 million secured revolving line of credit.

"We are pleased to announce our seventh consecutive quarter and second consecutive fiscal year of same-store sales growth," said Chris Pappas, President and CEO. "Financially, we have reduced total debt, restructured our credit facility, reduced our interest rates and created greater flexibility for the Company. Operationally we remain committed to enhancing our restaurants, increasing same store-sales and improving our customers' dining experience."

Income from operations in the 17 week fourth quarter fiscal 2005 was \$9.4 million, an increase of 192.9% compared to \$3.2 million for the fourth quarter of fiscal 2004. EBITDA in the 17 week fourth quarter fiscal 2005 was \$13.6 million, an increase of 52.3% compared to EBITDA of \$9.0 million in the fourth quarter of fiscal 2004.

Total prime costs of food and labor in the fourth quarter of fiscal 2005 were 61.3% of sales, an improvement compared to 65.5% in the fourth quarter of fiscal 2004. The improvement in food costs came from the Company's ability to partially offset higher commodity prices for beef, poultry and dairy by promoting combination meals with favorable cost structures. The improvement in labor costs was primarily the result of a reduction in worker compensation expense and enhanced productivity due to higher sales and effective labor deployment. Other operating expenses were 18.6% of sales in the fourth quarter of fiscal 2005 compared to 18.6% of sales in the same quarter of fiscal 2004. General and Administrative costs were 7.1% of sales in the fourth quarter of 2005 compared to 6.2% of sales in the

fourth quarter of fiscal 2004. This increase was driven by increased professional service costs related to Sarbanes Oxley and the implementation of new technical systems.

Fiscal year 2005 sales were \$322.2 million, an increase of 8.2% compared to \$297.8 million in fiscal 2004. Excluding the additional week in 2005, same-store sales growth for fiscal 2005 was 6.1%. All of the Company's sales during fiscal 2005 were characterized as same-store sales. Net income in fiscal 2005 was \$3.4 million, or \$0.15 per share fully diluted, compared to a loss of \$6.0 million, or \$0.26 per share fully diluted, in fiscal 2004.

Income from operations in the 53 week fiscal year 2005 was \$19.8 million, an increase of 139.8% compared to \$8.2 million in fiscal 2004. EBITDA in the 53 week fiscal year 2005 was \$34.8 million, an increase of 31.7% compared to EBITDA of \$26.4 million in fiscal 2004.

“Fiscal 2005 was a year of strong improvement for Luby's financial results which were a direct result of our employee's hard work over the last four years implementing efficiencies into the business and improving execution,” said Chris Pappas, President and CEO. “In fiscal 2006 we will continue our focus on same-store sales growth in our existing units while developing two new stores that will open in fiscal 2007.”

Conference Call

The company will host a conference call at 10:00 a.m. Central on October 18, 2005 to discuss financial results for the quarter. Those interested in participating may call (866) 613-5217 and use the pin code 6720611. A replay of the call will be available approximately two hours following the call through October 25, 2005. The replay number is (866) 453-6660 and the pin code is 206511. A live audio webcast of the conference call will be available via the Company's website at www.lubys.com/aboutusEvents.asp for all interested parties to listen online. A replay of the webcast will also be available on the Company's website soon after the call is concluded.

About Luby's

Luby's provides its customers with delicious, home-style food, value pricing, and outstanding customer service at its 131 restaurants in Dallas, Houston, San Antonio, the Rio Grande Valley, and other locations throughout Texas and other states. For more information about Luby's, visit the Company's website at www.lubys.com.

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.

Certain reclassifications of prior period results have been made to conform to current year presentation. In this regard, store management compensation has been reclassified from "Other Operating Expenses" to "Payroll and Related Costs" to provide comparability to financial results reported by our peers in the industry. These amounts were \$11.1 million and \$9.7 million for the quarters ended August 31, 2005 and August 25, 2004 respectively. These amounts were \$33.7 million and \$30.8 million for the fiscal years ended August 31, 2005 and August 25, 2004 respectively.

Consolidated Statements of Operations (unaudited)

(In thousands except per share data)

	Quarter Ended		Fiscal Year Ended	
	August 31, 2005 <i>(119 days)</i>	August 25, 2004 <i>(112 days)</i>	August 31, 2005 <i>(371 days)</i>	August 25, 2004 <i>(364 days)</i>
SALES	\$ 105,423	\$ 92,646	\$ 322,151	\$ 297,849
COSTS AND EXPENSES:				
Cost of food	27,641	24,941	86,280	79,923
Payroll and related costs	37,028	35,784	115,481	112,961
Other operating expenses	19,598	17,258	64,796	59,447
Depreciation and amortization	4,475	4,938	15,054	16,259
Relocation and voluntary severance costs	14	860	669	860
General and administrative expenses	7,513	5,703	20,750	19,748
(Reversal of) Provision for asset impairments and restaurant closings	(236)	(44)	(632)	413
	96,033	89,440	302,398	289,611
INCOME FROM OPERATIONS	9,390	3,206	19,753	8,238
Interest expense	(9,201)	(1,657)	(11,636)	(8,094)
Other income, net	116	1,989	574	2,689
Income from continuing operations before income taxes	305	3,538	8,691	2,833
Provision for income taxes	117	-	117	-
Income from continuing operations	188	3,538	8,574	2,833
Discontinued operations	(2,048)	(529)	(5,126)	(8,811)
NET (LOSS) INCOME	\$ (1,860)	\$ 3,009	\$ 3,448	\$ (5,978)
Income per share – before discontinued operations – basic	\$ 0.01	\$ 0.16	\$ 0.38	\$ 0.13
- assuming dilution	0.01	0.15	0.37	0.13
Loss per share – from discontinued operations - basic	\$ (0.09)	\$ (0.02)	\$ (0.23)	\$ (0.39)
- assuming dilution	(0.09)	(0.02)	(0.22)	(0.39)
Net income (loss) per share				
- basic	\$ (0.08)	\$ 0.13	\$ 0.15	\$ (0.26)
- assuming dilution	(0.08)	0.13	0.15	(0.26)
Weighted average shares outstanding:				
- basic	22,696	22,472	22,608	22,470
- assuming dilution ^(a)	23,849	22,993	23,455	22,619

(a) Convertible subordinated notes have been excluded as anti dilutive because of the income effect of the \$8.0 million charge related to their August 31, 2005 conversion. Had these shares been included they would have increased the quarterly and annual weighted average shares outstanding for the diluted earnings per share calculation by 3.225 million shares.

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	August 31 2005	August 25, 2004
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,789	\$ 3,311
Short-term investments	1,667	2,284
Trade accounts and other receivables, net	151	101
Food and supply inventories	2,215	2,092
Prepaid expenses	1,639	1,028
Deferred income taxes	865	1,073
Total current assets	9,326	9,889
Property, plant, and equipment, net	186,009	194,042
Property held for sale	9,346	24,594
Other assets	1,533	3,756
Total assets	\$ 206,214	\$ 232,281
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 17,759	\$ 15,888
Accrued expenses and other liabilities	16,870	18,006
Total current liabilities	34,629	33,894
Credit facility debt	13,500	28,000
Term debt	-	23,470
Convertible subordinated notes, net-related party	-	2,091
Other liabilities	8,760	10,215
Deferred income taxes	5,039	5,061
Total liabilities	61,928	102,731
SHAREHOLDERS' EQUITY		
Common stock, \$.32 par value; authorized 100,000,000 shares, issued 27,610,708 Shares at August 31, 2005 and 27,410,567 shares at August 25, 2004, respectively	8,835	8,771
Paid-in capital	44,526	43,564
Retained earnings	126,529	181,986
Less cost of treasury stock, 1,676,403 shares at August 31, 2005 and 4,933,063 shares at August 25, 2004	(35,604)	(104,771)
Total shareholders' equity	144,286	129,550
Total liabilities and shareholders' equity	\$ 206,214	\$ 232,281

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		Fiscal Year Ended	
	August 31, 2005	August 25, 2004	August 31, 2005	August 25, 2004
	(119 days)	(112 days)	(371 days)	(364 days)
	<i>(In thousands)</i>			
Income from operations	\$ 9,390	\$ 3,206	\$ 19,753	\$ 8,238
Plus excluded items:				
Reversal of provision for asset impairments and restaurant closings	(236)	(44)	(632)	413
Relocation and voluntary severance costs	14	860	669	860
Depreciation and amortization	4,475	4,938	15,054	16,259
Noncash executive compensation expense	-	-	-	679
EBITDA	<u>\$ 13,643</u>	<u>\$ 8,960</u>	<u>\$ 34,844</u>	<u>\$ 26,449</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.

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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