

Ernest Pekmezaris
Senior Vice President and Chief Financial Officer

FOR IMMEDIATE RELEASE

SAN ANTONIO, TEXAS - OCTOBER 16, 2001. Luby's, Inc. today announced the results of operations for the fiscal year ended August 31, 2001. Sales were \$467 million compared with \$493 million for the prior year. The decline of 5.31% was primarily due to store closures and, excluding the prior year affect of leap day, a 2.57% annual decline in same-store sales. The net loss for fiscal year 2001 was \$31.9 million, or \$(1.42) per share, compared to net income of \$9.1 million, or \$0.41 per share, last year. The decline in the current year earnings was partially due to an after-tax impairment and provision for store closure of \$19.8 million, or \$0.88 per share. The provision for store closure primarily relates to 17 locations, 11 of which will cease operations by the end of the first quarter of fiscal year 2002. The remaining locations are expected to close by the end of fiscal 2002. The decline in current year earnings is also due to an increase in insurance costs, after tax, of \$6.0 million, or \$0.27 a share. Specifically, the company incurred higher than average and more frequent workers' compensation claims than were originally expected. Effective October 1, 2001, a new in-house workers' compensation program was launched. In the future, this program will help us prevent injuries and better control insurance costs.

Fourth quarter sales were \$119 million compared to \$122 million for the same period last year. This decline of 2.19% was also primarily due to store closures but was offset by an increase of 1.86% in same-store sales. The net loss for the quarter was \$19.3 million, or \$(0.86) per share, compared with a net loss of \$8.5 million, or \$(0.38) per share, last year. The fourth quarter of fiscal 2001 includes an after-tax impairment and closure charge of \$13.1 million, or \$0.57 per share. Additionally, relative to workers' compensation, the company observed increased costs throughout the first three quarters of the fiscal year. In the fourth quarter, the company consulted with an outside firm that reassessed losses based upon increased cost trends and other pertinent information. Their results indicated a change in estimate was necessary. The after-tax effect of this change in the fourth quarter was \$4.3 million, or \$0.19 per share.

Although the decision to close stores is difficult, we believe it will strengthen our financial performance and utilize management and employee resources more effectively. We have alternative plans in mind to ensure existing assets are utilized for maximum profitability. For example, one unit in Huntsville, Texas, will receive a light remodel and will reopen as a new seafood restaurant.

Currently, our emphasis is on the fundamentals of food quality, food delivery, recipe enhancement, preparation techniques, employee training, marketing, risk management, facility repairs, management compensation, quality assurance, and customer relations.

The San Antonio-based company operates 212 Luby's restaurants in ten states, and its stock is traded on the New York Stock Exchange (symbol LUB).

Certain statements in this press release could constitute "forward-looking" statements that represent the company's expectations or beliefs concerning future results and growth. The company cautions that a number of important factors could, individually or in the aggregate, cause actual results to differ materially from such forward-looking statements, including but not limited to general business conditions; the impact of competition; the seasonality of the company's business, taxes, inflation, and government regulations; as well as other risks and uncertainties disclosed in periodic reports on Form 10-K and Form 10-Q filed with the Securities and Exchange Commission. Efforts to close, sell, or improve operating results of underperforming stores depend on many factors not within the company's control, such as the negotiation of settlements of existing lease obligations under acceptable terms, availability of qualified buyers for owned locations, customer traffic, and general business conditions.

(more)

Luby's, Inc.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share data)

	Three Months Ended August 31,		Twelve Months Ended August 31,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Sales	\$119,365	\$122,035	\$467,161	\$493,384
Costs and Expenses:				
Cost of food	29,125	31,990	117,774	125,167
Payroll and related costs	48,564	40,304	166,404	155,769
Occupancy and other operating expenses	42,631	41,727	166,533	159,793
Provision for asset impairments	20,202	14,544	30,402	14,544
General and administrative expenses	<u>5,918</u>	<u>4,894</u>	<u>25,355</u>	<u>20,999</u>
	<u>146,440</u>	<u>133,458</u>	<u>506,468</u>	<u>476,272</u>
Income (loss) from operations	(27,075)	(11,423)	(39,307)	17,112
Interest expense	(3,184)	(1,954)	(11,660)	(5,908)
Other income, net	<u>708</u>	<u>345</u>	<u>2,188</u>	<u>2,217</u>
Income (loss) before income taxes	(29,551)	(13,033)	(48,779)	13,421
Provision (benefit) for income taxes	<u>(10,168)</u>	<u>(4,535)</u>	<u>(16,898)</u>	<u>4,295</u>
NET INCOME (LOSS)	<u>\$ (19,383)</u>	<u>\$ (8,497)</u>	<u>\$ (31,881)</u>	<u>\$ 9,125</u>
NET INCOME (LOSS) PER SHARE - basic and assuming dilution	<u>\$ (0.86)</u>	<u>(0.38)</u>	<u>\$ (1.42)</u>	<u>\$.41</u>
Average number of shares outstanding	<u>22,423</u>	<u>22,420</u>	<u>22,422</u>	<u>22,420</u>

Luby's, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	August 31, <u>2001</u>	August 31, <u>2000</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 24,083	\$ 679
Income tax receivable	4,468	3,749
Inventories, prepaid expenses, and other assets	<u>10,755</u>	<u>10,277</u>
Total current assets	39,306	14,705
Property held for sale	3,047	13,156
Investments and other assets	5,929	4,858
Property, plant, and equipment - at cost, net	<u>305,180</u>	<u>338,124</u>
TOTAL ASSETS	<u>\$353,462</u>	<u>\$370,843</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 13,696	\$ 19,843
Dividends payable	---	2,242
Accrued expenses and other liabilities	<u>34,585</u>	<u>24,040</u>
TOTAL CURRENT LIABILITIES	48,281	46,125
Long-term debt	127,401	116,000
Deferred income taxes and other credits	2,271	10,162
Reserve for store closings	4,506	1,815
Shareholders' equity	<u>171,003</u>	<u>196,741</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$353,462</u>	<u>\$370,843</u>