

The Restaurant Company
Perkins Restaurant & Bakeries

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The Restaurant Company Reports Results for Fiscal 2006 First Quarter Ended April 16, 2006

Memphis, TN, June 20, 2006 – The Restaurant Company today reported financial results for its 2006 fiscal first quarter ended April 16, 2006.

Highlights for the first quarter of fiscal 2006 as compared to the first quarter of fiscal 2005 were:

- Revenue increased by 2.4% to \$111.6 million.
- Comparable restaurant sales increased by 4.1%
- The Company reported a net loss of \$0.3 million compared to net income of \$2.9 million for the first quarter of 2005. The decrease in net income is primarily a result of the sale-leaseback transaction consummated in June 2005. In the first quarter of 2006, restaurant division rent expense increased by \$4.1 million over the same quarter of 2005.

J. Trungale, President and Chief Executive Officer of The Restaurant Company commented “we are pleased with both the top and bottom line results of the first quarter. Favorable weather conditions, an easing in commodity pricing and lower than anticipated utility costs, coupled with our continued focus on improving in-store execution, all contributed to strong performance versus plan.”

First Quarter of Fiscal 2006 Financial Results

Revenues for the first quarter of fiscal 2006 increased 2.4% to \$111.6 million from \$109.0 million for the first quarter of fiscal 2005. The growth in revenues is attributable to a 4.1% increase in comparable restaurant sales, which the Company believes were favorably impacted by a mild winter in the Midwest.

Food cost decreased slightly to \$30.2 million for the first quarter of fiscal 2006 from \$30.7 million for the first quarter of fiscal 2005.

Labor and benefits costs increased \$0.7 million to \$35.4 million for the first quarter of fiscal 2006 from \$34.7 million for the first quarter of fiscal 2005.

Operating expenses increased \$5.6 million to \$26.1 million for the first quarter of fiscal 2006 from \$20.5 million for the first quarter of fiscal 2005. This increase is primarily due to increased restaurant rent expense as a result of the sale-leaseback transaction consummated during 2005 and increased utility costs.

General and administrative expenses increased \$0.9 million to \$10.5 million for the first quarter of fiscal 2006 from \$9.6 million for the first quarter of fiscal 2005.

For the first quarter of 2006, the Company reported a net loss of \$0.3 million compared to net income of \$2.9 million for the first quarter of 2005. The decrease in net income is primarily a result of the sale-leaseback transaction consummated in June 2005. Rent expense in the first quarter of 2006 increased by approximately \$4.1 million over the same quarter of 2005.

EBITDA

The following table provides calculations of EBITDA. EBITDA is a non-GAAP financial measure and should not be considered as an alternative to, or more meaningful than, earnings from operations, cash flows from operations or other traditional indications of a company's operating performance or liquidity.

(In Thousands)	First Fiscal	First Fiscal
	Quarter	Quarter
	Ended	Ended
	April 16, 2006	April 17, 2005
Net (loss) income	\$ (306)	\$ 2,857
(Benefit from) Provision for income taxes	(662)	1,003
Net interest expense	6,187	4,719
Depreciation and amortization	4,089	5,194
Gain on disposition of assets	(47)	(126)
Lease termination	366	-
EBITDA	\$ 9,627	\$ 13,647

About the Company

The Restaurant Company operates and franchises mid-scale full service restaurants, which serve a wide variety of high quality, moderately priced breakfast, lunch and dinner entrees. As of April 16, 2006, we operated 151 and franchised 328 Perkins Restaurants and Bakeries.

Forward Looking Statements

This press release contains "forward-looking statements." These statements may be identified by the use of forward-looking terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "should," or "will," or the negative thereof or other variations thereon or comparable terminology.

The Restaurant Company has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While the company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond its control. Some of the key factors that could cause its actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements include the following:

- *competitive pressures and trends in the restaurant industry;*
- *prevailing prices and availability of food, supplies and labor;*
- *relationships with franchisees and financial health of franchisees;*
- *general economic conditions and demographic patterns;*
- *our substantial indebtedness;*
- *our ability to integrate acquisitions;*
- *development and expansion plans; and*
- *statements covering our business strategy.*

Undue reliance should not be placed on such forward-looking statements. The forward-looking statements included in this press release are made only as of the date hereof. The Restaurant Company does not undertake and specifically declines any obligation to update any such statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments.

Conference Call

The Restaurant Company has scheduled a conference call for Wednesday, June 21st, at 10:30 a.m. (CDT) to review first quarter earnings. The dial-in number for the conference call is (800) 377-4562. A taped playback of this call will be available from Wednesday, June 21, 2006 through Tuesday, June 27, 2006. The taped playback can be accessed by dialing (800) 252-6030 and by using access code number 50452442.

THE RESTAURANT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands)

	First Fiscal Quarter Ended April 16, 2006	First Fiscal Quarter Ended April 17, 2005
REVENUES:		
Food sales	\$ 104,962	\$ 102,461
Franchise and other revenue	6,649	6,517
Total Revenues	<u>111,611</u>	<u>108,978</u>
COSTS AND EXPENSES:		
Cost of sales (excluding depreciation shown below):		
Food cost	30,159	30,675
Labor and benefits	35,350	34,650
Operating expenses	26,058	20,481
General and administrative	10,472	9,595
Depreciation and amortization	4,089	5,194
Interest, net	6,187	4,719
Gain on disposition of assets	(47)	(126)
Lease Termination	366	-
Other, net	(55)	(70)
Total Costs and Expenses	<u>112,579</u>	<u>105,118</u>
(Loss) income before income taxes	(968)	3,860
Benefit from (provision for) income taxes	662	(1,003)
NET (LOSS) INCOME	<u>\$ (306)</u>	<u>\$ 2,857</u>

THE RESTAURANT COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands, except par and share amounts)

	April 16, 2006	December 25, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,937	\$ 4,474
Restricted cash	8,843	8,225
Receivables, less allowances for doubtful accounts of \$1,488 and \$1,584	9,599	10,554
Inventories, net	7,875	6,971
Prepaid expenses and other current assets	4,499	3,188
Escrow deposits	5,063	18,162
Deferred income taxes	2,845	2,845
Total current assets	43,661	54,419
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation and amortization	40,452	42,433
GOODWILL	169,326	154,049
INTANGIBLE ASSETS, net of accumulated amortization of \$1,070 and \$476	47,185	47,779
DEFERRED INCOME TAXES	-	-
OTHER ASSETS	9,286	9,738
	\$ 309,910	\$ 308,418
LIABILITIES AND STOCKHOLDER'S INVESTMENT		
CURRENT LIABILITIES:		
Current maturities of capital lease obligations	\$ 242	\$ 277
Accounts payable	7,933	9,474
Franchise advertising contributions	5,485	4,752
Accrued expenses	32,941	39,603
Accrued income taxes	88	-
Total current liabilities	46,689	54,106
CAPITAL LEASE OBLIGATIONS, less current maturities	210	260
LONG-TERM DEBT	187,602	187,503
DEFERRED TAX LIABILITY	12,573	12,573
OTHER LIABILITIES	3,676	3,331
STOCKHOLDER'S INVESTMENT:		
Common stock, \$.01 par value, 100,000 shares authorized, 10,820 issued and outstanding	1	1
Additional paid-in capital	59,923	51,108
Other comprehensive income	20	14
Accumulated deficit	(784)	(478)
Total stockholder's investment	59,160	50,645
	\$ 309,910	\$ 308,418

THE RESTAURANT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	First Fiscal Quarter Ended April 16, 2006	First Fiscal Quarter Ended April 17, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (306)	\$ 2,857
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,089	5,194
Amortization of discount	99	-
Other non-cash income and expense items	107	185
Payments on notes receivable	216	104
Gain on disposition of assets	(47)	(126)
Net changes in operating assets and liabilities	(2,781)	1,751
Total adjustments	<u>1,683</u>	<u>7,108</u>
Net cash provided by operating activities	<u>1,377</u>	<u>9,965</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for property and equipment	(2,570)	(2,231)
Acquisition of business, escrow settlements	(8,178)	-
Proceeds from sale of assets	<u>1,103</u>	<u>30</u>
Net cash used in investing activities	<u>(9,645)</u>	<u>(2,201)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments under capital lease obligations	(85)	(102)
Capital contribution from parent	<u>8,816</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>8,731</u>	<u>(102)</u>
Net increase in cash and cash equivalents	<u>463</u>	<u>7,662</u>
CASH AND CASH EQUIVALENTS:		
Balance, beginning of period	4,474	17,988
Balance, end of period	<u>\$ 4,937</u>	<u>\$ 25,650</u>