

**FOR IMMEDIATE RELEASE**

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## **PIZZA INN REPORTS RESULTS FOR FOURTH QUARTER AND FISCAL YEAR 2007**

*Operating Performance Strengthens as Company Posts Positive Same Store Sales Growth in Q4*

**The Colony, Texas – September 20, 2007-- PIZZA INN INC. (NASDAQ:PZZI)** today reported net income of \$658,000, or \$0.06 per share for the fourth quarter of the fiscal year ended June 24, 2007 versus (\$4,421,000), or (\$0.43) per share for the fourth quarter of fiscal 2006. The Company also reported net income of \$206,000, or \$0.02 per share for fiscal 2007 versus a net loss of (\$5,989,000), or (\$0.59) per share for fiscal 2006. Operating performance for the fourth quarter and fiscal 2007 reflected the following:

- Comparable buffet restaurant sales increased 3.1% for the fourth quarter from the fourth quarter of fiscal 2006. For fiscal 2007, comparable buffet restaurant sales increased 0.8% from fiscal 2006, the first such annual increase in five years.
- Domestic chain-wide comparable restaurant sales increased 1.1% for the fourth quarter from the fourth quarter of fiscal 2006. For fiscal 2007, domestic chain-wide comparable restaurant sales decreased 0.7% from fiscal 2006.
- Overall domestic chain-wide restaurant sales decreased 3.2% for the fourth quarter from the fourth quarter of fiscal 2006 due to a net reduction in franchise openings driven by additional closures of underperforming restaurants.
- General and administrative expenses for fiscal 2007 were lower by \$1.5 million compared to fiscal 2006. The reduction was due primarily to a reduction in payroll expenses of \$416,000, driven primarily by the outsourcing of our warehousing and distribution activities, and a reduction in stock compensation expense of \$355,000, due primarily to the reversal of prior expenses for unvested options that terminated. Occupancy costs for fiscal 2007 were lower by \$211,000 compared to fiscal 2006, also due primarily to the outsourcing initiative.
- Net income for the fourth quarter improved \$5,079,000 compared to the fourth quarter of fiscal 2006, due primarily to accrued expenses in the fourth quarter of fiscal 2006 of \$2,800,000 related to the litigation

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settlement between the Company and its former CEO as well as an impairment expense in the fourth quarter of fiscal 2006 of \$1,166,000 related to two Company-owned restaurants.

Operating results for the fourth quarter mark the third consecutive profitable quarter for Pizza Inn, further strengthening the Company's financial and cash positions.

Charlie Morrison, Interim CEO and Chief Financial Officer, commented, "We are encouraged by our continued progress. We believe that our foundation is much stronger as evidenced by our increases in cash and the elimination of our debt. The fiscal year end marks the fourth consecutive month of comparable buffet sales gains and reflects the momentum we have achieved in part due to the increasing number of franchisees remodeling their restaurants. We continue to strive to identify ways to reduce costs and improve the profitability of our franchisees to assist in the reinvestment in their businesses. While executing these initiatives, we are working on the long-term development of this chain, specifically in the areas of domestic and international restaurant growth."

Certain statements in this press release, other than historical information, may be considered forward-looking statements, within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, and are subject to various risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those anticipated, estimated or expected. Among the key factors that may have a direct bearing on Pizza Inn's operating results, performance or financial condition are its ability to implement its growth strategies; success of its franchise operations; national, regional and local economic conditions affecting the restaurant industry; competition within the restaurant industry; restaurant sales cannibalization; negative publicity; fluctuations in quarterly results of operations, including seasonality; government regulations; weather; and commodity, insurance and labor costs.

Pizza Inn, Inc. ([www.pizzainn.com](http://www.pizzainn.com)) is headquartered in The Colony, Texas, along with its distribution division, Norco Restaurant Services Company. Pizza Inn franchises approximately 350 restaurants and owns one restaurant with annual domestic and international chain-wide sales of approximately \$145 million.