

VICORP Restaurants, Inc. Announces Fiscal Third Quarter 2004 Results

DENVER, CO (August 12, 2004) – VICORP Restaurants, Inc., today announced financial results for its fiscal third quarter ended July 8, 2004. Net revenues for the third quarter of 2004 were \$90.2 million, a 0.7% decrease from net revenues of \$90.8 million reported in the third quarter of 2003. Comparable restaurant sales for the third quarter of 2004 declined 1.6% versus the previous year's third quarter. Net income for the third quarter of 2004 was \$1.7 million versus a \$6.0 million net loss in the comparable period last year, which included \$15.6 million of pre-tax expenses associated with the purchase of us by VI Acquisition Corp. on June 13, 2003, as discussed further below under the caption entitled "Factors Affecting Comparability and Non-GAAP Financial Information". Adjusted earnings before interest, taxes, depreciation, and amortization ("Adjusted EBITDA" – as calculated in the accompanying Combined Consolidated Statements of Operations and discussed further below under the caption entitled "Factors Affecting Comparability and Non-GAAP Financial Information") for the third quarter of 2004 was \$9.7 million, a 9.7% decrease from the \$10.8 million Adjusted EBITDA for the third quarter ended July 6, 2003.

Net revenues for the fiscal year-to-date period ended July 8, 2004, were \$284.0 million, an increase of 4.2% over the \$272.6 million reported in the comparable period a year ago. Comparable restaurant sales for the fiscal year-to-date period in 2004 increased 0.8% over the same period of 2003. Net income for the fiscal year-to-date period ended July 8, 2004 was \$1.4 million, which includes pre-tax debt extinguishment costs totaling \$6.9 million, versus a net loss for the comparable period in 2003 of \$1.3 million, which included \$16.0 million of pre-tax expenses associated with the purchase of us by VI Acquisition Corp. Adjusted EBITDA for the fiscal year-to-date period ended July 8, 2004 was \$29.8 million, a 0.8% increase over Adjusted EBITDA of \$29.6 million for the comparable period of 2003.

The decline in Adjusted EBITDA in the third quarter of 2004 versus the comparable quarter of 2003 was due to several factors. In the third quarter of 2004, commodity costs were significantly above their prior year benchmarks, particularly within VICOM, the Company's pie manufacturing operations. Higher costs within VICOM for commodities such as cream, butter and cocoa reduced quarter-over-quarter contribution by approximately \$1.2 million. In addition, Adjusted EBITDA was negatively impacted by higher occupancy costs in the 2004 third quarter, including increases stemming from a series of sale leaseback transactions executed concurrently with the 2003 acquisition of the Company, as well as by the 1.6% decline in comparable restaurant sales, resulting from lower guest counts in the Company's Bakers Square concept. Debra Koenig, CEO, commented, "Our operating results were significantly impacted by the industry-wide inflation in commodity costs. Further, while we were disappointed in the Bakers Square declining guest counts, we are currently engaged in a broad-based Bakers Square brand positioning review, which we are very excited about. We are pleased with the strength of our Village Inn brand, which had positive comparable restaurant sales of 1.5% in the third quarter of 2004 versus the comparable quarter of 2003."

Factors Affecting Comparability and Non-GAAP Financial Information

On June 13, 2003, Midway Investors Holdings, the previous parent company of VICORP, was purchased by VI Acquisition Corp., a newly created holding company. The application of purchase accounting rules required us to revalue our assets and liabilities at the acquisition date, which resulted in different accounting bases being applied in different periods. Because of this change of accounting bases, we are unable to show combined results for the quarter and year-to-date periods ended July 6, 2003 in our consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). However, we have included additional non-GAAP schedules that combine the information prepared on different bases to aid the reader to see combined information for the quarter and year-to-date periods ended July 6, 2003. Such combined information is not necessarily comparable to the information presented for the quarter and the year-to-date periods ended July 8, 2004.

Our fiscal year, which historically ended on the last Sunday in October, is comprised of 52 or 53 weeks divided into four fiscal quarters of 12 or 13, 12, 12, and 16 weeks. Beginning January 22, 2004, we changed our fiscal year so that it ends on the Thursday nearest to October 31st of each year. This increased the first quarter in fiscal 2004 by an extra four days (88 days in the first quarter of fiscal 2004 versus 84 days in the first fiscal quarter of 2003). This change was made to facilitate restaurant operations by moving the end of our fiscal periods and weekly reporting and payroll periods away from weekends when our restaurants are busier.

We believe that, in addition to other financial measures, “EBITDA” and “Adjusted EBITDA” are appropriate indicators to assist in the evaluation of our operating performance because they provide additional information with respect to our ability to meet our future debt service, capital expenditures and working capital needs and are used by securities analysts and others in evaluating companies in our industry. However, “EBITDA” and “Adjusted EBITDA” are not prescribed terms under accounting principles generally accepted in the United States, do not directly correlate to cash provided by or used in operating activities and should not be considered in isolation, nor as an alternative to more meaningful measures of performance determined in accordance with accounting principles generally accepted in the United States. Because “EBITDA” and “Adjusted EBITDA” are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures of other companies. Refer to the accompanying Combined Consolidated Statements of Operations for a reconciliation of these non-GAAP financial performance measures to the GAAP measures and other information.

Conference Call Information

VICORP will conduct a conference call on Thursday, August 12, 2004, at 11:00 a.m. Eastern Time. The conference call can be accessed by dialing 1-800-239-3044, Conference ID 9349748. A recording of the conference call will be available by dialing 1-800-642-1687, Conference ID 9349748.

About VICORP Restaurants, Inc.

VICORP Restaurants, Inc. operates family-dining restaurants under two proven and well-recognized brands, Village Inn and Bakers Square. VICORP, founded in 1958, has 374 restaurants in 25 states, consisting of 270 company-operated restaurants and 104 franchised restaurants. Village Inn is known for serving fresh breakfast items throughout the day, and we have also successfully leveraged its strong breakfast heritage to offer traditional American fare for lunch and dinner. Bakers Square offers delicious food for breakfast, lunch and dinner complimented by its signature pies, including dozens of varieties of multi-layer specialty pies made from premium ingredients. Our headquarters are located at 400 West 48th Avenue, Denver, Colorado 80216.

Safe Harbor Statement

This announcement includes statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this announcement. See the "Risk Factors" section of our Registration Statement dated July 9, 2004, filed with the Securities and Exchange Commission, for a discussion of some of the factors that may affect the Company and its operations. Such factors include the following: competitive pressures within the restaurant industry; changes in consumer preferences; the level of success of our operating strategy and growth initiatives; the level of our indebtedness and the terms and availability of capital; fluctuations in commodity prices; changes in economic conditions; government regulation; litigation; and seasonality and weather conditions. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Any forward-looking statements which we make in this announcement speak only as of the date of such statement, and we undertake no obligation to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

#

VICORP Restaurants, Inc., Village Inn and Bakers Square are either registered trademarks or trademarks of VICORP Restaurants, Inc., or its subsidiaries in the United States and/or other countries.

Contact: Anthony J. Carroll
Chief Financial Officer
VICORP Restaurants, Inc.
Direct: (303) 672-2266
Email: tony.carroll@vicorpinc.com

VI Acquisition Corp.
Consolidated Statements of Operations
(Unaudited)
(In thousands)

	84 days Ended July 8, 2004	Predecessor	256 days Ended July 8, 2004	Predecessor
		61 days Ended June 13, 2003		229 days Ended June 13, 2003
Net Revenues				
Restaurant operations	\$ 88,958	\$ 64,805	\$ 280,347	\$ 243,157
Franchise operations	1,204	1,086	3,660	4,513
	<u>90,162</u>	<u>65,891</u>	<u>284,007</u>	<u>247,670</u>
Costs and expenses				
Restaurant operations:				
Food costs	24,571	17,490	76,667	66,186
Labor costs	28,827	21,075	89,125	79,016
Other operating expenses	24,343	17,174	78,907	65,629
Franchise operations	592	562	1,893	2,648
General and administrative	5,602	3,983	17,524	16,629
Transaction expenses	–	8,964	45	9,436
Management fees	196	212	897	674
	<u>84,131</u>	<u>69,460</u>	<u>265,058</u>	<u>240,218</u>
Operating profit	6,031	(3,569)	18,949	7,452
Interest expense	(3,770)	(1,455)	(10,321)	(5,550)
Debt extinguishment costs	–	(6,516)	(6,856)	(6,516)
Other income, net	111	97	160	433
Income (loss) before income taxes	<u>2,372</u>	<u>(11,443)</u>	<u>1,932</u>	<u>(4,181)</u>
Provision for income taxes (benefit)	674	(4,528)	541	(1,986)
Net income (loss)	<u>1,698</u>	<u>(6,915)</u>	<u>1,391</u>	<u>(2,195)</u>
Preferred stock dividends and accretion	(1,733)	(755)	(5,199)	(2,260)
Net (loss) attributable to common stockholders	<u>\$ (35)</u>	<u>\$ (7,670)</u>	<u>\$ (3,808)</u>	<u>\$ (4,455)</u>

The following combined consolidated statements of operations show information that is not prepared in accordance to GAAP due to the combination of financial information prepared using different basis of accounting. The combined statements are presented for informational purposes only and should not be given more weight than the Consolidated Statement of Operations that are prepared in accordance to generally accepted accounting principles.

The following consolidated statements of operations show “EBITDA” and “Adjusted EBITDA” because we believe that, in addition to other financial measures, they are appropriate indicators to assist in the evaluation of our operating performance because they provide additional information with respect to our ability to meet our future debt service, capital expenditures and working capital needs and are used by securities analysts and others in evaluating companies in our industry. However, “EBITDA” and “Adjusted EBITDA” are not prescribed terms under accounting principles generally accepted in the United States, do not directly correlate to cash provided by or used in operating activities and should not be considered in isolation, nor as an alternative to more meaningful measures of performance determined in accordance with accounting principles generally accepted in the United States. Because “EBITDA” and “Adjusted EBITDA” are not calculated in the same manner by all companies, they may not be comparable to other similarly titled measures of other companies.

VI Acquisition Corp.
Combined Consolidated Statements of Operations
Third Quarter
(Unaudited)
(In thousands)

	84 days Ended July 8, 2004	Predecessor 61 days Ended June 13, 2003	23 days Ended July 6, 2003	Combined 84 days Ended July 6, 2003
Net Revenues				
Restaurant operations	\$ 88,958	\$ 64,805	\$ 24,579	\$ 89,384
Franchise operations	1,204	1,086	336	1,422
	90,162	65,891	24,915	90,806
Costs and expenses				
Restaurant operations:				
Food costs	24,571	17,490	6,980	24,470
Labor costs	28,827	21,075	7,827	28,902
Other operating expenses	24,343	17,174	6,478	23,652
Franchise operations	592	562	179	741
General and administrative	5,602	3,983	1,729	5,712
Transaction expenses	-	8,964	82	9,046
Management fees	196	212	(45)	167
	84,131	69,460	23,230	92,690
Operating profit (loss)	6,031	(3,569)	1,685	(1,884)
Interest expense	(3,770)	(1,455)	(873)	(2,328)
Debt extinguishment costs	-	(6,516)	-	(6,516)
Other income, net	111	97	22	119
Income (loss) before income taxes	2,372	(11,443)	834	(10,609)
Provision for income taxes (benefit)	674	(4,528)	(89)	(4,617)
Net income (loss)	1,698	(6,915)	923	(5,992)
Preferred stock dividends and accretion	(1,733)	(755)	(252)	(1,007)
Net income (loss) attributable to common stockholders	\$ (35)	\$ (7,670)	\$ 671	\$ (6,999)
ADJUSTED EBITDA				
Income (loss) before income taxes	\$ 2,372	\$ (11,443)	\$ 834	\$ (10,609)
Interest expense	3,770	1,455	873	2,328
Depreciation & amortization	3,397	2,357	921	3,278
EBITDA	9,539	(7,631)	2,628	(5,003)
Adjustments to EBITDA				
Impairment expense	-	96	-	96
Noncash compensation expense	-	113	-	113
Transaction expense	-	8,964	82	9,046
Debt extinguishment costs	-	6,516	-	6,516
Amortization of rent related adjustments	193	(56)	66	10
Total Adjustments	193	15,633	148	15,781
ADJUSTED EBITDA	\$ 9,732	\$ 8,002	\$ 2,776	\$ 10,778

VI Acquisition Corp.
Combined Consolidated Statements of Operations
Year to Date
(Unaudited)
(In thousands)

	256 days Ended July 8, 2004	Predecessor		Combined 252 days Ended July 6, 2003
		229 days Ended June 13, 2003	23 days Ended July 6, 2003	
Net Revenues				
Restaurant operations	\$ 280,347	\$ 243,157	\$ 24,579	\$ 267,736
Franchise operations	3,660	4,513	336	4,849
	284,007	247,670	24,915	272,585
Costs and expenses				
Restaurant operations:				
Food costs	76,667	66,186	6,980	73,166
Labor costs	89,125	79,016	7,827	86,843
Other operating expenses	78,907	65,629	6,478	72,107
Franchise operations	1,893	2,648	179	2,827
General and administrative	17,524	16,629	1,729	18,358
Transaction expenses	45	9,436	82	9,518
Management fees	897	674	(45)	629
	265,058	240,218	23,230	263,448
Operating profit	18,949	7,452	1,685	9,137
Interest expense	(10,321)	(5,550)	(873)	(6,423)
Debt extinguishment costs	(6,856)	(6,516)	–	(6,516)
Other income, net	160	433	22	455
Income (loss) before income taxes	1,932	(4,181)	834	(3,347)
Provision for income taxes (benefit)	541	(1,986)	(89)	(2,075)
Net income (loss)	1,391	(2,195)	923	(1,272)
Preferred stock dividends and accretion	(5,199)	(2,260)	(252)	(2,512)
Net income (loss) attributable to common stockholders	\$ (3,808)	\$ (4,455)	\$ 671	\$ (3,784)
ADJUSTED EBITDA				
Income (loss) before income taxes	\$ 1,932	\$ (4,181)	\$ 834	\$ (3,347)
Interest expense	10,321	5,550	873	6,423
Depreciation & amortization	10,042	8,948	921	9,869
EBITDA	22,295	10,317	2,628	12,945
Adjustments to EBITDA				
Impairment Expense	22	96	–	96
Noncash compensation expense	–	652	–	652
Transaction expense	45	9,436	82	9,518
Debt extinguishment costs	6,856	6,516	–	6,516
Amortization of rent related adjustments	583	(216)	66	(150)
Total Adjustments	7,506	16,484	148	16,632
ADJUSTED EBITDA	\$ 29,801	\$ 26,801	\$ 2,776	\$ 29,577