

# GRILL CONCEPTS, INC.

## NEWS RELEASE

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### GRILL CONCEPTS REPORTS 2007 FINANCIAL RESULTS

#### *-- Results Reflect Strong Progress with Expansion Strategy and Increased Same-Store Sales at Grill On The Alley and Daily Grill Restaurants --*

**WOODLAND HILLS, Calif. – April 4, 2008** – Reflecting ongoing progress with an accelerated expansion strategy, driven further by same-store sales increases throughout the year, Grill Concepts, Inc. (Nasdaq:GRIL), today reported total revenues for its three and twelve-month periods ended December 30, 2007 increased 14.3% and 14.8%, respectively, over the prior-year comparable periods.

For the fiscal 2007 fourth quarter, a 13-week period for Grill Concepts, total revenues increased to \$26.9 million from \$23.6 million in the prior-year period, which was a 14-week period for the company. Sales at company-owned restaurants equaled \$18.1 million, and management and license fees totaled \$727,000 in the fourth quarter of 2007. In the fiscal 2006 fourth quarter, company-owned restaurant sales equaled \$18.3 million, and management and license fees were \$725,000.

As previously announced, consolidated same-store sales increased 0.2 percent for the fourth quarter of fiscal 2007, based on a 13-week comparison. Grill Concepts' fiscal 2007 fourth quarter was a 13-week period which included the Christmas day closure of nearly 80 percent of its company-owned restaurants. The comparable 13-week period of fiscal 2006 fourth quarter ended December 24, 2006 and, therefore, does not reflect the impact of Christmas day closures. Based on a 12-week comparison, consolidated same-store sales increased 1.9 percent over the fourth quarter of fiscal 2006, with *The Grill on the Alley* and *Daily Grill* restaurants posting comparable sales gains of 1.9 percent and 2.0 percent, respectively.

For the full 2007 fiscal year, which was a 52-week period, total revenues rose 14.8% to \$92.8 million, with sales at company-owned restaurants up 8.6% to \$68.0 million and management and license fees up 19.0% to \$2.4 million, over fiscal 2006. For the 53-week fiscal 2006 year, total revenues equaled \$80.8 million, with sales at company-owned restaurants at \$62.7 million and management and license fees totaling \$2.1 million.

(more)

Based on a 52-week comparison, the company's consolidated same-store sales increased 7.4 percent for fiscal 2007, with *The Grill on the Alley* restaurants recording 11.7 percent gains and the *Daily Grill* restaurants posting 4.7 gains over fiscal 2006.

"As the first full year since initiating our accelerated expansion strategies, 2007 was certainly a tremendous year of achievements for Grill Concepts" said Philip Gay, chief executive officer. "During the year, we completed the first major equity financing in the company's history bringing in \$14.1 million to fuel our accelerated pace of growth. Reflecting the progress being made with the company's reinvigorated growth goals, we opened four new *Daily Grill* restaurants and refurbished three of our older restaurants, which are now all contributing to the company's overall revenue gains."

Earnings before interest, taxes, depreciation and amortization (EBITDA), before pre-opening costs and minority interest, totaled \$236,000 in the 2007 fiscal fourth quarter and \$2.6 million for the full fiscal 2007 year. For the respective fiscal 2006 periods, EBITDA before pre-opening costs, minority interest and contract termination costs totaled \$1.2 million for the fourth quarter and \$3.5 million for the full year.

For the fiscal 2007 fourth quarter, the company posted a net loss applicable to common stock of \$859,000, or \$0.13 per share, which included pre-opening costs of \$601,000 and a tax benefit of \$352,000. In the prior-year period, Grill Concepts posted net income applicable to common stock of \$1.2 million, or \$0.19 per diluted share, which included a tax benefit of \$840,000 and no pre-opening costs.

For the full fiscal 2007 year, the company sustained a net loss applicable to common stock of \$1.3 million, or \$0.18 per share, including a tax benefit of \$483,000 and pre-opening expenses of \$1.4 million. This compares with net income applicable to common stock of \$1.3 million, or \$0.20 per diluted share, for the fiscal 2006 year, a tax benefit of \$4.5 million attributable to the reversal of the majority of the company's valuation allowance with respect to deferred tax assets, pre-opening expenses of \$483,000, and a non-recurring contract termination expense of \$3.1 million related to the purchase of certain contractual rights held by Hotel Restaurant Properties, Inc.

"We are well on track with our stated goals of opening four to six new restaurants each year," Gay said. "We have already announced the planned openings of eight company-owned restaurants and one managed restaurant through 2009. These include *Daily Grill* restaurant debuts in Boston, Dallas, Phoenix, Tulsa and Annapolis, as well as in-filling our penetration in Southern California at the Westin LAX hotel. In addition, we have signed two leases for our flagship *The Grill on the Alley* restaurant, one in Westlake Village, California and the other in the renowned Aventura Mall in northeast Miami-Dade County, Florida.

“We were also very excited to have launched our third branded concept, *In Short Order – Daily Grill* in the Seattle Sheraton in February of 2008. Newly developed as an upscale, quick casual concept, this concept augments our presence in the 1,253-room hotel, where our *Daily Grill* restaurant, which serves breakfast, lunch and dinner, provides room service for the hotel guests and services the hotel lobby lounge, is expected to be our largest grossing *Daily Grill* to date,” Gay said. “We believe all of the successes achieved in 2007 point to a promising future for our company, and we look forward to continued progress with our expansion plans.”

### **Investor Conference Call**

Management of Grill Concepts will host an investor conference call today at 10 a.m. PT (1 p.m. ET) to review the financial results. Investment professionals are invited to participate in the live call by dialing 877 675 4750 (domestic) or 719-325-4906 (international). The call will be open to all other interested parties through a live, listen-only audio Internet broadcast in the Investor Relations section of the company’s Web site, [www.dailygrill.com](http://www.dailygrill.com), and [www.earnings.com](http://www.earnings.com). For those who are not available to listen to the live broadcast, the call will be archived for one year at both Web sites. A telephonic playback of the conference call also will be available from approximately 1 p.m. PT on April 4, 2008 through April 11, 2008, by calling 888 203 1112 (domestic) or 719-457-0820 (international) using replay passcode 5421529.

### **About Grill Concepts, Inc.**

Grill Concepts owns, manages and licenses upscale casual and fine dining, full service restaurants under two core brand names: *The Grill on the Alley* and *Daily Grill*; as well as a newly launched quick casual concept named *In Short Order – Daily Grill*. The company operates 29 restaurants including five *The Grill on the Alley*-branded restaurants in Beverly Hills, Hollywood and San Jose, California; Chicago, Illinois; and Dallas, Texas; 23 *Daily Grill* restaurants in California; the Washington, D.C. metropolitan region; Houston and Austin, Texas; Portland, Oregon; Memphis, Tennessee and Seattle, Washington; as well as one *In Short Order – Daily Grill* in Seattle, Washington.

### **Non-GAAP Financial Measure**

The company believes that EBITDA, although a non-GAAP measure, provides greater comparability regarding its ongoing operating performance. However, EBITDA should not be considered an alternative to measurements required by accounting principles generally accepted in the United States (“U.S. GAAP”). A reconciliation of the company’s U.S. GAAP information to EBITDA is provided in the attached table.

Grill Concepts, Inc.

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*This news release contains forward-looking statements, which are based on current operations, plans and expectations. Such statements include, but are not limited to, the company's ability to continue expanding its restaurant network, projected opening dates of restaurants and projected opening dates of restaurants currently under letters of intent and the expected construction cost of planned openings. Actual results may differ materially from these statements due to risks and uncertainties beyond the company's control, which are detailed from time to time in its filings with the United States Securities and Exchange Commission.*

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(tables follow)

**GRILL CONCEPTS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>December 30,</b>	<b>December 31,</b>	<b>December 30,</b>	<b>December 31,</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	(unaudited)			
Revenues:				
Sales	\$ 18,121	\$ 18,284	\$ 68,019	\$ 62,650
Cost reimbursements	8,075	4,537	22,291	16,072
Management and license fees	<u>728</u>	<u>725</u>	<u>2,444</u>	<u>2,054</u>
Total revenues	26,924	23,546	92,754	80,776
Operating expenses:				
Cost of sales	5,284	5,188	19,548	17,764
Restaurant operating	10,871	10,747	40,672	37,291
Reimbursed costs	8,075	4,537	22,291	16,072
General and administrative	2,458	1,849	7,633	6,154
Depreciation and amortization	911	670	2,627	2,325
Pre-opening costs	602	-	1,401	483
Gain on sale of assets		(20)	-	(20)
Contract termination cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,101</u>
Total operating expenses	28,201	22,971	94,172	83,170
Income (loss) from operations	(1,277)	575	(1,418)	(2,394)
Interest, net	28	(61)	(164)	(258)
Debt extinguishment costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(279)</u>
Income (loss) before benefit for income taxes and minority interest	(1,249)	514	(1,582)	(2,931)
Benefit for income taxes	<u>352</u>	<u>840</u>	<u>483</u>	<u>4,489</u>
Income (loss) before minority interest	(897)	1,354	(1,099)	1,558
Minority interest in net profit of subsidiaries	<u>38</u>	<u>(119)</u>	<u>(201)</u>	<u>(254)</u>
Net income (loss)	(859)	1,235	(1,300)	1,304
Preferred dividends accrued	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>(50)</u>
Net income (loss) applicable to common stock	<u>\$ (859)</u>	<u>\$ 1,223</u>	<u>\$ (1,300)</u>	<u>\$ 1,254</u>
Net income (loss) per share applicable to common stock:				
Basic	<u>\$ (0.13)</u>	<u>\$ 0.19</u>	<u>\$ (0.18)</u>	<u>\$ 0.21</u>
Diluted	<u>\$ (0.13)</u>	<u>\$ 0.19</u>	<u>\$ (0.18)</u>	<u>\$ 0.20</u>
Weighted-average shares outstanding:				
Basic	<u>8,788</u>	<u>6,350</u>	<u>7,408</u>	<u>6,093</u>
Diluted	<u>8,788</u>	<u>6,577</u>	<u>7,408</u>	<u>6,323</u>

**GRILL CONCEPTS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF NON-U.S. GAAP MEASURES TO U.S. GAAP**  
(in thousands)  
(unaudited)

The following table sets forth the reconciliation of net income (loss) to earnings before interest, taxes, depreciation and amortization (EBITDA), before pre-opening costs, minority interest and contract termination costs:

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>December 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>	<u>December 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Net income (loss)	\$ (859)	\$ 1,235	\$ (1,300)	\$ 1,304
Add:				
Interest expense, net	(28)	61	164	258
Debt extinguishment costs	-	-	-	279
Benefit for income taxes	(352)	(840)	(483)	(4,489)
Depreciation and amortization	911	670	2,627	2,325
Pre-opening costs	602	-	1,401	483
Minority interest	(38)	119	201	254
Contract termination costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,101</u>
EBITDA	<u>\$ 236</u>	<u>\$ 1,245</u>	<u>\$ 2,610</u>	<u>\$ 3,515</u>