

## NEWS RELEASE

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### GRILL CONCEPTS REPORTS 2008 SECOND QUARTER FINANCIAL RESULTS

**WOODLAND HILLS, Calif. – August 11, 2008** – Grill Concepts, Inc. (NASDAQ:GRIL) today reported financial results for its three- and six-month periods ended June 29, 2008.

Total revenues for the fiscal 2008 second quarter grew 7.6 percent to \$24.5 million from \$22.8 million in the prior-year period. Sales at company-owned restaurants for the current second quarter rose 4.3 percent to \$17.7 million from \$16.9 million for the three months ended July 1, 2007. Management and license fees amounted to \$797,000, up 39.3 percent over \$572,000 in the fiscal 2007 second quarter.

For the first six months of fiscal 2008, total revenues increased 11.4 percent to \$49.6 million from \$44.5 million in the corresponding prior-year period. Sales at company-owned restaurants year-to-date grew 4.8 percent to \$35.6 million from \$34.0 million for the first half of fiscal 2007. Management and license fees rose 30.4 percent to \$1.4 million from \$1.1 million in the fiscal 2007 six-month period.

“The growth in our revenues demonstrates solid progress being made with the company’s accelerated expansion strategy,” said Philip Gay, president and chief executive officer. “At the same time, our restaurants have not been immune to the increasingly difficult economic environment that has adversely impacted the hospitality sector and discretionary consumer spending. As with many other restaurant brands, our *The Grill on the Alley* and *Daily Grill* restaurant concepts posted declines in same-store sales when compared with the year-ago periods. While we are never pleased to report negative comparative sales, we do recognize that we were up against the headwinds of extremely strong consolidated same-store sales of 10.6 percent in the year-ago second quarter, as well as the challenging macroeconomic environment.”

Consolidated same-store sales declined 6.3 percent for the second quarter of fiscal 2008 and 5.0 percent year-to-date. Same-store sales at *The Grill on the Alley*-branded restaurants narrowed by 3.6 percent and 2.7 percent, respectively, for the current three- and six-month periods. Comparable restaurant sales at the *Daily Grill* restaurants were down 7.9 percent and 6.4 percent, respectively for the fiscal 2008 second quarter and six months. As previously reported, the company’s three *Daily Grill* locations in Orange County and adjacent in California have been heavily impacted by issues related to the subprime mortgage industry. Excluding these three restaurants, consolidated same-store sales at the company’s

(more)

*Daily Grill* restaurants narrowed by only 6.2 percent and 3.9 percent, respectively, for the three-and six-months ended June 29, 2008.

Gay said cost containment measures implemented at the beginning of the second quarter helped to reduce general and administrative expenses. However, these savings were offset by higher preopening costs and increased depreciation and amortization due to the company's expansion. In addition, the company accrued a litigation settlement expense of \$780,000, equal to \$0.05 per share, net of tax, associated with an ongoing class-action lawsuit.

For the three months ended June 29, 2008, the company posted a net loss applicable to common stock of \$993,000, equal to \$0.11 per share, compared with a net loss applicable to common stock of \$39,000, or \$0.01 per share, for the fiscal 2007 second quarter.

For the year-to-date period, the company posted a net loss applicable to common stock of \$1.1 million, equal to \$0.13 per share, compared with net income applicable to common stock of \$142,000, or \$0.02 per diluted share, for the first half of fiscal 2007.

Earnings before interest, taxes, depreciation and amortization (EBITDA), before pre-opening costs, minority interest and litigation claim settlement was \$494,000 in the 2008 fiscal second quarter, compared with \$755,000 in the second quarter a year ago. For the year-to-date period, EBITDA, before pre-opening costs, minority interest and litigation claim settlement accruals, totaled \$1.4 million, compared with \$1.9 million in the first six months of fiscal 2007.

During the current second quarter, the company opened its first *Daily Grill*-branded restaurant in the New England market at The Shops at Prudential Center in Boston. The company-owned Boston *Daily Grill* is the second of five planned restaurant openings in 2008, including anticipated third- and fourth-quarter openings of a *Daily Grill* restaurant in the Tulsa Crowne Plaza, in Tulsa, Oklahoma, and *Grill on the Alley* restaurants in the Westlake Promenade in Thousand Oaks, California and in the internationally renowned Aventura Mall located in northeastern Miami-Dade County, Florida. The company said it will close its managed *Daily Grill* restaurant in Memphis, Tennessee, during September 2008, following a mutual agreement with the Westin Beale Street Hotel.

“Given the weak economic environment, we are placing additional focus on cost controls throughout our organization,” Gay said. “At the same time, quality is always in demand, so we are continuing to move forward in a prudent manner with our expansion plans, taking a more cautious stance and being all the more careful in selecting our new locations.”

## **Investor Conference Call**

Management of Grill Concepts will host an investor conference call today at 2 p.m. PT (5 p.m. ET) to review the financial results. Investment professionals are invited to participate in the live call by dialing 877-548-7914 (domestic) or 719-325-4848 (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). For those who are not available to listen to the live broadcast, the call will be archived for one year. A telephonic playback of the conference call also will be available from approximately 4 p.m. PT on August 11, 2008 through August 15, 2008, by calling 888-203-1112 (domestic) or 719-457-0820 (international) using replay passcode 7199406.

## **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 30 restaurants including five *The Grill on the Alley*-branded restaurants in Beverly Hills, Hollywood and San Jose, California; Chicago, Illinois; and Dallas, Texas; 24 *Daily Grill* restaurants in California; the Washington, D.C. metropolitan region; Houston and Austin, Texas; Portland, Oregon; Memphis, Tennessee; Seattle, Washington and Boston, Massachusetts; 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.

*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**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(dollars in thousands, except per share data)

(unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 29, 2008</u>	<u>July 1, 2007</u>	<u>June 29, 2008</u>	<u>July 1, 2007</u>
Revenues:				
Sales	\$ 17,676	\$ 16,941	\$ 35,624	\$ 33,978
Cost reimbursements	6,052	5,271	12,589	9,468
Management and license fees	797	572	1,382	1,060
Total revenues	<u>24,525</u>	<u>22,784</u>	<u>49,595</u>	<u>44,506</u>
Operating expenses:				
Cost of sales	5,048	4,882	10,164	9,746
Restaurant operating	11,176	10,036	21,789	19,978
Reimbursed costs	6,052	5,271	12,589	9,468
General and administrative	1,755	1,840	3,698	3,368
Depreciation and amortization	903	546	1,724	1,102
Pre-opening costs	543	118	717	244
Litigation claim settlement	780	-	780	-
Total operating expenses	<u>26,257</u>	<u>22,693</u>	<u>51,461</u>	<u>43,906</u>
Income (loss) from operations	(1,732)	91	(1,866)	600
Interest expense, net	(135)	(118)	(147)	(185)
Income (loss) before benefit (provision) for income taxes and minority interest	(1,867)	(27)	(2,013)	415
Benefit (provision) for income taxes	769	12	835	(165)
Minority interest in net loss (profit) of subsidiaries	105	(24)	47	(102)
Net income (loss)	(993)	(39)	(1,131)	148
Preferred dividends accrued	-	-	-	(6)
Net income (loss) applicable to common stock	<u>\$ (993)</u>	<u>\$ (39)</u>	<u>\$ (1,131)</u>	<u>\$ 142</u>
Net income (loss) per share applicable to common stock:				
Basic	<u>\$ (0.11)</u>	<u>\$ (0.01)</u>	<u>\$ (0.13)</u>	<u>\$ 0.02</u>
Diluted	<u>\$ (0.11)</u>	<u>\$ (0.01)</u>	<u>\$ (0.13)</u>	<u>\$ 0.02</u>
Weighted-average shares outstanding:				
Basic	<u>8,798</u>	<u>6,496</u>	<u>8,796</u>	<u>6,458</u>
Diluted	<u>8,798</u>	<u>6,496</u>	<u>8,796</u>	<u>6,833</u>

**GRILL CONCEPTS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF NON-U.S. GAAP MEASURES TO U.S. GAAP**

(dollars 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 litigation claim settlement:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 29,</u> <u>2008</u>	<u>July 1,</u> <u>2007</u>	<u>June 29,</u> <u>2008</u>	<u>July 1,</u> <u>2007</u>
Net income (loss)	\$ (993)	\$ (39)	\$ (1,131)	\$ 148
Add:				
Interest, net	135	118	147	185
Benefit (provision) for income taxes	(769)	(12)	(835)	165
Depreciation and amortization	903	546	1,724	1,102
Pre-opening costs	543	118	717	244
Minority interest	(105)	24	(47)	102
Litigation claim settlement	<u>780</u>	<u>-</u>	<u>780</u>	<u>-</u>
EBITDA (as defined)	<u>\$ 494</u>	<u>\$ 755</u>	<u>\$ 1,355</u>	<u>\$ 1,946</u>