



PondelWilkinson

Investor Relations  
Corporate/Financial Communications

PondelWilkinson Inc.  
1880 Century Park East, Suite 700  
Los Angeles, CA 90067

T (310) 279 5980  
F (310) 279 5988  
W [www.pondel.com](http://www.pondel.com)

CONTACTS:

Wayne Lipschitz  
Chief Financial Officer  
Grill Concepts, Inc.  
(310) 820-5559, ext. 231

Angie Yang / Roger Pondel  
PondelWilkinson Inc.  
(310) 279-5980  
[investor@pondel.com](mailto:investor@pondel.com)

NEWS  
RELEASE

**GRILL CONCEPTS REPORTS 22% INCREASE IN TOTAL REVENUES  
FOR 2007 SECOND QUARTER**

**-- Q2 2007 Same-Store Sales Up 21.9% at Grill on the Alley  
and 5.2% at Daily Grill Restaurants --**

**Los Angeles, California – August 17, 2007** – Grill Concepts, Inc. (NASDAQ:GRIL), which operates *The Grill on the Alley* and *Daily Grill*-branded restaurants, today reported sharply higher revenues for its second quarter and six months ended July 1, 2007, reflecting strong same-store sales increases and continued progress with the company's accelerated expansion strategy.

For the fiscal 2007 second quarter, total revenues rose 21.7% to \$22.8 million over the prior-year period, with sales at company-owned restaurants up 16.7% to \$16.9 million and management and license fees up 36.8% to \$572,000. In the fiscal 2006 second quarter, the company reported total revenues of \$18.7 million, company-owned restaurant sales of \$14.5 million and management and license fees of \$418,000.

Same-store sales grew 10.6% in the three months ended July 1, 2007. The *Grill on the Alley* restaurants delivered an exceptional 21.9% increase in comparable restaurant sales, reflecting both increased guest counts and check averages. The company's *Daily Grill* restaurants posted a 5.2% gain in same-store sales.

For the six months ended July 1, 2007, total revenues rose 17.0% to \$44.5 million from \$38.0 million. Sales at company-owned restaurants grew 14.9% to \$34.0 million from \$29.6 million in the fiscal 2006 first half. Management and license fees for the year-to-date period increased 26.5% percent to \$1.1 million from \$838,000 in the first six months of fiscal 2006.

Year-to-date, the company's same-store sales increased 9.5% over the prior-year first half, with the *Grill on the Alley* and *Daily Grill* restaurants posting gains of 16.0% and 6.3%, respectively.

Los Angeles  
New York  
Boston  
Portland

(more)

“These strong sales gains reflect the growing strength and popularity of our freshly-prepared classic American grill fare under both of our branded restaurant concepts,” said Philip Gay, chief executive officer. “Contributing to our revenue gains is the ongoing execution of our accelerated growth strategies and new restaurant openings, including our Dallas *Grill on the Alley* in July 2006, Memphis *Daily Grill* in April 2007 and Seattle *Daily Grill* in June 2007. Subsequent to the close of the second quarter, we also opened the doors to our Austin *Daily Grill* in July 2007, marking our third new restaurant of 2007, and we look forward to our Fresno *Daily Grill* opening later this year.”

During the quarter, the company executed leases for new *Daily Grill* restaurants in Fresno, California; Tulsa, Oklahoma; and Boston, Massachusetts, the latter two of which are expected to open during the first half of 2008. These are in addition to already executed leases for *Daily Grill* restaurant openings in North Dallas, Texas and Phoenix, Arizona scheduled for late 2008.

Earnings before interest, taxes, depreciation and amortization (EBITDA), before pre-opening costs and minority interest, totaled \$755,000 in the 2007 fiscal second quarter, compared with \$566,000 in the prior-year period. For the current year-to-date period, EBITDA, before pre-opening costs and minority interest, grew to \$1.9 million from \$1.7 million in the first half of fiscal 2006.

For the fiscal 2007 second quarter, the company posted a net loss applicable to common stock of \$39,000, or \$0.01 per share. In the same period a year ago, Grill Concepts reported net income applicable to common stock of \$1.5 million, or \$0.23 per diluted share, which included a \$2.0 million tax benefit related to the reversal of the majority of the company’s valuation allowance with respect to deferred tax assets.

For the first six months of fiscal 2007, net income applicable to common stock totaled \$142,000, or \$0.02 per diluted share. This compared with net income applicable to common stock of \$2.0 million, or \$0.31 per diluted share, including the above mentioned tax benefit.

During the fiscal 2007 second quarter and as previously announced, Grill Concepts paid \$3.0 million and completed its 2006 asset purchase and sale agreement with Hotel Restaurant Properties, Inc. and certain affiliates (collectively “HRP”), acquiring certain rights and interests of HRP related to the operation of restaurants in hotels.

In July 2007, the company announced it completed a private placement offering of common stock and warrants to institutional and other accredited investors, raising gross proceeds of approximately \$14.1 million. Grill Concepts utilized approximately \$6.8 million of the net proceeds to pay off the balance owed under its senior revolving credit facility, which included amounts borrowed under that facility to pay the outstanding HRP

obligation in June 2007. The company intends to use the balance of the net proceeds of the offering to fund its restaurant expansion program and for general working capital purposes.

“The completion of our HRP agreement and our private placement offering provide a more simplified organizational structure and greater financial flexibility to continue pursuing our accelerated growth strategies,” Gay said. “I am particularly pleased that while these transactions occupied a considerable amount of management’s time and efforts, our team continued to drive strong revenue gains. With a significantly enhanced management team that is reinvigorated by our strong sales momentum and two under-penetrated proven brands, we are excited more-than-ever about the prospects for our company as we continue to introduce the *Grill on the Alley* and *Daily Grill* restaurant concepts to more customers in both new and existing geographic markets in the near future.”

#### **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*. The company operates 27 restaurants including five *The Grill on the Alley*-branded restaurants in Beverly Hills, Hollywood, San Jose, California; Chicago, Illinois; and Dallas, Texas, as well as 22 *Daily Grill* restaurants in Southern and Northern California; the Washington, D.C. metropolitan region; Houston and Austin, Texas; Portland, Oregon; Memphis, Tennessee; and 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 and projected opening dates of restaurants. 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 the company’s filings with the United States Securities and Exchange Commission.*

# # #

(tables follow)

**GRILL CONCEPTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)  
(unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 1, 2007</b>	<b>June 25, 2006</b>	<b>July 1, 2007</b>	<b>June 25, 2006</b>
<b>Revenues:</b>				
Sales	\$ 16,941	\$ 14,512	\$ 33,978	\$ 29,574
Cost reimbursements	5,271	3,796	9,468	7,614
Management and license fees	<u>572</u>	<u>418</u>	<u>1,060</u>	<u>838</u>
Total revenues	22,784	18,726	44,506	38,026
<b>Operating expenses:</b>				
Cost of sales	4,882	4,104	9,746	8,278
Restaurant operating	10,036	8,658	19,978	17,598
Reimbursed costs	5,271	3,796	9,468	7,614
General and administrative	1,840	1,621	3,368	2,862
Depreciation and amortization	546	530	1,102	1,061
Pre-opening costs	118	124	244	124
Gain on sale of assets	-	(19)	-	(19)
Total operating expenses	<u>22,693</u>	<u>18,814</u>	<u>43,906</u>	<u>37,518</u>
Income (loss) from operations	91	(88)	600	508
Interest, net	(118)	(86)	(185)	(107)
Debt extinguishment costs	<u>-</u>	<u>(279)</u>	<u>-</u>	<u>(279)</u>
Income (loss) before benefit (provision) for income taxes and minority interest	(27)	(453)	415	122
Benefit (provision) for income taxes	<u>12</u>	<u>2,043</u>	<u>(165)</u>	<u>1,975</u>
Income (loss) before minority interest	(15)	1,590	250	2,097
Minority interest in net profit of subsidiaries	<u>(24)</u>	<u>(80)</u>	<u>(102)</u>	<u>(105)</u>
Net income (loss)	(39)	1,510	148	1,992
Preferred dividends accrued	<u>-</u>	<u>(12)</u>	<u>(6)</u>	<u>(25)</u>
Net income (loss) applicable to common stock	<u>\$ (39)</u>	<u>\$ 1,498</u>	<u>\$ 142</u>	<u>\$ 1,967</u>
<b>Net income (loss) per share applicable to common stock:</b>				
Basic	<u>\$ (0.01)</u>	<u>\$ 0.26</u>	<u>\$ 0.02</u>	<u>\$ 0.34</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ 0.23</u>	<u>\$ 0.02</u>	<u>\$ 0.31</u>
<b>Weighted-average shares outstanding:</b>				
Basic	<u>6,496</u>	<u>5,837</u>	<u>6,458</u>	<u>5,795</u>
Diluted	<u>6,496</u>	<u>6,457</u>	<u>6,833</u>	<u>6,415</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 and minority interest:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2007</u>	<u>June 25, 2006</u>	<u>July 1, 2007</u>	<u>June 25, 2006</u>
Net income (loss)	\$ (39)	\$ 1,510	\$ 148	\$ 1,992
Add:				
Interest expense, net	118	86	185	107
Debt extinguishment costs	-	279	-	279
Income taxes	(12)	(2,043)	165	(1,975)
Depreciation and amortization	546	530	1,102	1,061
Pre-opening costs	118	124	244	124
Minority interest	<u>24</u>	<u>80</u>	<u>102</u>	<u>105</u>
EBITDA	<u>\$ 755</u>	<u>\$ 566</u>	<u>\$ 1,946</u>	<u>\$ 1,693</u>