

# GRILL CONCEPTS, INC.

## NEWS RELEASE

### CONTACTS:

Wayne Lipschitz  
Chief Financial Officer  
Grill Concepts, Inc.  
(818) 251-7070

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

### GRILL CONCEPTS REPORTS 2008 FOURTH QUARTER, FULL YEAR RESULTS

**WOODLAND HILLS, Calif. – November 5, 2009** – Grill Concepts, Inc. (Pink Sheets: GLLC), operators of *The Grill on the Alley* and *Daily Grill*-branded restaurants and the *In Short Order – Daily Grill* quick casual concept, today reported financial results for its fiscal fourth quarter and full year ended December 28, 2008.

For the 2008 fiscal fourth quarter, sales at company-owned restaurants totaled \$18.2 million, compared with \$18.1 million in the prior-year period. Management and license fees rose to \$1.2 million from \$728,000 in the fiscal 2007 fourth quarter. Total revenues for the fiscal 2008 fourth quarter, including cost reimbursements for managed operations, equaled \$22.6 million, compared with \$26.9 million in the same period a year ago.

For the full 2008 year, sales at company-owned restaurants increased to \$70.5 million from \$68.0 million in the prior year. Management and license fees totaled \$3.5 million, compared with \$2.4 million in 2007. Management fee revenues earned in 2008 include \$0.6 million recorded in the fourth quarter related to the sale of the Seattle lobby bar operation to the Seattle Sheraton hotel. Total revenues for 2008, including cost reimbursements for managed operations, rose to \$96.6 million from \$92.8 million a year earlier.

Consolidated comparable sales declined 14.7 percent for the fourth quarter of fiscal 2008 and 7.1 percent for the full year. Fourth quarter and full year comparable sales fell 15.3 percent and 6.4 percent, respectively, at *The Grill on the Alley*-branded restaurants and narrowed 13.9 percent and 7.8 percent, respectively, at the *Daily Grills*.

During the fiscal 2008 fourth quarter, Grill Concepts opened its seventh *Grill on the Alley*-branded restaurant in the Aventura Mall located in northeastern Miami-Dade County, Florida, marking the company's fifth new opening for 2008. Other restaurants opened during 2008 include *Daily Grill*-branded restaurants in Tulsa, OK in August and in Boston, MA in May; a *Grill on the Alley* in Thousand Oaks, CA in September; and an *In Short Order – Daily Grill* in Seattle, WA in February. The company effectively ended its management agreement for the Memphis *Daily Grill* in September. As of December 28, 2008, the company operated a total 32 restaurants, including seven *The Grill on the Alley*-branded restaurants, 24 *Daily Grill* restaurants and one *In Short Order – Daily Grill*.

For the 2008 fiscal fourth quarter, Grill Concepts incurred a net loss applicable to common stock of \$4.5 million, equal to \$0.51 per share, which included a \$2.8 million non-cash impairment charge

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related to a decline in the fair market value of furniture, equipment and improvements relative to the carrying value of four restaurant locations. In the fiscal 2007 fourth quarter, the company sustained a net loss applicable to common stock of \$859,000, or \$0.13 per share.

Earnings before interest, taxes, depreciation and amortization (EBITDA), before preopening costs, minority interest, stock based compensation, impairments, abandoned project expenses and litigation settlement accruals totaled \$626,000 for the fiscal 2008 fourth quarter versus \$351,000 the fiscal 2007 fourth quarter.

In addition to the non-cash impairment charge noted above, the company's full-year results reflect two non-recurring operating expenses and an unusually high income tax provision, as previously discussed. These include restructuring expenses of \$1.8 million, equal to \$0.20 per share, related to abandoned projects; litigation settlement expense of \$1.1 million, equal \$0.13 per share; and an income tax provision of \$5.6 million, equal to \$0.64 per share. The higher-than-usual tax provision was due to a full valuation allowance against net deferred tax assets in accordance with Financial Accounting Standards Board Interpretation No. 48, given the company's recent operational performance and uncertainties surrounding the realization of cumulative net operating losses, which was recognized in the 2008 fiscal third quarter.

Including these non-core operating charges, the company recorded a net loss applicable to common stock of \$16.7 million, equal to \$1.90 per share, for 2008 based on 8.8 million weighted-average shares outstanding. This compares with a net loss applicable to common stock of \$1.3 million, equal to \$0.18 per share, based on 7.4 million weighted-average shares outstanding, for 2007.

EBITDA before preopening costs, minority interest, stock based compensation, impairments, abandoned project expenses and litigation settlement accruals totaled \$1.6 million for 2008, versus EBITDA before preopening costs, minority interest and stock based compensation in 2007 of \$3.0 million.

"These financial results exemplify the challenging macroeconomic environment and its adverse impact on our consumers and their discretionary spending habits, particularly in the fourth quarter when the economy deteriorated at such an alarming pace," said Philip Gay, president and chief executive officer. "We are gratified that the corporate actions taken in 2008 helped to enhance our business and financial condition from which we plan to emerge in a stronger position at a more opportune time."

As a continuation of these actions, in February of 2009, the company filed notices of its intent to voluntarily delist its common stock and to withdraw the registration of its stock with the Securities and Exchange as a means to reduce the costs associated with its public reporting obligations. In March of 2009, a Special Meeting was called to order at which the company's Stockholders ratified proposals to amend Grill Concepts' certificate of incorporation to effect a 1-for-35 reverse stock split, followed immediately by a 35-for-1 forward stock split, subsequent to which the company voluntarily ceased trading its shares on the NASDAQ stock market and discontinued reporting as a public company.

“With a right-sized organizational expense structure given the current business conditions and a close eye on containing costs, we remain committed to extending a strong value proposition to our shareholder base,” Gay said. “More than ever, our entire team is focused on providing fresh, quality food daily with the absolute best in service. Quality and value will always prevail. Accordingly, we continue to be confident that our tried and tested restaurant brands will overcome the current economic downturn.”

### **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 seven *The Grill on the Alley*-branded restaurants in Beverly Hills, Hollywood, San Jose and Westlake Village, California; Chicago, Illinois; and Dallas, Texas; and Aventura, Florida; 22 *Daily Grill* restaurants in California; the Washington, D.C. metropolitan region; Houston and Austin, Texas; Portland, Oregon; Seattle, Washington; Boston, Massachusetts; and Tulsa, Oklahoma; 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 plans to refuel its expansion when the economy rebounds. 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)

	Three Months Ended		Year Ended	
	December 28, 2008	December 30, 2007	December 28, 2008	December 30, 2007
Revenues:				
Sales	\$ 18,192	\$ 18,121	\$ 70,491	\$ 68,019
Cost reimbursements	3,143	8,075	22,621	22,291
Management and license fees	1,241	728	3,469	2,444
Total revenues	<u>22,576</u>	<u>26,924</u>	<u>96,581</u>	<u>92,754</u>
Operating expenses:				
Cost of sales	5,238	5,284	20,292	19,548
Labor	7,106	6,468	26,421	24,509
Restaurant operating	3,255	3,104	12,365	11,193
Occupancy	1,364	1,299	5,596	4,970
Reimbursed costs	3,143	8,075	22,621	22,291
General and administrative	1,983	2,458	8,033	7,633
Depreciation and amortization	1,163	911	3,903	2,627
Preopening costs	895	602	2,468	1,401
Abandoned projects	61	—	1,758	—
Impairment of furniture fixtures and equipment	2,781	—	2,781	—
Litigation claim settlement	55	—	1,103	—
Total operating expenses	<u>27,044</u>	<u>28,201</u>	<u>107,341</u>	<u>94,172</u>
Loss from operations	(4,468)	(1,277)	(10,760)	(1,418)
Interest (expense) benefit, net	(261)	28	(580)	(164)
Loss before (provision) benefit for income taxes and minority interest	<u>(4,728)</u>	<u>(1,249)</u>	<u>(11,340)</u>	<u>(1,582)</u>
(Provision) benefit for income taxes	(158)	352	(5,627)	483
Loss before minority interest	<u>(4,886)</u>	<u>(897)</u>	<u>(16,967)</u>	<u>(1,099)</u>
Minority interest in net loss (profit) of subsidiaries	493	38	371	(201)
Net loss	<u>(4,393)</u>	<u>(859)</u>	<u>(16,596)</u>	<u>(1,300)</u>
Preferred dividends accrued	(125)	—	(125)	—
Net loss applicable to common stock	<u>\$ (4,518)</u>	<u>\$ (859)</u>	<u>\$ (16,721)</u>	<u>\$ (1,300)</u>
Net loss per share applicable to common stock:				
Basic	<u>\$ (0.51)</u>	<u>\$ (0.13)</u>	<u>\$ (1.90)</u>	<u>\$ (0.18)</u>
Diluted	<u>\$ (0.51)</u>	<u>\$ (0.13)</u>	<u>\$ (1.90)</u>	<u>\$ (0.18)</u>
Weighted-average shares outstanding:				
Basic	<u>8,808</u>	<u>8,788</u>	<u>8,800</u>	<u>7,408</u>
Diluted	<u>8,808</u>	<u>8,788</u>	<u>8,800</u>	<u>7,408</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 loss to loss before interest, taxes, depreciation and amortization (EBITDA), before preopening costs, minority interest, stock based compensation, impairment of furniture, equipment and improvements, abandoned projects and litigation claim settlement accruals:

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>December 28, 2008</u>	<u>December 30, 2007</u>	<u>December 28, 2008</u>	<u>December 30, 2007</u>
Net loss	\$ (4,393)	\$ (859)	\$ (16,596)	\$ (1,300)
Add (deduct):				
Stock based compensation	138	115	364	391
Depreciation and amortization	1,163	911	3,903	2,627
Preopening costs	895	602	2,468	1,401
Abandoned projects	61	-	1,758	-
Impairment of furniture, equipment and improvements	2,781	-	2,781	-
Litigation claim settlement	55	-	1,103	-
Interest, net	261	(28)	580	164
Provision (benefit) for income taxes	158	(352)	5,627	(483)
Minority interest	(493)	(38)	(371)	201
EBITDA (as defined)	<u>\$ 626</u>	<u>\$ 351</u>	<u>\$ 1,617</u>	<u>\$ 3,001</u>