

## Kona Grill Reports Second Quarter Results

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Second Quarter Same-Store Sales Increase 5.0%; Diluted EPS of \$0.05 ; Company Raises 2007 Earnings Guidance

Kona Grill, Inc. (Nasdaq: KONA), an American grill and sushi bar, reported results for its second quarter ended June 30, 2007.

### **Highlights for the second quarter of 2007 include:**

œ Opened restaurant in Troy, MI

œ Revenue increased 62.7% to \$19.3 million

œ Same-store sales increased 5.0%

œ Net income of \$0.3 million, or \$0.05 per diluted share, including non-cash stock-based compensation expense of \$0.1 million, or \$0.02 per diluted share

### **Highlights for the first six months of 2007 include:**

œ Revenue increased 58.5% to \$35.0 million

œ Same-store sales increased 3.4%

œ Net loss of (\$0.2) million, or (\$0.04) per diluted share, including non-cash stock-based compensation expense of \$0.3 million, or \$0.06 per diluted share

"Our solid second quarter performance underscores the strength of the Kona Grill brand, as strong openings at both our Austin and Troy restaurants, as well as 5.0% growth in same-store sales, contributed to above forecasted sales and profitability. For the balance of 2007 and beyond, we believe we can continue building long-term shareholder value through industry-leading operating margins," said Marcus E. Jundt, Chairman of the Board, President and Chief Executive Officer of Kona Grill.

### **Second Quarter Financial Results**

Revenue increased 62.7% to \$19.3 million during the second quarter of 2007 from \$11.9 million during the same period last year. Same-store sales increased 5.0%, reflecting increased customer traffic coupled with higher menu prices. In the second quarter of 2006, the Company experienced 5.8% growth in same-store sales.

Average weekly sales for the nine restaurants in the comparable base were \$99,083 during the second quarter of 2007, compared to \$94,348 in the prior year period. Average weekly sales for restaurants not in the comparable base that were open the entire quarter were \$82,815 during the second quarter this year compared to \$76,595 during the same quarter of 2006.

Net income for the second quarter of 2007 was \$0.3 million, or \$0.05 per diluted share, based upon 6.2 million diluted shares, versus net loss of (\$0.3) million or (\$0.05) per diluted share last year, based upon 5.8 million diluted shares.

### **First Six Months Financial Results**

Revenue increased 58.5% to \$35.0 million during the first half of 2007 from \$22.1 million in the same period last year. Same-store sales increased 3.4%. In the first half of 2006, the Company experienced 6.0% growth in same-store sales.

Net loss for the six months ended June 30, 2007 was (\$0.2) million, or (\$0.04) per diluted share based upon 5.9 million shares. This compares to a net loss of (\$1.2) million, or (\$0.21) per diluted share, based on 5.8 million diluted shares in the prior year period.

### **Financial Guidance**

For the third quarter of 2007, the Company expects revenue of \$18.7 million to \$19.1 million and a net loss of (\$0.1) million to net profit of \$0.2 million, or (\$0.02) to \$0.03 per share. This range includes the estimated impact of expensing non-cash stock-based compensation which is estimated to be \$0.02 to \$0.03 per diluted share for the third quarter of 2007.

For fiscal year 2007, the Company has narrowed its anticipated revenue guidance to \$72.5 million to \$73.5 million and anticipates an improved net loss per share of (\$0.17) to (\$0.07) versus prior guidance. This range includes the estimated impact of stock-based compensation, which is estimated to be \$0.10 to \$0.12 per diluted share in 2007. The Company anticipates opening an additional two new restaurants in fiscal year 2007 in Baton Rouge, LA and Stamford, CT during the fourth quarter.

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