

Kona Grill Reports Fourth Quarter and Full Year 2007 Results

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Fourth Quarter Revenues Increase 21.9%, Diluted EPS of (\$0.14) - Company Issues 2008 Guidance

Kona Grill, Inc. (Nasdaq: KONA), an American grill and sushi bar, today reported results for its fourth quarter and full year ended December 31, 2007.

Highlights for the fourth quarter of 2007 include:

Opened restaurants in Stamford, CT and Baton Rouge, LA bringing total to 18

Revenue increased 21.9% to \$18.1 million

Same-store sales decreased 0.8%

Restaurant operating profit increased 20.7% to \$3.3 million

Net loss of (\$0.9) million, or (\$0.14) per diluted share

Highlights for the full year of 2007 include:

Opened four new restaurants, resulting in 29% unit growth

Revenue increased 42.5% to \$72.3 million

Same-store sales increased 2.7%

Restaurant operating profit increased 39.9% to \$14.2 million

Net loss of (\$0.7) million, or (\$0.11) per diluted share

'Fourth quarter 2007 results reflect slightly weaker volumes than we had anticipated, as traffic slowed during the historically strong holiday season. On a full year basis, we continued to demonstrate the strength of the Kona Grill brand by adding four restaurants to our portfolio and by upholding industry-leading operating profit margins, despite well-known food and labor cost pressures. Looking ahead, our guidance reflects the current development schedule and its projected impact on our financial results, as well as a cautious outlook on consumer spending. Although the macro environment remains challenging, we believe our differentiated and affordable dining experience positions us well within the upscale casual dining sector,' said Marcus E. Jundt, Chief Executive Officer and President of Kona Grill.

Fourth Quarter Financial Results

As previously announced, revenue increased 21.9% to \$18.1 million during the fourth quarter of 2007 from \$14.8 million in the same period last year. The growth in revenue is attributable to additional revenue from six restaurants opened since October 2006, offset by a 0.8% decrease in same-store sales, primarily caused by lower sales volumes at two restaurants located in Arizona and one restaurant in Nevada.

Average weekly sales for the nine restaurants in the comparable base were \$90,039 during the fourth quarter of 2007, compared to \$90,791 in the prior year period. Average weekly sales for restaurants not in the comparable base that were open for the entire fourth quarter of 2007 were \$73,753, versus \$77,300 last year, a 4.6% decrease.

Net loss for the fourth quarter of 2007 was (\$0.9) million, or (\$0.14) per diluted share, based upon 6.3 million diluted shares, versus net loss of (\$1.1) million, or (\$0.19) per diluted share for the same period last year, based upon 5.8 million diluted shares.

Full Year 2007 Financial Results

Revenue increased 42.5% to \$72.3 million during 2007 from \$50.7 million last year, primarily as a result of \$20.3 million in additional revenue associated with the opening of nine restaurants since the second quarter of 2006, as well as a 2.7% increase in same-store sales.

Net loss for the year ended December 31, 2007 was (\$0.7) million, or (\$0.11) per diluted share, based upon 6.0 million diluted shares. This compares to a net loss of (\$2.7) million, or (\$0.47) per diluted share, based upon 5.8 million diluted shares, in the prior year.

Financial Guidance

For the first quarter of 2008, the Company expects revenue of \$18.5 million to \$19.0 million and a net loss of (\$0.4) million to (\$0.7) million, or a net loss per diluted share of (\$0.06) to (\$0.11).

For fiscal year 2008, the Company expects revenue of \$86 million to \$90 million and a net loss of \$(0.8) million to (\$1.8) million, or (\$0.12) to (\$0.27) per diluted share. The Company anticipates opening five new restaurants in 2008, including two in the second quarter, one in the third quarter, and two in the fourth quarter. The 2008 development schedule includes the previously announced restaurants in Gilbert, AZ, West Palm Beach, FL, Phoenix, AZ and two additional units to be announced later.

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