

GONDOLA GROUP LTD

Audited Results for the 52 weeks ended 1 July 2013

Strong Results; significant brand developments; positive trading momentum

Gondola Group, the UK's market leader in casual dining which operates PizzaExpress, Zizzi, ASK Italian and Byron, today announces its results for the 52 weeks ended 1 July 2013.

	2012* (£m)	2013 (£m)	Change (%)
Total Sales	580.1	604.2	+4.2
Restaurant Sales	566.3	590.2	+4.2
EBITDA	105.8	112.2	+6.0
Trading EBITDA**	99.9	112.2	+12.3%
EBITDA margin	18.2%	18.6%	+0.4 pts

* restated to 52 weeks ** excluding property income

Highlights:

- Strong performance across all brands with sales up 4.2% and trading EBITDA up 12.3%, from prior year
- Estate growth during the year with 21 openings in the UK and 11 internationally (including Shanghai, Jakarta, Kuwait City, Bahrain, Jordan, Dubai and Mumbai)
- Total estate now 752 sites; 696 in UK & Ireland and 56 international
- Substantial progress achieved across all brands:
 - PizzaExpress: positive momentum in UK and international expansion accelerated, with 477 sites now in operation globally
 - Zizzi: completed re-positioning, which is driving strong performance
 - ASK Italian: estate optimised, transformation well underway and delivering profit growth
 - Byron: breakout year including successful expansion outside London with strong openings in Oxford, Cambridge, Manchester and Liverpool
- Successful Amend & Extend completed with existing debt facilities extended to January 2018;
- Strong cash flows have enabled £22m of debt repayment. Leverage reduced to below 4.3x EBITDA, down from 6.3x when the business was taken private in 2007
- In the year to 30 June 2014, plans to open at least 35 new sites in the UK and to accelerate international growth with more openings in China/Hong Kong (taking total sites in that region to over 20 by the year end), India, Indonesia and the Middle East
- Early signs of recovery in the broader economy with Gondola well-placed for future growth

Commenting, Harvey Smyth, Chief Executive of Gondola Group said:

“We have delivered a good performance this year, with growth in sales, profits and margins, highlighting the strength and enduring appeal of our offer. Our performance continues to benefit from our outstanding brands, dedicated teams and exciting opportunities both in the UK and internationally.

“There are encouraging early signs of recovery in the trading backdrop and we are well-positioned to benefit from any further upturn in market conditions. Overall, we are confident of achieving further significant progress in the current year and the long-term growth drivers of our business remain compelling.”

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Overview

We delivered a strong performance, particularly in the second half of the year, with total sales up 4.2% to £604.2m which, combined with a tight focus on cost control, delivered a 6% increase in EBITDA to £112.2m. Trading EBITDA was up 12.3%.

During the year we consolidated our position as the market leader in casual dining, benefiting from the high quality and good value which our brands offer. Overall, there were signs of improvement in the consumer environment towards the end of the year on which we are well-positioned to capitalise.

Brand Strength

PizzaExpress

PizzaExpress delivered a good performance, gaining significant trading momentum both in the UK and internationally. 13 new UK sites were opened during the year and we maintain a strong pipeline of domestic growth, targeting 15-20 new UK openings per annum going forwards. We have continued to develop our promotional activity and partnership campaigns. These have become more targeted and efficient and are delivering greater returns.

During the year, innovation in the kitchen saw the introduction of our first Leggera salad, which builds on the success of our lower calorie Leggera pizza range. We also introduced Gluten Free options and added Calzone to our menu. PizzaExpress has already shown its ability to create value abroad and during the year we continued to invest in accelerating the growth of the international estate, and in preparatory work on other potential new markets. International openings during the year were: two sites in Shanghai; three sites in Jakarta; two sites in Kuwait City; Amwaj Island in Bahrain; Amman in Jordan; Dubai; and Mumbai.

Our ambition is for PizzaExpress to become the number one Western Casual Dining brand in our chosen international markets and we are proving the viability of this ambition through the success of our 56 overseas sites. We are particularly encouraged that four of our top 20 PizzaExpress restaurants ranked globally by sales volume are in Asia.

We were delighted to appoint Richard Hodgson as Chief Executive of PizzaExpress during the period. Richard brings with him exceptional experience in the food industry, which will be beneficial to PizzaExpress during this exciting phase of its growth.

Zizzi

The brand repositioning of Zizzi is now substantially complete and the transformed estate is delivering outstanding results in terms of both financial performance and customer feedback. Our innovative menus, distinctive and contemporary design and charismatic service create a highly compelling customer proposition, with an estate which is now well invested and performing strongly. Against this backdrop, we opened seven new sites this year and will continue to roll-out more sites across the UK in the year ahead.

ASK Italian

It has also been a year of progress for ASK Italian, with the business continuing to make good headway in its transformation programme to establish an updated and more

differentiated customer offering. During the year, we undertook a review of the estate to focus on those restaurants which will perform most successfully under the new ASK Italian model. As a result, we slimmed the estate down so that ASK Italian now has a sustainable platform for medium and long-term performance.

Byron

This year was a break-out year for Byron, during which it built on its rapid and significant success in London with the opening of regional sites in Oxford, Cambridge, Manchester and Liverpool - all of which are trading strongly. A total of 10 new sites were opened during the year and this rapid pace of growth is set to continue with a well advanced pipeline of openings for the current year. To support this expansion programme, the Byron management team has been strengthened with the appointment of full time Finance and Property Directors.

Investment in Brands

During the year we maintained our commitment to investing in our brands for their long-term, sustainable growth.

We opened a total of 21 new sites in the UK during the year, in addition to investing in 10 conversions between brands to deliver better returns. We also invested significantly in the quality of our estate as part of our programme of brand transformations and refurbishments, ensuring that our restaurants remain stylish and inviting environments for our customers.

Capital Structure

Since the period end, we further bolstered our financial position through the extension of our existing debt facilities to January 2018. This extension demonstrates the strength of our business and allows us the additional financial flexibility to continue investment in our strategy for growth both in the UK and internationally. The long term financial stability of the Group was also underpinned by our repayment of a further £22m of debt, taking our total repayments to £82 million and reducing our leverage to below 4.3x EBITDA.

Outlook

There are encouraging early signs of recovery in the trading backdrop and we are well-positioned to benefit from any further upturn in market conditions. Overall, we are confident of achieving further significant progress in the current year and the long-term growth drivers of our business remain compelling.