

GONDOLA GROUP LIMITED

Interim Report 2014



St. Zuzzino
Ristorante

ASK ITALIAN



Outstanding brands

The Gondola Group is the market leader in the UK casual dining sector, operating PizzaExpress, Zizzi and ASK Italian, together with the smaller brands of Milano (PizzaExpress' brand in Ireland) and Kettner's. The Group employs approximately 14,000 people, serving over 73 million meals a year (42 million in restaurants and a further 31 million retail) in the UK and Ireland alone. It has an estate in the UK and Ireland of over 650 restaurants, with an expanding global presence now exceeding 700 restaurants in 14 territories.

Gondola's restaurants are positioned to offer a memorable eating out experience and great value for money, with typical spend per head (including VAT) ranging from £15 to £19. Gondola's distinct brands have broad appeal and lend themselves to different occasions. Its estate of restaurants trades successfully in a variety of location types, from high street and local neighbourhoods, to shopping centres and retail and leisure parks.



 www.pizzaexpress.com



 www.zizzi.co.uk



 www.askitalian.co.uk

Gondola at a glance



With its roots in Soho, this iconic brand was founded by a passionate foodie in 1965, and has been pioneering pizza on the high street ever since.

Restaurants **497 globally**
433 UK and Ireland

New this year **11 UK**
9 international

Employees **9,000**

Average spend per head **£15**

To read more about PizzaExpress please go to pages 4-6



Zizzi is a stylish and individual brand. Its innovative approach leads the way in casual dining.

Restaurants **133**

New this year **4**

Employees **2,800**

Average spend per head **£19**

To read more about Zizzi restaurants please go to pages 7-8



Recently transformed with a fresh new look and outstanding Italian menu, ASK Italian is on a journey to bring Italy to life in all its restaurants.

Restaurants **110**

New this year **1**

Employees **2,200**

Average spend per head **£18**

To read more about ASK Italian please go to pages 9-11

An international market leading business delivering consistently strong performance



I'm pleased to report that our market leading international restaurant business has delivered another strong performance this year, highlighting the strength and enduring appeal of our brands amongst customers in the UK and globally. This was a particularly significant period for Gondola with the successful sale of Byron to Hutton Collins Partners in November for £100 million. In the six years since it launched, the brand has become a major and rapidly growing player in the casual dining market. The team at Byron have done a fantastic job of developing the brand and they leave Gondola with our thanks and best wishes for the future.

We have made substantial progress across our other brands. PizzaExpress has strong positive momentum with 497 restaurants now trading across the world (433 in the UK and Ireland, and 64 internationally). This includes the opening of 11 new sites in the UK and nine internationally during the first half of the year. Following our successful debut in Mumbai in December 2012, we celebrated our one year anniversary with the launch of another two sites in the city;

and in Hong Kong and mainland China we now have 20 restaurants operating successfully, with our first restaurant in Beijing due to open later this year. We also opened our first restaurants in Bali and Saudi Arabia, providing further evidence of the fact that PizzaExpress is rapidly developing into a truly international business.

The evolution of the Zizzi brand is almost complete, resulting in a stunning portfolio of over 130 restaurants and an offer that is well-defined. Zizzi opened four restaurants in the first half of the year and has an exciting pipeline of future openings. ASK Italian is also well on the way to realising its long term vision; over half of the estate now reflects the brand's fresh new look. The transformed sites, 17 of which were recently completed during the period, are delivering excellent returns and we are applying learnings from these restaurants to the brand's new openings.

In the broader economy there are now stronger signs of recovery, and this, with a consistent strategy, excellent pipeline of new openings in the UK and overseas, as well as a highly experienced

and motivated management team across each of the three brands, provides a solid platform for the continued growth of the Gondola Group.

Finally, I would like to extend my gratitude to our team of hard working and committed employees for their continuing contribution. Customer service is at the heart of what we do and their dedication and enthusiasm is what drives the success of our business.

Chris Woodhouse
Chairman

Our strategy

Gondola has always maintained a simple strategy to:

Deliver

Deliver growth in profits from the existing estate

- we focus on 'restaurant basics' to deliver quality and value to our customers
- we are using increasingly sophisticated marketing techniques to engage with our customers
- we proactively manage our cost base and working capital to maintain or improve margins and maximise cash flow

Expand

Expand the estate through the roll-out of our key brands

- we have maintained strong momentum in our openings programme despite the economic backdrop

Develop

Develop other growth opportunities, including new concepts and other revenue streams

- the BYRON business is a great example

PizzaExpress

The nation's favourite,
pioneering pizza on the
high street since 1965

 www.pizzaexpress.com

The UK's largest casual dining brand, with a growing global presence

From its humble beginnings in Soho in 1965, PizzaExpress has evolved into a successful global brand – operating 497 restaurants across 12 territories.

As PizzaExpress gets prepared for the next stage of its ambitious expansion strategy – which will see a further 200 restaurant openings in the UK and another 200 across its key growth markets – the company has announced two new senior appointments.

Andy Pelling joins as the new Chief Financial Officer. A highly experienced leisure industry expert with strong international credentials, Andy was previously Finance Director at Whitbread and prior to that was FD at David Lloyd Leisure. He replaces Jackie Freeman who has decided to leave after 11 highly successful years with the company.

Also joining the management team is Charlotte Maxwell who has over 20 years strategic experience in the food and retail sector, both in the UK and overseas, with companies including Tesco, Coles in Australia and Talk Talk.

The management team is led by CEO Richard Hodgson who is successfully overseeing the continued growth of PizzaExpress, which next year celebrates its 50th anniversary.

A global brand

Our vision has been to grow and establish a sustainable international business, whilst remaining focused on our core UK estate. During the period we opened 11 new sites in the UK and another nine internationally, in our key markets, most notably China and India. This takes the total number of PizzaExpress restaurants to 497 globally.

Following our successful debut in Mumbai in December 2012, we celebrated our one year anniversary with the opening of another two sites across the City; and in Hong Kong and mainland China we now have 20 restaurants operating successfully, with our first site in Beijing due to open later this year. We also opened our first restaurants in Bali and Saudi Arabia.

Our transformation programme in the UK continued with the refurbishment of 20 sites; this included the first PizzaExpress restaurant which opened in 1965 on Wardour Street, in Soho. We were delighted to have celebrated the re-opening of the new look restaurant with PizzaExpress founder Peter Boizot, as well as Enzo Apicella, who created the brand's distinctive design vision in the 1960's.

Customer led innovation

Food innovation at PizzaExpress goes from strength to strength; the last six months alone have seen the introduction of new seasonal 'Specials', the launch of the Autumn/Winter Menu, and a range of Christmas dishes.

We know that our guests enjoy trying new recipes, as well as the much loved classic favourites, so we have introduced a series of new 'Specials' which use fresh, seasonal ingredients. We kicked off with the innovative Superfruit Salad, which is the first of its kind in the UK. It is part of our successful low calorie Leggera range which has been phenomenally popular since its launch five years ago, providing guests with healthy options, without compromising on taste.

“Our vision has been to establish a sustainable international business, whilst remaining focused on our core UK estate.”

 www.pizzaexpress.com



A brand that is loved by a growing legion of fans across the world

Our main menu changes twice a year and during this period we launched the Autumn/Winter menu which focussed on our ever-popular Romana pizza, characterized by our signature dough and a thinner, crispier base, providing the ultimate choice for pizza lovers.

We celebrated the festive Christmas period with new seasonal Specials and, of course, our Snowball Dough Balls which have become a firm favourite amongst our guests. The recipe takes our popular Dough Ball starters and transforms them into a dessert dish.

Establishing a pipeline of talent

As the UK's largest casual dining brand, with a growing global presence, we are committed to creating new opportunities and attracting the best people. Working with vocational education specialists City & Guilds, we have launched the UK's first qualification in the art of pizza making.

The PizzaExpress Pizzaiolo Apprenticeship offers individuals the chance to earn while they learn, with a qualification that is equivalent to 5 GCSEs at grades A-C. We currently have 170 apprentices on the 12 month programme.

We also launched a new undergraduate programme to help recruit future leaders for the hospitality industry. The year-long scheme will provide students with all-round management training and will look to nurture students over the long term, with the chance to secure a permanent role through the company's fast track management programme once they've graduated.

A winning performance

We were delighted to have picked up several awards during this period. We won gold in the Mumsnet Family Friendly Awards, which not only recognise the experience had by kids and families in our restaurants, but also the family friendly policies enjoyed by our team members.

We also picked up an accolade for Best Family Operator in the R200 Awards, which is run by one of the industry's leading magazines, Restaurant. And just ahead of Valentine's Day, we were named by Men's Health magazine as the 'Best Date Night Venue'.

Engaging more customers

Reaching out to customers in new and engaging ways remains a key focus for our marketing activity. Over the summer we relaunched our Pizza Making Parties, which are now available for kids and adults.

Social media is a key communications channel through which we can engage with our fans, and over the period we developed our presence with creative campaigns. Our iconic Dough Balls were a major focus of activity; the festive season saw the launch of the 'Dough Ball Christmas Song' and the New Year kicked off with the search for the Golden Dough Ball, with guests being given the chance to win two Dough Balls made of solid gold, through our Restaurants and in our Retail packs.

Restaurant to retail

We were named 2013's Biggest Chilled Convenience Food Brand by Kantar Worldpanel, a reflection of the success we've had in establishing a retail offer which today generates sales of over 31 million pizzas a year. We recently grew the range with a selection of Italian breads and tasty new pasta dishes.

Making a difference

We're very pleased to once again be supporting the Lawrence Dallaglio Cycle Slam, which will see our teams and restaurants help raise much-needed funds for cancer charities and disadvantaged youths in the UK.

"We were named, ahead of Valentine's Day, as the 'Best Date Night Venue' by Men's Health magazine."

 www.pizzaexpress.com



Inspiring a Million Kids to Get Cooking

We continued our support for the Children's Food Trust, to inspire a million kids to get cooking over the next 12 months. We have been passionate about getting kids cooking since the late 90s when a teacher contacted us and asked if she could bring her class into one of our restaurants to learn how to cook. Since then, PizzaExpress has been running free school visits for primary schools to get kids up and down the country into its kitchens and cooking. As part of our partnership, 25p from the sale of every Fiorentina pizza goes to the Children's Food Trust to help get kids cooking.

We are also long-term supporters of the 'Venice in Peril' charity, which was set up to help in the restoration of Venice. A 25p contribution from every Veneziana pizza sold goes to this fund.

Kettner's – London's landmark venue

The grand dame of Soho is undeniably Kettner's. It's one of the oldest venues in London, with an enviable history, which is as popular as ever with a wide and vibrant clientele.

The venue's showcase event 'Herr Kettner's Kabaret' continues to play to a full house four times a year and was used for the first time as the centre piece for its New Year's celebrations. All three floors were used to host 400 guests with burlesque acts, comedians and swing bands providing an unforgettable night of entertainment. Held quarterly, these sell-out events have been an outstanding success, providing us with a credibly cool reputation on the London scene, which has also helped drive weekend business.

The seven distinct function rooms continue to attract new clients. The classic yet modern interior of each of the rooms is well liked by key high profile clients including Ted Baker, Arcadia, Elemis and Pure Consultancy, who we are pleased to have as regular repeat customers.

Kettner's is still one of London's best destinations for champagne lovers – with an extensive list of over one hundred champagnes. We are delighted to partner with one of the world's most iconic champagne brands, Laurent Perrier, who is sponsoring the bar for the next three years.

Looking ahead

With a strong management team, a clear plan for growth, and a brand that is loved by a growing legion of fans across the world, PizzaExpress is well positioned to continue its successful and ambitious global expansion. This pizza pioneer is almost half a century old but still it remains in rude health; this is thanks to the support and loyalty of its guests and team members the world over.

"The grand dame of Soho is undeniably Kettner's. It's one of the oldest venues in London, with an enviable history."

 www.pizzaexpress.com





Zizzi

Individually Italian

 www.zizzi.co.uk

Individually Italian and going from strength to strength

This year Zizzi celebrates its 15th birthday and it does so as a well-established, successful, national brand that goes from strength to strength. The brand has now grown to an estate of 133 restaurants which offer customers a fresh and contemporary approach. We're thrilled that this landmark year also represents a significant evolution of the Zizzi estate with 85% of the portfolio now fully transformed to the 'Individually Italian' design.

Parallel to this reinvention, customer interest and interaction with the brand has continued to grow with innovative menu development, increased digital engagement and improved customer satisfaction scores.

Growing the estate

Zizzi continues to invest in growing the estate with the recent opening of four new stunning restaurants in primary locations, in Esher, Wembley, Cheshire Oaks and Gloucester Quays. Each of the restaurants is individually designed using local artists to bring to life the essence of every location. This reflects the brand's ambition to give each site its own distinctive personality and character.

Stylish, vibrant and fun

The evolution of the Zizzi brand is almost complete, with an offer that is well-defined and a customer experience that sets the brand apart from others in the sector, and it's resonating well with new and existing customers. This is reflected in our brand health, with perceptions of our food and the overall experience all having improved in the past six months as measured by the Big Restaurant Survey (source: Morar). In addition, we have made good progress in building brand awareness and advocacy through continued investment in digital and social media channels, and creative marketing campaigns.

Continually adding inspiring touches

Creativity and style are important to Zizzi, as is bringing inspiring touches to our restaurants for our customers to enjoy. Recently we took our humble olive oil bottles and transformed them into beautifully designed bespoke olive oil cans, which created a stir on social media and proved to be a talking point in restaurants. Artwork from budding creatives, discovered through our Fresh Talent Art programme, features on

the new menus; this worthwhile initiative provides young people with a platform for their creativity through our restaurants.

Creating simple, exceptional dishes

We offer a range of Italian classics but we also cater for the more adventurous and those looking for lighter options. With our seasonal, local specials and a new selection of wholesome salads, we provide choice across all price points. In October we launched our new menu which features brand new comfort foods, Italian style. From hearty roast chicken, gooey cheese fondue and Tartufo al Cioccolato – a rich, dark chocolate mousse served with crushed hazelnuts, amaretti biscuits and a dash of Italy's favourite hazelnut liqueur, Frangelico. We also brought back an old-time favourite, Risotto Zucca e Pancetta, a silky risotto with pumpkin, spinach, cheese and pancetta, topped with mascarpone. In January our new dessert – a simple combination of delicious chocolate and sliced bananas in warm pizza dough – proved to be a best seller overnight.

Our people

We have continued to invest in training for team members throughout the company, which has helped improved our overall customer experience scores. Our commitment to discovering the talent within our kitchen teams continues with a fourth Cucina programme, which gives our Head Chefs the opportunity to develop dishes with the potential to make it on to the Zizzi menu.

Looking ahead

Zizzi is in a great position to keep fuelling the momentum behind the brand with a strong new openings pipeline, exciting menu innovation and growing engagement across digital channels, thereby reinforcing its role as a leading player in the casual dining sector.

“Zizzi continues to invest in growing the estate with the recent opening of four new stunning restaurants in primary locations, in Esher, Wembley, Cheshire Oaks and Gloucester Quays.”





ASK Italian

Fresh, bold, authentic Italian

 www.askitalian.co.uk

Over half of the estate now reflects the brand's fresh, foodie new look

Gaining momentum

With over half of the estate now reflecting the brand's fresh, foodie new look, ASK Italian is well on the way to realising its 'Italian Lovers' vision. Across the business momentum is building. The market upturn is providing positive trading conditions, our transformed sites, of which 17 were completed during this period, are delivering excellent returns; and the company is benefiting from additional sales channels, with the launch of gift cards and demand for our retail items growing.

Brand Health is strengthening with feedback from our internal tracking, as well as third party research, showing increased scores across key customer metrics. We were thrilled to win a number of industry awards during the period, including Best Italian Restaurant at the 2013 Pizza, Pasta & Italian Food Association Awards.

Our restaurants

In July we opened a new site in Birmingham City Centre featuring some striking new design touches that add further depth to our fresh, foodie look, inspired by Milan. The site is trading exceptionally well and this success, in addition to last year's opening in Bluewater, demonstrates the strength of our new proposition to successfully compete in urban city centre sites.

We've also completed a number of shop-front refurbishments, giving us a clearer and consistent identity with a stronger street presence, which is resonating well with customers.

Our teams

The ASK Italian Journey, our award winning learning framework, continues to result in greater stability in our restaurant teams. We continue to invest in our management development scheme, Avanti Leadership Programme. In addition, our inaugural Head Chef Avanti programme is underway. We believe strongly in developing our talented chefs and, as part of this programme, they have already experienced a number of training sessions including time with our expert friend and acclaimed chef, Theo Randall.

We crowned Phil from our restaurant in Euston, London, the third winner of our Primo Waiter Competition; and our unique Italian Education programme continues to open up Italy for our team members with engaging training and trips to meet the suppliers we have worked with over many years.

Our food

Our passion for authentic Italian food continues to guide our menu evolution. In September we launched a new kids menu introducing a number of dishes including a delicious Pesto Cavatelli (mini pasta shells with a creamy pesto sauce and ricotta salata cheese). We refreshed our main menu in the Autumn adding the popular Calzone Cacciatore (pizza with chicken breast, pancetta, mushrooms and fire roasted peppers), previously one of our seasonal specials. Over Christmas we introduced a new premium Super Festivo menu featuring new delicious specials like Lamb Brassato and Souffle Fiorentina, and some very popular Italian cocktails.

"We were thrilled to win a number of industry awards during the period."



Our presence on social channels continues to grow

Driving awareness

As part of our brand refresh we launched a new look website which has been optimised to drive booking conversions and also includes a new 'ASK Italian gifts' page.

We continue to make progress with our CRM programme and have plans to further segment our database to meet the needs of our varied customer base with targeted news and offers. Meanwhile our presence on social channels continues to grow, driven by engaging brand-led content.

Our commitment to charity

We continue to work towards our £1 million fundraising goal in support of Great Ormond Street Hospital Children's Charity (GOSHCC). The highlight of our fundraising to date, the ASK Italian Grand Tour, was a fun round-the-country event that visited every restaurant in the country (on bike, foot and car) and celebrated our love of Italian food along the way, helping raise £208,000 for GOSHCC. It involved all of our team members in different ways and will have a lasting impact across the business. We also generated good media coverage of the Tour.

Looking forward

It has been a busy and rewarding half year. We are clearer than ever that our single-minded focus on delivering our vision of being lovers of all things Italian is working. The ASK Italian proposition is relevant and attractive to casual dining customers and we are excited to keep pushing and bringing the vision to life across the country.

"We are clearer than ever that our single-minded focus on delivering our 'Italian Lovers' vision is working."

 www.askitalian.co.uk

