

GONDOLA GROUP LIMITED

Interim report 2012



St. Zizzi
Ristorante

ASK ITALIANO

BYRON

KETTNER'S

Outstanding brands

The Gondola Group is the market leader in the UK casual dining sector, operating PizzaExpress, Zizzi and ASK, together with the smaller brands of Milano (PizzaExpress' brand in Ireland), BYRON and Kettner's. The Group employs approximately 15,000 people, serving over 40 million meals a year in over 650 restaurants.

Gondola's restaurants are positioned to offer a memorable eating out experience and great value for money, with typical spend per head (including value added tax) ranging from £14 to £18. Gondola's distinct brands have broad appeal and lend themselves to different occasions. Its estate of restaurants trade successfully in a variety of location types, from high street and local neighbourhoods, to shopping centres and retail and leisure parks.



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 maximise margins and 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 emerging BYRON business is a great example
- we are also starting to expand PizzaExpress' international business



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 **402**

New this half year **7**

Average spend per head **£14**



Zizzi stands out from the crowd with a Fresh Talent programme that's leading the way in casual dining.

Restaurants **118**

Average spend per head **£18**



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 **124**

New this half year **2**

Average spend per head **£18**



The emerging brand that is fanatical about its simple, superb quality hamburgers, 'the way they should be'.

Restaurants **19**

New this half year **3**

Average spend per head **£16**



Home of drinking, dining and revelry in Soho since 1867.

Restaurants **1**

Average spend per head **£33**

Building value through outstanding brands

“We have ensured the focus of our brands is on offering our customers memorable experiences at exceptional value for money.”

Gondola has continued to make progress despite a very tough trading environment.

In the first half of this financial year we have seen further increases in the pressure on consumer sentiment as high inflation, low wages growth and continued unemployment affect discretionary spending.

In this context, we have ensured the focus of our brands is on offering our customers memorable experiences at exceptional value for money. Each of our brands has continued to develop its customer proposition to keep our food, restaurant design and style of service fresh and exciting, but always affordable.

In the UK, our openings programme has continued, with a total of 12 restaurants opened in H1 and a faster pace of openings expected in H2, with a full year target of around 40. We have also sustained the momentum of our refurbishment and transformation programmes, with significant investment for the future across our restaurant estate.

Our emerging BYRON business has gone from strength to strength, opening its 19th restaurant during H1 and firmly establishing itself as an increasingly meaningful business with a strong customer following.

During this period, we also made progress with our long-term strategy of increasing our overseas presence. Having seen initial growth in PizzaExpress' existing franchise business since it was acquired last financial year, in October 2011 we established a new joint venture with a major Indian partner to take the PizzaExpress brand to India.

We remain very cautious about the outlook for consumer spending and expect the balance of this financial year to remain a tough environment in which to trade, but are confident in the long-term strength of our brands.

We have fantastic teams at the heart of each of our businesses, and I would like to thank them for their continued hard work and passion in delivering a great experience to our customers.

Chris Woodhouse
Chairman





www.pizzaexpress.com

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

Pizza in style

Activities like the 'Big Audition with Jamie Cullum' helped substantially increase the number of online followers and keep positive word-of-mouth about the brand high.

Busy in the kitchen

We continued to lead the way in transforming lighter options on the high street with the launch of our new style Leggera. The new, improved version of our 500 calorie pizza has a lighter, crispier dough-base which means that previously off-limit toppings, like pepperoni and goat's cheese, are now permissible in the range. The launch was supported by endorsements from the model Jodie Kidd and comedian Patrick Kielty.

The Leggera pizzas are part of our on-going commitment to making our menu as healthy as possible without compromising on taste. In September we introduced calorie leaflets into all of our restaurants, making it easy to check the calorie content of each dish for those who wish to. Calorie information is also now available on our app.

Limited edition pizzas

To engage customers in our official partnership with the London Restaurant Festival – which ran from 3rd-17th October 2011 and celebrates the richness of the capital's culinary scene – we cooked up two limited edition pizzas – the 'Boris' and the 'Ken' – as a tongue-in-cheek tribute to the

Mayoral race. The 'Boris' (adapted from our Sloppy Giuseppe), featured extra waves of mozzarella to represent the incumbent mayor's distinctive shock of white hair. The 'Ken' was built on a deep red tomato base to evoke the former mayor's 'Red Ken' persona, with a nod to Ken's passion for growing fresh vegetables in its use of fresh avocados. We shared a running score of the number of 'Ken' and 'Boris' pizzas ordered during the fortnight with our customers, with the competition coming to a nail-biting finish with 'Ken' outselling 'Boris' by 4%.

Engaging customers in our music credentials

Ten years ago, Jamie Cullum, internationally acclaimed singer song-writer, was singing for his supper and paying his rent by performing three or four times a week for £50 and a pizza at PizzaExpress restaurants all over London. The performer's big break came when he was spotted at the PizzaExpress Jazz Club in Soho, London, landing a major record deal which launched his music career. Last July, to engage our customers in the brand's musical credentials, PizzaExpress teamed up with Jamie to launch 'The Big Audition with Jamie Cullum', a talent search that scoured the UK for real musical talent. The search

culminated in a live final in November, where Jamie was joined by Sir Michael Parkinson and Heather Small to judge the talent. They crowned a band from Croydon, called Offbeat South, as the worthy winners, beating off stiff competition from over 7,500 entrants from across the country. As part of the prize, Offbeat South performed at the PizzaExpress Jazz Club and received £5,000 to help kick-start their career.

New openings

We have continued to open beautiful new restaurants across the estate alongside our on-going refurbishment programme. Each restaurant is individually designed, and tells a local story. For example, the design of our refurbished restaurant on Euston Road, London, celebrates a number of famous authors as it sits opposite the British Library.

We have opened seven new restaurants during this period – in Ashford, Blackpool, Croydon, Edinburgh, London, Sheffield and Stratford – and refurbished a further 20 across the country. A clear process and dedicated team resource have enabled us to consistently deliver strong returns which are sustained.

www.pizzaexpress.com



Strong brand health

We continued to build the brand through digital, social media and external communications. Activities like the 'Big Audition with Jamie Cullum' helped substantially increase the number of online followers and keep positive word-of-mouth about the brand high.

Our promotional and partnership strategy continues to pioneer new ways of engaging customers, supported by the development of increasingly sophisticated marketing and technological approaches.

Our people

During this period, we continued to make significant investments in the recruitment, training and development of our people at all levels across the business. In restaurants, a key focus has been putting the pizzaiolo (pizza chef) back in the spotlight, with dough tossing being a key focus of the new pizzaiolo training. Programmes like

this, focusing on training and developing individuals who are passionate about the brand and our customers, have helped us maintain our industry-leading retention figures.

Supporting our communities

Donations from the Veneziana Pizza reached the £2 million mark. Since the late 70's – one of the longest-standing charitable commitments on the high street – every time a Veneziana pizza is ordered, a donation is made to the Veneziana Fund, which gives 50% to the Venice in Peril charity, and the remaining 50% to the restoration, repair and maintenance of buildings constructed in the UK prior to 1750.

We continued to raise funds for Fairbridge – £300,000 in total over an 18 month period to December – helping thousands of young disadvantaged people between the ages of 13-25 to develop the confidence, motivation and skills they need to turn their lives around.

The PizzaExpress School's Programme, developed in association with Education Business Partnerships, continued to turn our kitchens into classrooms, engaging thousands of primary school children across the country in fresh ingredients and the joy of cooking.

In each restaurant, we continued to change everyday habits in order to help the bigger picture of looking after the environment. We also have various initiatives in hand addressing energy saving and recycling, including installing smart meters into every restaurant so that we can reduce energy usage.

International

Since buying back the international franchise business, we have been focusing on working closely with our franchisees to deliver the PizzaExpress experience in these markets – approximately 50 restaurants mainly in Asia and the Middle East. Last October we signed a joint venture with Gourmet Investments Limited,

promoted by the Bharti Family Office, to take the PizzaExpress brand to India, with the aim of opening our first restaurant there sometime this calendar year. We are increasingly enthusiastic about the brand's ability to travel and create real value abroad, and look forward to maximising the opportunities that lie ahead.

Beyond our restaurants

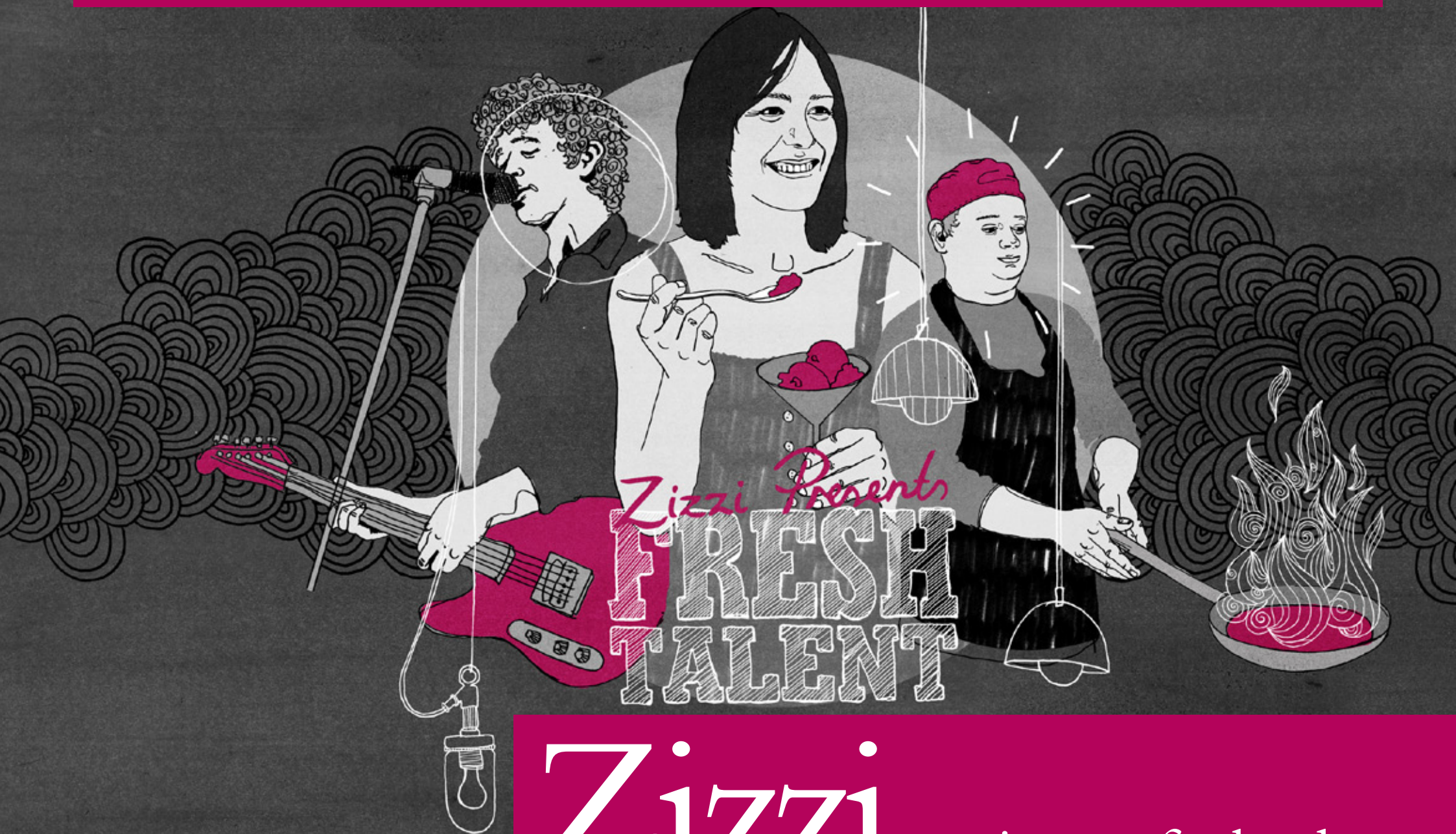
Our supermarket pizzas continued to drive double digit value sales growth accounting for 31% of total market growth. This came from increased distribution and frequency of purchase.

Looking ahead

In October 2011, Steve Easterbrook joined as PizzaExpress' new CEO from McDonald's where he was President of McDonald's Europe. Given his proven expertise in leading an international business, Steve's appointment marks the start of an exciting new chapter for PizzaExpress, both domestically and abroad.

www.pizzaexpress.com





Zizzi serving up fresh talent

Fresh talent on the high street

We are confident that this is a winning formula and one that will continue to reinforce Zizzi as a leading player in the casual dining sector.

We have continued to focus on transforming our restaurants, with the help of our talented young illustrators, by creating unique locally inspired designs across the estate. Each restaurant is different so the artwork and features always reflect the essence of that particular location, making it a special and distinctive space for teams and customers alike.

Trading has been challenging across the sector but Zizzi has held its own. We have created an environment which appeals to a younger audience and a menu which caters to all tastes in Italian food. The recent Cichetti launch has also proven to be extremely successful and more of our customers are enjoying our delicious 'small plates' and the art of sharing.

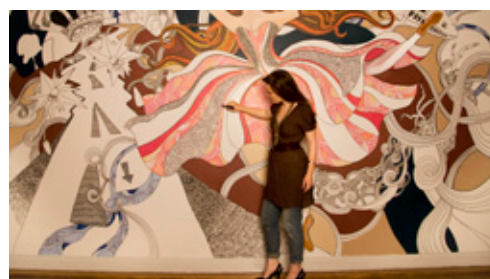
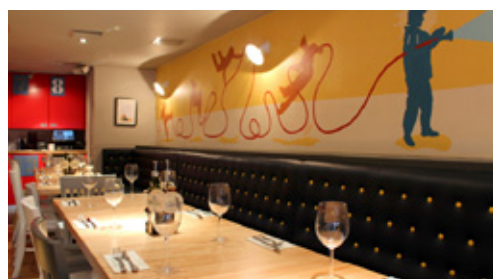
The Zizzi Brand & Fresh Talent

The award-winning Zizzi brand is in good health. Perceptions of our food and the overall experience have all 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 digital and social media channels. Having launched an innovative new website last September with mobile enabled functionality, we have also attracted many new unique users. Our fan base on facebook now stands at 32,000 and our followers through Twitter have doubled in the first half of the year.

Our Fresh Talent programme is now flourishing. We have worked with over thirty talented young designers since our first collaboration with Camille Rousseau back in Charlotte Street in February 2009. We are proud that we have been able to support so many young people by providing our restaurants as a platform for their creativity. Many of them have progressed on to successful careers in their chosen area as a result of the exposure they achieved at Zizzi.

For the second year running, we have held the Fresh Talent Menu Design competition. We currently have five different menus from last year's winners in our restaurants but these are soon to be replaced by the next collective from emerging graduate artists. The brief for the competition is to simply respond to the phrase 'Deliciously Stylish' to be judged by our own panel of experts.

www.zizzi.co.uk



We have also continued to work with young musicians, who have entertained our customers at selected restaurants both in live sessions and through our recorded playlist. Zizzi remains committed to helping young people by providing opportunities in our restaurants for both the naturally creative and for those less fortunate through our work with the Princes Trust.

Fresh talent & Our Customers

Last year we developed a new approach to customer service with even greater attention to the quality and individuality of each customer interaction. Believing that our own restaurant teams are a talented bunch, we have encouraged them to express their own personalities while at work. We've also focused teams on finessing

their menu knowledge to ensure each and every customer enjoys a high standard of service, tailored to their particular needs and occasion. Customers provide feedback through an online survey and this has driven several hundred customer responses each week and a huge improvement in satisfaction ratings.

Our menu

The Zizzi menu evolved, with new dishes across the main menu, Chichetti and more recently, a renewed focus on healthier options. There are now thirteen main dishes below 650 calories, more choice for vegetarians, a wholemeal pizza and gluten free pasta. Customers have told us they love our specials so they're now seasonal and included each time in our main menu.

Our Fresh Talented chefs continue to innovate when it comes to desserts – Kitty with her extraordinary gelato will soon be joined by another very talented chocolatier and his range of mouth-watering creations. We also launched Luscombe soft drinks last year and have recently tested some craft beer in Scotland to give small entrepreneurial suppliers wider exposure

Our Team

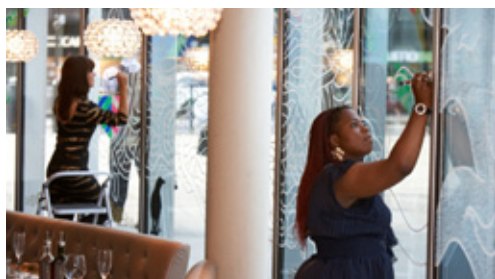
We are proud of our teams and our stability across central and restaurant based roles. Our General Manager population is extremely strong and this has driven capability across restaurants at all levels. We completed our first Senior GM programme in November. This was a new initiative to assist in the development of our top talent and will

now become a regular feature. In addition our award-winning recruitment website has resulted in a high calibre of applicants wishing to join Zizzi. This, coupled with team recruitment days where candidates compete for limited places based on their winning personality and a flair for customer service, has really improved the quality of our overall customer experience.

Looking Ahead

Zizzi is in a good place. We have carved out a unique positioning for the brand which is reflected in our stylish restaurants, our delicious menu and through our teams and the service we deliver. We are confident that this is a winning formula and one that will continue to reinforce Zizzi as a leading player in the casual dining sector.

www.zizzi.co.uk



ASK Italian

fresh, bold, authentic Italian



Passionately transforming our brand

We've made great strides in getting our teams inspired and excited about Italian food and culture via our Italian Education programme.

ASK Italian has made great progress towards bringing our 'Italian Lovers' vision to life – a restaurant business that is fresh and bold, with a passion for the details and a love of Italy at its heart and soul. There is real energy and momentum within our teams and customers are embracing the changes in our restaurants.

Our menu

Great, simple Italian food is central to the new ASK Italian. The menu that launched in July, with contemporary and classic dishes featuring carefully selected Italian ingredients, has been very positively received. We've introduced more authentic dishes through our specials which have featured seasonal ingredients like porcini mushrooms in autumn, chestnuts at Christmas and a delicious warming pork porchetta in the winter.

Italian culture and our teams

We've made great strides in getting our teams inspired and excited about Italian food and culture via our Italian Education programme. It is a continuous philosophy of learning and sharing knowledge and in recent months our teams have discovered how our extra virgin olive oil is made, how our passata di pomodoro is produced and how Italians celebrate Christmas. We also actively look to take our team members to Italy to experience the country and culture for real. We have invested significantly in training and recently introduced our management development programme, Avanti. As a result we have the strongest and most stable management and chef population we've experienced for several years.

Theo Randall and other experts

ASK Italian is fortunate to be working with a committed group of expert friends who, with their knowledge and passion, are steering us on our journey of transformation. Theo Randall, one of the country's most celebrated chefs, is inspiring the evolution of our menu and Adrian Garforth, a Master of Wine, has helped us in the development of our all Italian wine list. We're also excited to be working with Carla Capalbo, an Italian food and wine writer, who is helping bring the richness of Italian culture to life in our restaurants. We also work closely with a number of enthusiastic suppliers like the Esposito brothers who make our extra virgin olive oil in Puglia.

www.askitalian.co.uk



We've completed around 30 transformations to date, inspired by the bold, contemporary style of Milan design.

Fresh, contemporary style

We made significant changes to our restaurants back in July and customers are loving the contemporary Italian style from the tables through to our carefully chosen Alessi dessert bowls and beautiful ASK Italian cutlery. We are also making good progress in transforming the interior design of all our restaurants. We've completed around 30 transformations to date, inspired by the bold, contemporary style of Milan design.

Driving our core business

In challenging economic times we continue to trade our core business via an on-going programme of awareness driving activity and promotions. We are engaging our customers with our new brand story across national channels to drive reappraisal. We also continue to support each of our transformed sites with local marketing activity to generate awareness and trial. Our 'Win a Fiat 500' competition, with entry via Facebook, created significant buzz and our recent push around our new seasons olive oil, including a very popular kids 'design an apron for Giuseppe & Luca' competition, have reinforced key brand messages whilst driving covers. We also continue to offer value to our customers through our programme of national promotions and in-restaurant offers, like our seasonal set menus.

New openings

In addition to the momentum we have behind our transformation programme, we have opened two new restaurants in Bromley and Norwich. Further sites in Derby, Glasgow, Horsham and Headingly are planned later in the financial year.

Looking ahead

Our next phase of menu evolution, the on-going engagement of teams and interior design transformation will continue to add depth and dynamism to our new proposition as we plan to ramp up our external communications around ASK Italian at a local and national level.

www.askitalian.co.uk





BYRON

the way a hamburger
restaurant should be



A proven business with a bright future

Our success is driven by the quality and personality of our teams at all levels, all of whom share our vision of 'doing things properly'.

BYRON continued to grow rapidly in H1 with the opening of three new, individually-designed restaurants at Northcote Road, Central St Giles and Rathbone Place, bringing the total estate to 19.

Proper hamburgers – the way they should be

The BYRON offer revolves around a short simple menu of classic hamburgers which are executed flawlessly with quiet obsession and minimum fanfare. Innovation is achieved through small refinements to the core menu supplemented by periodic specials and promotions with carefully selected brand partners.

Our H1 activity featured three hamburger specials including an authentic American Cheeseburger (the 'Uncle Sam'), a Welsh Rarebit Hamburger developed with TV chef Gizzi Erskine to support the Movember charity (the 'Gizz-Mo') and an

irreverent Christmas special (the 'Gobble Gobble' turkey burger). All achieved impressive levels of participation and were enthusiastically received by press and customers alike.

We also evolved our drinks offer in the period with the introduction of craft beers from UK and US microbreweries and a bourbon list featuring our favourite Kentucky producers.

Hamburger obsessives

Our success is driven by the quality and personality of our teams at all levels, all of whom share our vision of 'doing things properly'. In H1 we introduced a dedicated HR function which has brought structure and process into recruiting, training and developing our people. We also grew our operational and central infrastructure in preparation for the next stage of growth.

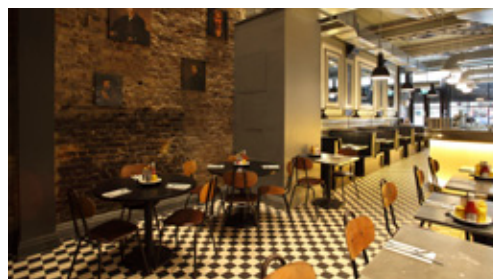
A confident, innovative brand

We continue to invest in marketing to raise brand awareness and develop the brand relationship with customers. Highlights in the period included the successful completion of a second season on the festival circuit for our mobile hamburger unit ('The Shack') and our continued involvement with the moustache-growing charity Movember, which raised over £35,000 in one month.

The future

BYRON is transitioning from a start-up to proven business and has a bright future. H2 will see us embark on a major new phase of growth as we open our first restaurants outside London at Bluewater and Oxford. The business is now well-positioned to continue its quest to bring 'proper hamburgers' to the nation.

www.byronhamburgers.com



Kettner's

a home of drinking,
dining and revelry
in Soho since 1867



Great events and genuine hospitality

Through social media and customer recognition we have developed a strong regular customer base, building loyalty based on the genuine hospitality we offer.

Kettner's has continued to see strong growth across all areas, in particular the Brasserie. Through social media and guest recognition we have developed a strong regular customer base, building guest loyalty based on the genuine hospitality we offer. Our increasingly good reviews particularly highlight the friendliness of the service and all round atmosphere of the Kettner's experience. We have concentrated on our location in the heart of theatre land and have teamed up with many top shows for theatre packages and events and built a strong relationship with local theatres.

There has been a real focus in promoting Kettner's to a wider audience and driving the brand through PR efforts. We hosted the 'Jameson Apartment' for sixteen nights in October, a pop up bar to

celebrate the British Film Festival with Pernod Ricard and also hosted the launch party for the 'Jeans for Genes' charity in September; the night was covered by various magazines and attracted many celebrities from the worlds of music, fashion and television.

Our Events business is growing across both corporate and private sectors. We have built strong brand associations and reputation in the fashion world in particular and hosted some fabulous fashion and beauty events for Gok Wan, Mary Katrantzou, Omar Kashoura and Chloe perfume. Our internally created event 'Coquette – an afternoon of girly indulgence, glamour and fun', was hugely successful, generating much press coverage and has inspired us to build more female friendly packages for our events spaces.

We launched a new cocktail list for the bar in conjunction with London Cocktail Week with cocktails inspired by the rich heritage and exciting history of Kettner's.

A sell out Christmas and New Year's Eve across all of our spaces is a good indication that Kettner's is firmly back on the map as a place people want to celebrate.

Looking ahead, we will focus on developing our product further, updating the Brasserie menu and launching Afternoon Tea.

www.kettners.com

