

Granite City Food & Brewery Ltd. Reports 28% Increase in Second Quarter Revenues

Comparable Restaurant Sales Increase 1.2%

MINNEAPOLIS August 7, 2007 — Granite City Food & Brewery Ltd. (**Nasdaq: GCFB**) a Modern American upscale casual restaurant chain, today reported results for the second quarter ended June 26, 2007.

Financial highlights for the second quarter compared to the same quarter last year were as follows:

- Total revenues increased 28% to \$18.5 million
- Comparable restaurant sales increased 1.2%
- General and administrative expenses declined by 90 bps to 10.3% of sales from 11.2% of sales

Second Quarter 2007 Financial Results

Total revenues for the second quarter 2007 rose by 28% to \$18.5 million compared to \$14.4 million for the second quarter of 2006. Comparable restaurant sales increased 1.2% during the second quarter of 2007 compared to a tough comparison of a strong 5.1% increase in comparable restaurant sales for the second quarter of 2006. In summary, the two year increase during the second quarters of 2006 and 2007 was 6.3%.

For all the restaurants, restaurant-level EBITDA margin was 15.1% for the second quarter of 2007. The restaurant-level EBITDA margin for the comparable restaurants was 17.4% for the second quarter of 2007. The overall restaurant-level EBITDA margin was negatively impacted by the newer restaurants that delivered a restaurant-level EBITDA margin of 11.6%. This impact was primarily the result of restaurants that opened during the last four months of 2006. New restaurants typically take six to twelve months to improve their operating efficiencies as staff members become more experienced in our disciplined production and staffing methods thereby generating less waste and more productivity. We are confident that as our newer restaurants mature and gain efficiencies, our overall blended margins will increase towards our targeted restaurant-level EBITDA margin of 18 to 20%. With our comparable restaurants already close to that level, our concentration will continue to be on the improvement of our newer stores EBITDA margin.

General and administrative expenses fell to 10.3% of sales for the second quarter of 2007 compared to 11.2% for the second quarter of 2006. This decline represented continued progress in leveraging corporate G&A expense across a greater number of restaurants.

The net loss for the second quarter of 2007 was \$1.4 million or \$(0.09) per share.

“Our comparable restaurants operated well during the second quarter. During this tough operating environment, achieving a strong operating margin showcases our brand appeal, talented management infrastructure and efficient operating systems,” commented Steve Wagenheim, Granite City’s CEO. “We are encouraged by our positive comparable restaurant sales which we believe are directly related to the experience and value that we deliver to our guests.”

New Restaurant Openings and Other News

The Company opened one new restaurant in Rockford, Illinois on July 3, 2007, and remains on track to open as many as 6 additional restaurants in fiscal 2007. "We are very pleased with the sales volume and superior execution of operations that focuses on a strong guest experience at our newest restaurant in Rockford," commented Steve Wagenheim. "Our major initiatives for the remainder of 2007 include continuing to improve our operations along with a focus on improving profitability within the four walls of each restaurant. As we continue to grow our concept, we believe we will continue to improve our operating margins by lowering our costs ratios at both the restaurant level and G&A support level."

In July 2007, Granite City was announced as a Hot Concepts award winner by Nation's Restaurant News. This elite award is given annually to six emerging restaurant brands that have distinguished themselves as fast-growing, financially proven overachievers that are on their way to becoming tomorrow's giants according to Nation's Restaurant News.

Investor Conference Call and Webcast

A conference call to review the results of the second quarter of fiscal 2007 will be held on Tuesday, August 7, 2007 at 10:00 a.m. Central Time and may be accessed by dialing (800) 481-9591 and referencing code #2247096. An archive of the presentation will be available for 30 days following the call.

About Granite City

Granite City Food & Brewery Ltd., is a Modern American upscale casual restaurant chain that operates 19 restaurants in nine Midwestern states. The menu features affordable yet high quality family favorite menu items prepared from made-from-scratch recipes and served in generous portions. The sophisticated yet unpretentious restaurants, proprietary food and beverage products, attractive price points and high service standards combine for a great dining experience. Granite City opened its first restaurant in St. Cloud, Minnesota in 1999.

Forward-Looking Statements and Non-GAAP Financial Measurements, and Comparable Restaurant Data

Certain statements made in this press release of a non-historical nature constitute "forward- looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. Such factors include, but are not limited to, changes in economic conditions, changes in consumer preferences or discretionary consumer spending, a significant change in the performance of any existing restaurants, the ability to obtain financing for, and complete construction of, additional restaurants at acceptable costs, and the risks and uncertainties described in our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2007.

Additionally, this press release contains certain non-GAAP financial measures, including references to restaurant-level EBITDA. As compared to the nearest GAAP measurement for our company, restaurant-level EBITDA represents net loss with the add-back of net interest expense, income tax expense,

depreciation and amortization, general and administrative expenses, and pre-opening costs. Alternatively, restaurant-level EBITDA can be calculated as restaurant revenues less all restaurant-level cost of sales, excluding depreciation and amortization. We use restaurant-level EBITDA and restaurant-level EBITDA as a percentage of revenue as internal measurements of restaurant-level operating performance.

Restaurant-level EBITDA as we define it may not be comparable to similar measurements used by other companies and is not a measure of performance or liquidity presented in accordance with GAAP. The Company believes that restaurant-level EBITDA is an important component of its financial results because it is a widely used measurement within the restaurant industry to evaluate restaurant-level productivity, efficiency, and performance. The Company uses restaurant-level EBITDA as a means of evaluating its restaurants' financial performance compared with its competitors. This non-GAAP measurement should not be used as a substitute for net loss, net cash provided by or used in operations or other financial data prepared in accordance with GAAP. A reconciliation of restaurant-level EBITDA to net loss, as well as company-wide EBITDA, for the second quarter ended June 26, 2007 is provided herein.

Finally, in order to provide supplemental results of operations information, we have included certain adjusted financial measures. In particular, we have presented various financial metrics for comparable restaurants, which are those restaurants that have been open for 18 months or more, and our new restaurants which are those restaurants that have been open for 18 months or less. For the second quarter ended June 26, 2007, our comparable restaurants consisted of our first eleven locations, while our new restaurants consisted of our twelfth through eighteenth restaurants. The contributions of these groups of restaurants to company-wide performance are set forth herein.

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Granite City Food & Brewery Ltd.
Condensed Consolidated Financial Statements

| | <u>Thirteen Weeks Ended</u> | | <u>Twenty-six Weeks Ended</u> | |
|--|-----------------------------|--------------------------|-------------------------------|--------------------------|
| | <u>June 26, 2007</u> | <u>June 27, 2006</u> | <u>June 26, 2007</u> | <u>June 27, 2006</u> |
| Restaurant revenues | \$ 18,453,954 | \$ 14,417,118 | \$ 36,636,146 | \$ 26,309,437 |
| Cost of sales: | | | | |
| Food, beverage and retail | 5,524,901 | 4,258,148 | 10,919,623 | 7,773,083 |
| Labor | 6,544,272 | 4,990,804 | 13,151,175 | 9,257,632 |
| Direct restaurant operating | 2,491,215 | 1,652,845 | 4,934,154 | 3,247,489 |
| Occupancy | 1,103,348 | 795,873 | 2,274,892 | 1,477,528 |
| Total cost of sales | <u>15,663,736</u> | <u>11,697,670</u> | <u>31,279,844</u> | <u>21,755,732</u> |
| Pre-opening | 416,341 | 262,572 | 512,182 | 1,074,374 |
| General and administrative | 1,904,946 | 1,621,374 | 3,638,998 | 3,070,934 |
| Depreciation and amortization | <u>1,122,405</u> | <u>814,489</u> | <u>2,242,728</u> | <u>1,566,945</u> |
| Operating income (loss) | <u>(653,474)</u> | <u>21,013</u> | <u>(1,037,606)</u> | <u>(1,158,548)</u> |
| Interest: | | | | |
| Income | 70,009 | 24,114 | 102,485 | 56,164 |
| Expense | <u>(857,713)</u> | <u>(563,648)</u> | <u>(1,903,278)</u> | <u>(1,061,677)</u> |
| Net interest expense | <u>(787,704)</u> | <u>(539,534)</u> | <u>(1,800,793)</u> | <u>(1,005,513)</u> |
| Loss before income tax | (1,441,178) | (518,521) | (2,838,399) | (2,164,061) |
| Income tax provision | <u>(2,695)</u> | <u>-</u> | <u>(4,948)</u> | <u>(500)</u> |
| Net loss | <u>\$ (1,443,873)</u> | <u>\$ (518,521)</u> | <u>\$ (2,843,347)</u> | <u>\$ (2,164,561)</u> |
| Loss per common share, basic and diluted | <u>\$ (0.09)</u> | <u>\$ (0.04)</u> | <u>\$ (0.19)</u> | <u>\$ (0.16)</u> |
| Weighted average shares outstanding, basic and diluted | <u>16,004,680</u> | <u>13,226,526</u> | <u>14,975,124</u> | <u>13,226,526</u> |

Selected Balance Sheet Information

| | <u>June 26, 2007</u> | <u>December 26, 2006</u> |
|-------------------------------|--------------------------|------------------------------|
| Cash and cash equivalents | \$ 11,247,205 | \$ 7,671,750 |
| Current assets including cash | \$ 12,163,468 | \$ 8,576,699 |
| Total assets | \$ 68,691,718 | \$ 63,858,510 |
| Current liabilities | \$ 9,606,659 | \$ 9,683,419 |
| Total liabilities | \$ 45,218,415 | \$ 50,793,567 |
| Shareholders' equity | \$ 23,473,303 | \$ 13,064,943 |

Non-GAAP Reconciliations 2007 Q2 Results

| | Comparable Restaurants | <i>% of Sales</i> | New Restaurants | <i>% of Sales</i> | Total for All Restaurants As Reported | <i>% of Sales</i> |
|---|---------------------------|-----------------------|--------------------|-----------------------|---|-----------------------|
| Restaurant revenues | \$ 11,333,433 | 100% | \$ 7,120,521 | 100% | \$ 18,453,954 | 100% |
| Cost of sales: | | | | | | |
| Food, beverage and retail | 3,346,231 | 29.5% | 2,178,670 | 30.6% | 5,524,901 | 29.9% |
| Labor | 3,857,334 | 34.0% | 2,686,938 | 37.7% | 6,544,272 | 35.5% |
| Direct Restaurant Operating Expenses | 1,552,381 | 13.7% | 938,834 | 13.2% | 2,491,215 | 13.5% |
| Occupancy | 609,720 | 5.4% | 493,628 | 6.9% | 1,103,348 | 6.0% |
| Total cost of sales | 9,365,666 | 82.6% | 6,298,070 | 88.4% | 15,663,736 | 84.9% |
| Restaurant-level EBITDA* | \$ 1,967,767 | 17.4% | \$ 822,451 | 11.6% | \$ 2,790,218 | 15.1% |
| Pre-opening General and administrative | | | | | 416,341 | 2.3% |
| | | | | | 1,904,946 | 10.3% |
| Company-wide EBITDA | | | | | 468,931 | |
| Depreciation and amortization | | | | | 1,122,405 | |
| Operating Loss | | | | | (653,474) | |
| Interest: | | | | | | |
| Income | | | | | (70,009) | |
| Expense | | | | | 857,713 | |
| Net interest expense | | | | | 787,704 | |
| Loss before income taxes | | | | | (1,441,178) | |
| Income tax provision | | | | | (2,695) | |
| Net loss as reported under GAAP | | | | | \$ (1,443,873) | |

*See accompanying disclosure regarding use of non-GAAP financial measures.

Non-GAAP Reconciliations 2007 Q2 Year-To-Date Results

| | Comparable Restaurants | <i>% of Sales</i> | New Restaurants | <i>% of Sales</i> | Total for All Restaurants As Reported | <i>% of Sales</i> |
|---|---------------------------|-----------------------|--------------------|-----------------------|---|-----------------------|
| Restaurant revenues | \$ 20,481,034 | 100% | \$ 16,155,112 | 100% | \$ 36,636,146 | 100% |
| Cost of sales: | | | | | | |
| Food, beverage and retail | 6,019,594 | 29.4% | 4,900,029 | 30.3% | 10,919,623 | 29.8% |
| Labor | 7,024,647 | 34.3% | 6,126,528 | 37.9% | 13,151,175 | 35.9% |
| Direct Restaurant Operating Expenses | 2,832,840 | 13.8% | 2,101,314 | 13.0% | 4,934,154 | 13.5% |
| Occupancy | 1,132,188 | 5.5% | 1,142,704 | 7.1% | 2,274,892 | 6.2% |
| Total cost of sales | 17,009,269 | 83.0% | 14,270,575 | 88.3% | 31,279,844 | 85.4% |
| Restaurant-level EBITDA* | \$ 3,471,765 | 17.0% | \$ 1,884,537 | 11.7% | \$ 5,356,302 | 14.6% |
| Pre-opening General and administrative | | | | | 512,182 | 1.4% |
| | | | | | 3,638,998 | 9.9% |
| Company-wide EBITDA | | | | | 1,205,122 | |
| Depreciation and amortization | | | | | 2,242,728 | |
| Operating Loss | | | | | (1,037,606) | |
| Interest: | | | | | | |
| Income | | | | | (102,485) | |
| Expense | | | | | 1,903,278 | |
| Net interest expense | | | | | 1,800,793 | |
| Loss before income taxes | | | | | (2,838,399) | |
| Income tax provision | | | | | (4,948) | |
| Net loss as reported under GAAP | | | | | \$ (2,843,347) | |

*See accompanying disclosure regarding use of non-GAAP financial measures.

Non-GAAP Reconciliations 2006 Q2 Results

| | Comparable Restaurants (#s 1 - 8) | <i>% of Sales</i> | New Restaurants (#s 9 - 13) | <i>% of Sales</i> | Total for All Restaurants As Reported | <i>% of Sales</i> |
|---|---|-----------------------|-----------------------------------|-----------------------|---|-----------------------|
| Restaurant revenues | \$8,972,928 | 100% | \$5,444,190 | 100% | \$14,417,118 | 100% |
| Cost of sales: | | | | | | |
| Food, beverage and retail | 2,597,066 | 28.9% | 1,661,082 | 30.5% | 4,258,148 | 29.5% |
| Labor | 3,009,424 | 33.5% | 1,981,380 | 36.4% | 4,990,804 | 34.6% |
| Direct Restaurant Operating Expenses | 1,014,955 | 11.3% | 637,890 | 11.7% | 1,652,845 | 11.5% |
| Occupancy | 476,757 | 5.3% | 319,116 | 5.9% | 795,873 | 5.5% |
| Total cost of sales | <u>7,098,202</u> | <u>79.1%</u> | <u>4,599,468</u> | <u>84.5%</u> | <u>11,697,670</u> | <u>81.1%</u> |
| Restaurant-level EBITDA* | <u>\$1,874,726</u> | <u>20.9%</u> | <u>\$844,722</u> | <u>15.5%</u> | <u>\$2,719,448</u> | <u>18.9%</u> |
| Pre-opening | | | | | 262,572 | 1.8% |
| General and administrative | | | | | <u>1,621,374</u> | <u>11.2%</u> |
| Company-wide EBITDA | | | | | 835,502 | |
| Depreciation and amortization | | | | | <u>814,489</u> | |
| Operating Loss | | | | | 21,013 | |
| Interest: | | | | | | |
| Income | | | | | (24,114) | |
| Expense | | | | | <u>563,648</u> | |
| Net interest expense | | | | | <u>539,534</u> | |
| Loss before income taxes | | | | | (518,521) | |
| Income tax provision | | | | | <u>-</u> | |
| Net loss as reported under GAAP | | | | | <u>\$ (518,521)</u> | |

*See accompanying disclosure regarding use of non-GAAP financial measures.

Non-GAAP Reconciliations 2006 Q2 Year-To-Date Results

| | Comparable Restaurants (#s 1 - 8) | <i>% of Sales</i> | Non Comparable Restaurants (#s 9 - 13) | <i>% of Sales</i> | Total for All Restaurants As Reported | <i>% of Sales</i> |
|--|---|-----------------------|---|-----------------------|---|-----------------------|
| Restaurant revenues | \$17,267,299 | 100% | \$9,042,138 | 100% | \$26,309,437 | 100% |
| Cost of sales: | | | | | | |
| Food, beverage and retail | 5,029,656 | 29.1% | 2,743,427 | 30.3% | 7,773,083 | 29.5% |
| Labor | 5,762,877 | 33.4% | 3,494,755 | 38.6% | 9,257,632 | 35.2% |
| Direct Restaurant Operating Expenses | 2,229,631 | 12.9% | 1,017,858 | 11.3% | 3,247,489 | 12.3% |
| Occupancy | 935,126 | 5.4% | 542,402 | 6.0% | 1,477,528 | 5.6% |
| Total cost of sales | 13,957,290 | 80.8% | 7,798,442 | 86.2% | 21,755,732 | 82.7% |
| Restaurant-level EBITDA* | \$3,310,009 | 19.2% | \$1,243,696 | 13.8% | \$4,553,705 | 17.3% |
| Pre-opening General and administrative | | | | | 1,074,374 | 4.1% |
| | | | | | 3,070,934 | 11.7% |
| Company-wide EBITDA* | | | | | 408,397 | |
| Depreciation and amortization | | | | | 1,566,945 | |
| Operating Loss | | | | | (1,158,548) | |
| Interest: | | | | | | |
| Income | | | | | (56,164) | |
| Expense | | | | | 1,061,677 | |
| Net interest expense | | | | | 1,005,513 | |
| Loss before income taxes | | | | | (2,164,061) | |
| Income tax provision | | | | | (500) | |
| Net loss as reported under GAAP | | | | | \$ (2,164,561) | |

*See accompanying disclosure regarding use of non-GAAP financial measures.