

## **Brookstone Announces \$2.7 million Improvement in Adjusted EBITDA**

- Same store sales increase 11.6%
- e-Commerce sales increase 29.6%
- Alternative Distribution sales more than double

MERRIMACK, NH, August 9, 2012 -- Innovative product development company and multi-channel lifestyle retailer Brookstone, Inc. announced today that, for the second quarter ended June 30, 2012, consolidated net sales increased 19.8% to \$102.5 million and our Adjusted EBITDA loss improved 51.7% to \$2.5 million as compared to the second quarter of 2011. For the twenty-six week period ended June 30, 2012, consolidated net sales increased 15.6% to \$191.5 million and our Adjusted EBITDA loss improved 32.7% to \$11.5 million as compared to the twenty-six week period ended July 2, 2011.

In our Retail channel, for the second quarter ended June 30, 2012, net sales increased \$7.5 million, or 10.9%, to \$76.3 million and same-store sales increased 11.6% as compared to the second quarter of 2011. For the twenty-six week period ended June 30, 2012, net sales in the Retail channel increased \$11.3 million, or 8.5%, to \$143.9 million and same-store sales increased 9.9% as compared to the twenty-six week period ended July 2, 2011. These increases were due in part to improved selling efforts at our retail stores, offset by a net decrease in the number of stores from 294 to 281.

Net sales in our e-Commerce channel increased \$3.8 million, or 29.6%, to \$16.9 million for the second quarter ended June 30, 2012, as compared to the second quarter of 2011. For the twenty-six week period ended June 30, 2012, net sales in the e-Commerce channel increased \$7.0 million, or 27.9%, to \$32.4 million as compared to the twenty-six week period ended July 2, 2011. These increases were primarily due to revenue growth in our on-line marketplace initiative under which we have significantly increased the selection of quality third party marketplace products on our website, [www.brookstone.com](http://www.brookstone.com).

For the second quarter ended June 30, 2012, net sales in the Alternative Distribution channel, which includes our wholesale business, increased \$5.6 million, or 151.8%, to \$9.2 million as compared to the second quarter of 2011. For the twenty-six week period ended June 30, 2012, net sales in the Alternative Distribution channel increased \$7.5 million, or 97.8%, to \$15.2 million as compared to the twenty-six week period ended July 2011, as we continue to focus on expanding our revenue streams through alternative channels.

Stephen Bebis, Brookstone's President and CEO, said: "We are encouraged with both the top and bottom line results for the second quarter of 2012. We realized improvements in all segments of our business, driven by an expansion of our product assortments in our e-Commerce and Retail segments, improved interactive selling efforts in our stores, and continued sales growth to our wholesale customers. We continue to see strong gains in our technology business including iPad® accessories and Bluetooth enabled audio."

## Non-GAAP Financial Information

EBITDA and Adjusted EBITDA are measures used by management to evaluate the Company's ongoing operations and as a general indicator of the Company's operating cash flow. The Company defines EBITDA as net income, plus interest expense, provision for income taxes, and depreciation and amortization. The Company's definition of Adjusted EBITDA is consistent with the definition of "Consolidated EBITDA" as noted in our Credit Agreement for purposes of certain financial covenant calculations, which is EBITDA plus certain non-cash items (i.e. – restricted stock awards) that reduce consolidated net income during the period. Management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the comparative evaluation of companies. Because not all companies use identical calculations, the Company's presentation of EBITDA may not be comparable to similarly titled measures of other companies. EBITDA is not a recognized term under GAAP and does not purport to be an alternative to either net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use as it does not reflect certain cash requirements such as interest payments, tax payments and debt service requirements. The Company excludes certain non-cash items from Adjusted EBITDA as noted above, as the Company believes this provides an enhanced indicator of operating cash flow. We have provided a reconciliation of Adjusted EBITDA to GAAP net income below:

<b>Brookstone, Inc.</b>				
<b>Reconciliation of Net Loss to</b>				
<b>Adjusted EBITDA</b>				
(In thousands)				
(Unaudited)				
	Thirteen weeks ended		Twenty-six weeks ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net loss attributable to Brookstone	\$ (12,632)	\$ (13,616)	\$ (29,336)	\$ (32,751)
Interest expense	4,267	4,473	8,675	8,897
Income tax provision (benefit)	(97)	229	92	351
Depreciation and Amortization	2,306	2,295	4,715	5,045
EBITDA	(6,156)	(6,619)	(15,854)	(18,458)
Non-cash items	3,645	1,422	4,315	1,306
Adjusted EBITDA	\$ (2,511)	\$ (5,197)	\$ (11,539)	\$ (17,152)

*Brookstone, Inc. is an innovative product development and specialty lifestyle retail company that currently operates 281 Brookstone branded stores nationwide and in Puerto Rico. Typically located in high-traffic regional shopping malls and airports, the stores feature unique and innovative consumer products. The Company also operates an e-Commerce channel that includes the Brookstone catalog and the Brookstone website at <http://www.brookstone.com> as well as an alternative distribution channel that includes sales to select resellers and corporate partners.*

*Brookstone is principally owned by three sponsors, Osim International, J.W. Childs, and Temasek Holdings. In accordance with the terms governing its publicly-held debt, the Company issues quarterly and annual reports under SEC guidelines.*

*Statements in this release which are not historical facts, including statements about the Company's confidence or expectations, earnings, anticipated operations of its e-commerce sites and those of third-party service providers, and other statements about the Company's operational outlook are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 ("Reform Act") and are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in such forward-looking statements. Such risks and uncertainties include, without limitation, risks of changing market conditions in the overall economy and the retail industry, consumer demand, the effectiveness of e-commerce technology and marketing efforts, availability of products, availability of adequate transportation of such products, and other factors detailed from time to time in the Company's annual and other reports posted to the Company's website. Words such as "estimate", "project", "plan", "believe", "feel", "anticipate", "assume", "may", "will", "should" and similar words and phrases may identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof. The Company undertakes no obligations to publicly release any revisions to these forward-looking statements or reflect events or circumstances after the date hereof.*

**BROOKSTONE, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands, except share data)

(Unaudited)

	<u>June 30, 2012</u>	<u>December 31, 2011</u>	<u>July 2, 2011</u>
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 1,193	\$ 30,051	\$ 1,384
Receivables, net	12,947	13,298	10,658
Merchandise inventories	76,767	88,936	73,635
Prepaid expenses	7,691	8,603	7,267
Total current assets	<u>98,598</u>	<u>140,888</u>	<u>92,944</u>
Property, plant and equipment, net	43,081	45,441	45,923
Intangible assets, net	105,000	105,000	105,000
Goodwill	99,734	99,734	99,734
Other assets	2,442	2,661	4,580
Total assets	<u>\$ 348,855</u>	<u>\$ 393,724</u>	<u>\$ 348,181</u>
<b><u>Liabilities and Shareholder's Equity</u></b>			
Current liabilities:			
Accounts payable	\$ 17,721	\$ 32,073	\$ 15,347
Other current liabilities	31,222	49,141	30,714
Short-term borrowings	11,550	---	12,069
Current portion of long term debt	2,104	10,828	904
Deferred income taxes	469	469	716
Total current liabilities	<u>63,066</u>	<u>92,511</u>	<u>59,750</u>
Long-term debt:			
Senior Notes, at face value net of discount	125,356	125,275	135,139
Concession on 2010 Note Exchange, net	8,727	10,401	11,999
Other long-term debt	15,551	2,503	2,889
Total long-term debt	<u>149,634</u>	<u>138,179</u>	<u>150,027</u>
Other long-term liabilities	16,936	18,757	18,492
Deferred income taxes	38,066	38,066	37,819
Total liabilities	<u>267,702</u>	<u>287,513</u>	<u>266,088</u>
Commitments and contingencies	---	---	---
Equity:			
Brookstone Shareholder's equity:			
Common Stock – \$0.01 par value, 1,000 shares authorized, one share issued and outstanding	---	---	---
Additional paid-in capital	270,966	266,827	266,824
Accumulated other comprehensive loss	(2,621)	(2,717)	(1,399)
Retained deficit	(188,616)	(159,280)	(184,750)
Total Brookstone Shareholder's equity	<u>79,729</u>	<u>104,830</u>	<u>80,675</u>
Noncontrolling interests	1,424	1,381	1,418
Total equity	<u>81,153</u>	<u>106,211</u>	<u>82,093</u>
Total liabilities and equity	<u>\$ 348,855</u>	<u>\$ 393,724</u>	<u>\$ 348,181</u>

**BROOKSTONE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands)  
(Unaudited)

	<b>Thirteen weeks ended</b>		<b>Twenty-six weeks ended</b>	
	<b>June 30, 2012</b>	<b>July 2, 2011</b>	<b>June 30, 2012</b>	<b>July 2, 2011</b>
Net sales	\$ 102,484	\$ 85,535	\$ 191,536	\$ 165,631
Cost of sales	75,416	64,088	144,270	128,359
Gross profit	27,068	21,447	47,266	37,272
Selling, general and administrative expenses	35,065	30,012	67,078	60,185
Loss from operations	(7,997)	(8,565)	(19,812)	(22,913)
Interest expense, net	4,267	4,471	8,675	8,896
Loss before income taxes	(12,264)	(13,036)	(28,487)	(31,809)
Income tax provision (benefit)	(97)	229	92	351
Consolidated net loss	(12,167)	(13,265)	(28,579)	(32,160)
Less: Net income attributable to non-controlling interests	465	351	757	591
Net loss attributable to Brookstone	<u>\$ (12,632)</u>	<u>\$ (13,616)</u>	<u>\$ (29,336)</u>	<u>\$ (32,751)</u>

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