

Brookstone Announces 15.8% Improvement in Adjusted EBITDA

- Same store sales increase 6.1%
- e-Commerce sales increase 33.0%
- Alternative Distribution sales more than double

MERRIMACK, NH, November 13, 2012 -- Innovative product development company and multi-channel lifestyle retailer Brookstone, Inc. announced today that, for the third quarter ended September 29, 2012, consolidated net sales increased 21.9% to \$95.3 million and our Adjusted EBITDA loss improved 15.8% to \$5.5 million as compared to the third quarter of 2011. For the thirty-nine week period ended September 29, 2012, consolidated net sales increased 17.6% to \$286.8 million and our Adjusted EBITDA loss improved 28.1% to \$17.0 million as compared to the thirty-nine week period ended October 1, 2011.

In our Retail channel, for the third quarter ended September 29, 2012, net sales increased \$3.8 million, or 6.1%, to \$66.6 million and same-store sales increased 6.1% as compared to the third quarter of 2011. For the thirty-nine week period ended September 29, 2012, net sales in the Retail channel increased \$15.1 million, or 7.8%, to \$210.5 million and same-store sales increased 8.7% as compared to the thirty-nine week period ended October 1, 2011. These increases were the result of a strong product offering and continued improvements in our selling culture, offset by a net decrease in the number of stores from 293 to 282.

Net sales in our e-Commerce channel increased \$3.2 million, or 33.0%, to \$12.9 million for the third quarter ended September 29, 2012, as compared to the third quarter of 2011. For the thirty-nine week period ended September 29, 2012, net sales in the e-Commerce channel increased \$10.3 million, or 29.3%, to \$45.3 million as compared to the thirty-nine week period ended October 1, 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.

For the third quarter ended September 29, 2012, net sales in the Alternative Distribution channel, which includes our wholesale business, increased \$10.1 million, or 177.4%, to \$15.7 million as compared to the third quarter of 2011. For the thirty-nine week period ended September 29, 2012, net sales in the Alternative Distribution channel increased \$17.6 million, or 131.6%, to \$30.9 million as compared to the thirty-nine week period ended October 1, 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 third quarter of 2012. Our improving net sales results provide us with optimism for the remainder of 2012 as we approach the winter holiday selling season. We continue to invest in strategic growth initiatives to drive our long-term success in each of our business segments and have realized particularly strong gains in our audio and mobile technology product categories."

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:

Brookstone, Inc.
Reconciliation of Net Loss to
Adjusted EBITDA
(In thousands)
(Unaudited)

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Net loss attributable to Brookstone	\$ (12,182)	\$ (13,785)	\$ (41,518)	\$ (46,537)
Interest expense	4,283	4,524	12,958	13,422
Income tax provision (benefit)	108	170	200	520
Depreciation and Amortization	2,270	2,501	6,985	7,546
EBITDA	(5,521)	(6,590)	(21,375)	(25,049)
Non-cash items	69	116	4,384	1,422
Adjusted EBITDA	<u>\$ (5,452)</u>	<u>\$ (6,474)</u>	<u>\$ (16,991)</u>	<u>\$ (23,627)</u>

Brookstone, Inc. is an innovative product development and specialty lifestyle retail company that operates approximately 280 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>September 29, 2012</u>	<u>December 31, 2011</u>	<u>October 1, 2011</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,255	\$ 30,051	\$ 1,222
Receivables, net	20,225	13,298	11,147
Merchandise inventories	87,134	88,936	85,099
Prepaid expenses	8,230	8,603	9,152
Total current assets	<u>116,844</u>	<u>140,888</u>	<u>106,620</u>
Property, plant and equipment, net	43,675	45,441	45,917
Intangible assets, net	105,000	105,000	105,000
Goodwill	99,734	99,734	99,734
Other assets	2,239	2,661	4,203
Total assets	<u>\$ 367,492</u>	<u>\$ 393,724</u>	<u>\$ 361,474</u>
<u>Liabilities and Shareholder's Equity</u>			
Current liabilities:			
Accounts payable	\$ 28,008	\$ 32,073	\$ 30,579
Other current liabilities	28,167	49,141	26,856
Short-term borrowings	36,279	---	29,548
Current portion of long term debt	2,104	10,828	904
Deferred income taxes	469	469	716
Total current liabilities	<u>95,027</u>	<u>92,511</u>	<u>88,603</u>
Long-term debt:			
Senior Notes, at face value net of discount	125,383	125,275	135,169
Concession on 2010 Note Exchange, net	7,853	10,401	11,203
Other long-term debt	15,025	2,503	2,662
Total long-term debt	<u>148,261</u>	<u>138,179</u>	<u>149,034</u>
Other long-term liabilities	16,919	18,757	17,912
Deferred income taxes	38,066	38,066	37,819
Total liabilities	<u>298,273</u>	<u>287,513</u>	<u>293,368</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	266,842
Accumulated other comprehensive loss	(2,574)	(2,717)	(1,391)
Retained deficit	(200,798)	(159,280)	(198,536)
Total Brookstone Shareholder's equity	<u>67,594</u>	<u>104,830</u>	<u>66,915</u>
Noncontrolling interests	1,625	1,381	1,191
Total equity	<u>69,219</u>	<u>106,211</u>	<u>68,106</u>
Total liabilities and equity	<u>\$ 367,492</u>	<u>\$ 393,724</u>	<u>\$ 361,474</u>

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Net sales	\$ 95,262	\$ 78,171	\$ 286,798	\$ 243,801
Cost of sales	<u>73,031</u>	<u>60,107</u>	<u>217,301</u>	<u>188,466</u>
Gross profit	22,231	18,064	69,497	55,335
Selling, general and administrative expenses	<u>29,686</u>	<u>26,851</u>	<u>96,764</u>	<u>87,037</u>
Loss from operations	(7,455)	(8,787)	(27,267)	(31,702)
Interest expense, net	<u>4,283</u>	<u>4,524</u>	<u>12,958</u>	<u>13,420</u>
Loss before income taxes	(11,738)	(13,311)	(40,225)	(45,122)
Income tax provision	<u>108</u>	<u>170</u>	<u>200</u>	<u>520</u>
Consolidated net loss	(11,846)	(13,481)	(40,425)	(45,642)
Less: Net income attributable to non-controlling interests	<u>336</u>	<u>304</u>	<u>1,093</u>	<u>895</u>
Net loss attributable to Brookstone	<u><u>\$ (12,182)</u></u>	<u><u>\$ (13,785)</u></u>	<u><u>\$ (41,518)</u></u>	<u><u>\$ (46,537)</u></u>

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