

Brookstone Announces 7.7% Adjusted EBDITA Improvement and Comp Sales Increase of 0.7% for Third Quarter 2013 Financial Results

MERRIMACK, NH, November 5, 2013 -- Innovative product development company and multi-channel lifestyle retailer Brookstone, Inc. announced today that, for the third quarter ended September 28, 2013, comp sales increased 0.7% and Adjusted EBITDA improved by 10% to (\$5.0) million, while net sales decreased 7.3% to \$88.3 million, all as compared to the third quarter ended September 29, 2012. For the thirty-nine week period ended September 28, 2013, consolidated net sales decreased 6.5% to \$268.3 million and comp sales decreased 3.6%, while, Adjusted EBITDA declined to (\$19.8) million as compared to (\$17.0) million for the thirty-nine week period ended September 29, 2012.

For the third quarter of 2013, net sales in the e-Commerce channel increased \$1.7 million, or 13.4%, to \$14.6 million, as compared to the third quarter of 2012. For the thirty-nine week period ended September 28, 2013, net sales in the e-Commerce channel increased \$4.4 million, or 9.8%, to \$49.8 million, as compared to the thirty-nine week period ended September 29, 2012. These increases reflect continued growth from a larger selection of quality third party products on the Company's website as well as the addition of multiple new internet marketing programs.

Net sales in the Alternative Distribution channel decreased \$3.5 million, or 22.5%, to \$12.2 million for the third quarter ended September 28, 2013, as compared to the third quarter of 2012. For the thirty-nine week period ended September 28, 2013, net sales in the Alternative Distribution channel decreased \$3.6 million, or 11.7%, to \$27.3 million as compared the thirty-nine week period ended September 29, 2012. These results reflect an increased focus on our core wholesale customers where we see growth potential. This refocusing has reduced our gross sales in this channel but had a minimal impact on net income.

In the Retail channel, for the third quarter of 2013, net sales decreased \$5.1 million, or 7.6%, to \$61.5 million and same-store sales decreased 0.7% as compared to the third quarter of 2012. For the thirty-nine week period ended September 28, 2013, net sales in the Retail channel decreased \$19.3 million, or 9.2%, to \$191.2 million and same-store sales decreased 4.3% as compared to the thirty-nine week period ended September 29, 2012. The net sales results in the Retail channel were impacted by a decrease in the number of stores from 282 to 258 as compared to the third quarter of 2012. The same-store sales decline of 0.7% represents a significant improvement from the 10.6% decline reported for the second quarter of this year.

Cash on-hand at the end of the third quarter of 2013 was approximately \$1.1 million as compared to \$1.3 million at the end of the third quarter of 2012. As of September 28, 2013, the Company had short-term cash borrowings outstanding under its senior credit facility of \$65.4 million, with additional availability of \$26.1 million. Inventories at the end of the third quarter increased approximately \$30.6 million or 35.1% from the third quarter of 2012. The increased inventory resulted from staging our inventories several weeks earlier this year to enable our retail stores ample preparation time for this Holiday season and we expect to end the year in line with historical levels.

Jim Speltz, President and CEO commented, "The investments we made in our sales team have yielded exciting gains in productivity. We are encouraged by the positive trend we experienced in our comp sales in the quarter, reversing the negative trend of the second quarter."

Mr. Speltz continued, "Looking forward to the important Holiday season, based on early reads of key new products, I am excited about the assortment we have lined up. We are prepared for the upcoming Holiday season, our store teams are energized, and we have a new and exciting internet and catalog presentation which ties our channels together."

Non-GAAP Financial Information and Other Defined Terms

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 its Credit Agreement for purposes of certain financial covenant calculations, which is EBITDA minus extraordinary or one-time gains and plus extraordinary or one-time non-cash losses; plus non-cash items that reduce consolidated net income during the period; and purchase accounting adjustments. Management believes EBITDA and Adjusted EBITDA are useful to investors because each 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 and Adjusted EBITDA may not be comparable to similarly titled measures of other companies. EBITDA and Adjusted EBITDA are not recognized terms under GAAP and do not purport to be alternatives to either net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use as neither reflects certain cash requirements such as interest payments, tax payments and debt service requirements. A reconciliation of the Non-GAAP financial measures EBITDA and Adjusted EBITDA to GAAP net loss is provided below:

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net loss attributable to Brookstone	\$ (18,081)	\$ (12,182)	\$ (46,143)	\$ (41,518)
Interest expense	4,822	4,283	13,273	12,958
Income tax provision	124	108	427	200
Depreciation and Amortization	2,237	2,270	6,671	6,985
EBITDA	(10,898)	(5,521)	(25,772)	(21,375)
Share-based compensation	5,822	(14)	5,860	4,139
Straight-line rent adjustment	43	83	141	245
Adjusted EBITDA	\$ (5,033)	\$ (5,452)	\$ (19,771)	\$ (16,991)

Same store sales are defined as those stores that have been open for the preceding twelve months. Comp sales are defined as same store sales plus internet sales.

Brookstone, Inc. is an innovative product development and specialty lifestyle retail company that currently operates approximately 260 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 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, although not all forward-looking statements contain

these words and phrases. 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)

(Unaudited)

	September 28, 2013	December 29, 2012	September 29, 2012
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,080	\$ 31,614	\$ 1,255
Receivables, less allowances for doubtful accounts of \$360 at September 28, 2013, \$314 at December 29, 2012 and \$408 at September 29, 2012	16,952	14,895	20,225
Merchandise inventories	117,730	107,215	87,134
Prepaid expenses	7,330	2,881	8,230
Total current assets	<u>143,092</u>	<u>156,605</u>	<u>116,844</u>
Property, plant and equipment, net	39,226	42,735	43,675
Intangible assets, net	105,000	105,000	105,000
Goodwill	99,734	99,734	99,734
Other assets	1,430	2,037	2,239
Total assets	<u>\$ 388,482</u>	<u>\$ 406,111</u>	<u>\$ 367,492</u>
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable	\$ 42,648	\$ 55,103	\$ 28,008
Other current liabilities	26,094	49,187	27,547
Short-term borrowings	65,392	---	36,279
Current portion of long term debt	1,304	2,104	2,104
Deferred income taxes	47	47	469
Total current liabilities	<u>135,485</u>	<u>106,441</u>	<u>94,407</u>
Long-term debt:			
Senior Notes, at face value net of discount	125,493	125,410	125,383
Concession on 2010 Note Exchange, net	4,176	6,973	7,853
Other long-term debt	12,987	14,499	15,025
Total long-term debt	<u>142,656</u>	<u>146,882</u>	<u>148,261</u>
Other long-term liabilities	15,794	17,858	17,539
Deferred income taxes	38,488	38,488	38,066
Total liabilities	<u>332,423</u>	<u>309,669</u>	<u>298,273</u>
Commitments and contingencies	---	---	---
Equity:			
Brookstone Shareholder's equity:			
Additional paid-in capital	276,826	270,966	270,966
Accumulated other comprehensive loss	(2,952)	(3,120)	(2,574)
Retained deficit	(219,138)	(172,995)	(200,798)
Total Brookstone Shareholder's equity	<u>54,736</u>	<u>94,851</u>	<u>67,594</u>
Noncontrolling interests	1,323	1,591	1,625
Total equity	<u>56,059</u>	<u>96,442</u>	<u>69,219</u>
Total liabilities and equity	<u>\$ 388,482</u>	<u>\$ 406,111</u>	<u>\$ 367,492</u>

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net sales	\$ 88,348	\$ 95,262	\$ 268,305	\$ 286,798
Cost of sales	68,915	73,031	209,985	217,301
Gross profit	19,433	22,231	58,320	69,497
Selling, general and administrative expenses	32,397	29,686	90,232	96,764
Loss from operations	(12,964)	(7,455)	(31,912)	(27,267)
Interest expense, net	4,796	4,283	13,247	12,958
Loss before income taxes	(17,760)	(11,738)	(45,159)	(40,225)
Income tax provision	124	108	427	200
Consolidated net loss	(17,884)	(11,846)	(45,586)	(40,425)
Less: Net income attributable to non-controlling interests	197	336	557	1,093
Net loss attributable to Brookstone	\$ (18,081)	\$ (12,182)	\$ (46,143)	\$ (41,518)

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