

Brookstone Reports 45% Increase in Fiscal Year 2011 EBITDA

- **Fiscal Year 2011 Net Sales increased 6.1% to \$496.8 million**
- **Company debt refinanced with Wells Fargo Bank and extended to July 2014**
- **Innovative product launches including Accessories for iPad®, Big Blue Audio™ and App Controlled Vehicles highlighted a productive year of proprietary product launches**

MERRIMACK, NH, March 28, 2012 -- Innovative product development company and multi-channel lifestyle retailer Brookstone, Inc. announced today that, for the fiscal year ended December 31, 2011, net sales increased 6.1% to \$496.8 million and EBITDA increased 44.6% to \$23.3 million from the comparable period last year.

Net sales in the Retail channel increased \$2.5 million or approximately 1% to \$372.4 million and same-store sales increased 2.5% as compared to fiscal year 2010. 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 307 to 294. For the same period, net sales in our e-Commerce channel increased 9.6% to \$96.8 million, primarily due to revenue growth in our on-line marketplace initiative. Net sales in the Alternative Distribution channel, which includes our wholesale business, rose 175.9% to \$27.6 million.

For the fourth quarter ended December 31, 2011, Brookstone reported that net sales increased 1.4% to \$253.0 million and EBITDA decreased 5.1% to \$47.8 million as compared to the fourth quarter of 2010.

Net sales in the Retail channel for the period decreased 6.1% to \$175.7 million, including a decrease of 3.1% in same-store sales. Net sales in the e-Commerce channel increased 9.4% to \$62.7 million and net sales in the Alternative Distribution channel increased 198.3% to \$14.5 million.

Jim Speltz, Brookstone's Chief Operating Officer, said: "Despite the uncertainty and negative tone of the economy throughout 2011, we were able to realize improvements in our business, including an expansion of our product assortment in our e-Commerce segment, improved product assortment and selling efforts in our retail stores, and increased sales to our wholesale and corporate partners. We are especially pleased with the performance of certain products such as our high quality accessories for iPad tablet, our line of proprietary massagers and our Big Blue Audio Bluetooth® enabled speakers. Our improving net sales results provide us with optimism for 2012 as we continue to invest in strategic growth initiatives to drive our long-term success in each of our business segments."

Tom Moynihan, Brookstone's Chief Financial Officer, said: "We continued our debt restructuring efforts that began with the 2010 Note Exchange by completely retiring in January 2012 the balance of our outstanding 12% Unsecured Notes due October 2012, which will improve cash flows through reduced interest payments. This initiative, along with our previously announced new senior credit facility with Wells Fargo Bank entered into at the end of 2011, and the Company's program to improve performance, strengthen the Company's financial structure." Moynihan added: "We ended the year with approximately \$30.1 million in cash and approximately \$45.8 million of availability under our credit facility. Additionally, our inventories at the end of the year were managed down by approximately \$7.1 million or 7.4% from last year. We believe that our debt restructuring efforts and the current level and quality of our merchandise assortment position the Company favorably for continued growth."

Non-GAAP Financial Information

EBITDA is a measure 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. 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. We have provided a reconciliation of EBITDA to GAAP net income below:

Brookstone, Inc.
Reconciliation of Net Income (Loss) to Earnings Before Interest,
Taxes, and Depreciation and Amortization (EBITDA)

(In thousands)

(Unaudited)

	For the fourth quarter ended		For the fiscal year ended	
	December 31, 2011	January 1, 2011	December 31, 2011	January 1, 2011
Net income (loss)	\$ 39,255	\$ 42,507	\$ (7,281)	\$ (20,467)
Interest expense	6,302	5,409	19,723	23,809
Income tax provision (benefit)	(383)	120	136	481
Depreciation and Amortization	2,617	2,320	10,745	12,311
EBITDA	\$ 47,791	\$ 50,356	\$ 23,323	\$ 16,134

Brookstone, Inc. is an innovative product development and specialty lifestyle retail company that currently operates 284 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 for share data)
(Unaudited)

	December 31, 2011	January 1, 2011
<u>Assets:</u>		
Current assets:		
Cash and cash equivalents	\$ 30,051	\$ 32,097
Receivables, less allowances for doubtful accounts of \$507 at December 31, 2011 and \$257 at January 1, 2011	13,298	7,266
Merchandise inventories	88,936	96,004
Prepaid expenses	8,603	8,950
Total current assets	140,888	144,317
Property, plant and equipment, net	45,441	46,362
Intangible assets	105,000	105,000
Goodwill	99,734	99,734
Other assets	2,661	5,386
Total assets	\$ 393,724	\$ 400,799
<u>Liabilities and Shareholder's Equity</u>		
Current liabilities:		
Accounts payable	\$ 32,073	\$ 32,836
Other current liabilities	49,141	43,531
Current portion of long-term debt	10,828	904
Deferred income taxes	469	716
Total current liabilities	92,511	77,987
Long-term debt:		
Senior Notes, at face value net of discount	125,275	135,080
Concession on 2010 Note Exchange, net	10,401	13,529
Other long-term debt	2,503	3,408
Total long-term debt	138,179	152,017
Other long term liabilities	18,757	19,604
Deferred income taxes	38,066	37,819
Total liabilities	287,513	287,427
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	266,827	265,485
Accumulated other comprehensive loss	(2,717)	(1,414)
Retained deficit	(159,280)	(151,999)
Total Brookstone Shareholder's equity	104,830	112,072
Noncontrolling interests	1,381	1,300
Total equity	106,211	113,372
Total liabilities and equity	\$ 393,724	\$ 400,799

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

	<u>Thirteen weeks ended</u> <u>December 31, 2011</u>	<u>Thirteen weeks ended</u> <u>January 1, 2011</u>
Net sales	\$ 252,965	\$ 249,402
Cost of sales	<u>151,165</u>	<u>143,291</u>
Gross profit	101,800	106,111
Selling, general and administrative expenses	<u>56,337</u>	<u>57,745</u>
Income from operations	45,463	48,366
Interest expense, net	<u>6,302</u>	<u>5,409</u>
Income before taxes	39,161	42,957
Income tax provision (benefit)	<u>(383)</u>	<u>120</u>
Consolidated net income	39,544	42,837
Less: Net income attributable to noncontrolling interests	<u>289</u>	<u>330</u>
Net income attributable to Brookstone, Inc.	<u>\$ 39,255</u>	<u>\$ 42,507</u>

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

	<u>Fifty-two weeks ended</u> <u>December 31, 2011</u>	<u>Fifty-two weeks ended</u> <u>January 1, 2011</u>
Net sales	\$ 496,766	\$ 468,191
Cost of sales	<u>339,631</u>	<u>319,254</u>
Gross profit	157,135	148,937
Selling, general and administrative expenses	<u>143,374</u>	<u>144,216</u>
Income from operations	13,761	4,721
Interest expense, net	<u>19,722</u>	<u>23,808</u>
Loss before taxes	(5,961)	(19,087)
Income tax provision	<u>136</u>	<u>481</u>
Consolidated net loss	(6,097)	(19,568)
Less: Net income attributable to noncontrolling interests	<u>1,184</u>	<u>899</u>
Net loss attributable to Brookstone, Inc.	<u>\$ (7,281)</u>	<u>\$ (20,467)</u>

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