

Brookstone Reports Net Sales increased 4.6% to \$519.6 million for Fiscal Year 2012

- **Comp sales increased 4.5%**
- **Cash position improves by \$1.6 million**
- **Adjusted EBITDA of \$18.4 million decreased 25.7% from Fiscal Year 2011**

MERRIMACK, NH, March 28, 2013 -- Innovative product development company and multi-channel lifestyle retailer Brookstone, Inc. announced today that, for the fiscal year ended December 29, 2012, net sales increased 4.6% to \$519.6 million and comp sales increased 4.5% while Adjusted EBITDA decreased 25.7% to \$18.4 million as compared to the fiscal year ended December 31, 2011. For the fourth quarter ended December 29, 2012, net sales decreased 8.0% to \$232.8 million, comp sales decreased 3.5% and Adjusted EBITDA decreased 25.9% to \$35.4 million as compared to the fourth quarter of 2011.

For the fiscal year ended December 29, 2012, net sales in the Alternative Distribution channel, which includes our wholesale business, increased \$14.1 million, or 51.4%, to \$41.6 million as compared to the fiscal year ended December 31, 2011. For the fourth quarter ended December 29, 2012, net sales in the Alternative Distribution channel decreased \$3.4 million, or 24.3%, to \$10.7 million as compared to the fourth quarter of 2011. The increase for the full fiscal year was primarily the result of an increase in sales to our wholesale partners (i.e. other retailers) that purchased our products for sale in their retail stores and channels, while the fourth quarter decrease was due to the timing of shipments to our wholesale partners as compared to the fourth quarter of 2011. We continue to focus on expanding our revenue streams through alternative channels.

Net sales in our e-Commerce channel increased \$9.0 million, or 9.3%, to \$105.4 million for the fiscal year ended December 29, 2012, as compared to the fiscal year ended December 31, 2011. For the fourth quarter ended December 29, 2012, net sales in the e-Commerce channel decreased \$1.3 million, or 2.1%, to \$60.1 million as compared to the fourth quarter of 2011. The increases for the full fiscal year were driven by new and expanded online marketing initiatives and partnerships through our website, www.brookstone.com. Our results were offset in the fourth quarter by reduced year over year catalog circulation and a reduction in shipping and handling revenues as we responded to consumer demand with discounted shipping programs.

In our Retail channel, for the fiscal year ended December 29, 2012, net sales decreased \$0.3 million, or 0.1%, to \$372.6 million and same-store sales increased 1.7% as compared to the fiscal year ended December 31, 2011. For the fourth quarter ended December 29, 2012, net sales in the Retail channel decreased \$15.4 million, or 8.7%, to \$162.0 million and same-store sales decreased 6.3% as compared to the fourth quarter of 2011. The net sales results in our Retail channel were impacted by the soft holiday selling season broadly experienced by retailers, driven by consumers' uncertainty about the economy, the potential fiscal cliff, and the U.S. Presidential election, as well as a net decrease in the number of stores from 294 to 278 as compared to fiscal year 2011.

Our inventories at the end of the year increased approximately \$18.3 million or 20.6% from the same period last year. While higher than in fiscal year 2011, we believe that our stock levels remain satisfactory and that the quality of our inventory on the whole is good. Our cash levels increased \$1.6 million as we ended fiscal year 2012 with approximately \$31.6 million in cash as compared to \$30.1 million in cash at the end of fiscal year 2011, no cash borrowings and approximately \$64.8 million in borrowings available under our revolving credit facility.

Stephen Bebis, Brookstone's President and CEO, said: "While we are disappointed in the fourth quarter results, we are encouraged by improvements in key growth segments of our business such as our e-Commerce and Alternative Distribution channels. Nevertheless, in response to our fourth quarter Retail channel results, as well as a recognition of the evolution of retail and our overall business, we enacted a plan in January 2013 to significantly reduce certain administrative and labor costs of the Company. These measures are designed to increase the profitability of the Company, while at the same time provide for growth of our strategic initiatives. We anticipate that the associated savings will be approximately \$12.0 million during fiscal year 2013. These initiatives, along with our continued top line growth, provide us with optimism for 2013 as we continue to promote the Brookstone brand to drive our long-term success in each of our business segments."

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 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 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 Income (Loss) to Adjusted Earnings Before Interest,
Taxes, and Depreciation and Amortization (Adjusted EBITDA)

(In thousands)

(Unaudited)

	For the fourth quarter ended		For the fiscal year ended	
	December 29, 2012	December 31, 2011	December 29, 2012	December 31, 2011
Net income (loss) attributable to Brookstone	\$ 27,802	\$ 39,255	\$ (13,715)	\$ (7,281)
Interest expense	4,359	6,302	17,317	19,723
Income tax provision (benefit)	(91)	(384)	109	136
Depreciation and Amortization	2,390	2,518	9,376	10,745
EBITDA	34,460	47,691	13,087	23,323
Share-based compensation	---	(15)	4,139	1,342
Long-lived asset impairment	878	---	878	---
Straight-line rent adjustment	83	94	328	154
Adjusted EBITDA	<u>\$ 35,421</u>	<u>\$ 47,770</u>	<u>\$ 18,432</u>	<u>\$ 24,819</u>

Brookstone, Inc. is an innovative product development and specialty lifestyle retail company that currently operates approximately 270 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 29, 2012	December 31, 2011
<u>Assets:</u>		
Current assets:		
Cash and cash equivalents	\$ 31,614	\$ 30,051
Receivables, less allowances for doubtful accounts of \$314 at December 29, 2012 and \$507 at December 31, 2011	14,895	13,298
Merchandise inventories	107,215	88,936
Prepaid expenses	2,881	8,603
Total current assets	156,605	140,888
Property, plant and equipment, net	42,735	45,441
Intangible assets	105,000	105,000
Goodwill	99,734	99,734
Other assets	2,037	2,661
Total assets	\$ 406,111	\$ 393,724
<u>Liabilities and Shareholder's Equity</u>		
Current liabilities:		
Accounts payable	\$ 55,103	\$ 32,073
Other current liabilities	49,187	48,681
Current portion of long-term debt	2,104	10,828
Deferred income taxes	47	469
Total current liabilities	106,441	92,051
Long-term debt:		
Senior Notes, at face value net of discount	125,410	125,275
Concession on 2010 Note Exchange, net	6,973	10,401
Other long-term debt	14,499	2,503
Total long-term debt	146,882	138,179
Other long term liabilities	17,858	19,217
Deferred income taxes	38,488	38,066
Total liabilities	309,669	287,513
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
Accumulated other comprehensive loss	(3,120)	(2,717)
Retained deficit	(172,995)	(159,280)
Total Brookstone Shareholder's equity	94,851	104,830
Noncontrolling interests	1,591	1,381
Total equity	96,442	106,211
Total liabilities and equity	\$ 406,111	\$ 393,724

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

	<u>Thirteen weeks ended</u> <u>December 29, 2012</u>	<u>Thirteen weeks ended</u> <u>December 31, 2011</u>
Net sales	\$ 232,814	\$ 252,965
Cost of sales	<u>145,743</u>	<u>151,165</u>
Gross profit	87,071	101,800
Selling, general and administrative expenses	53,798	56,337
Long-lived asset impairment	<u>878</u>	<u>---</u>
Income from operations	32,395	45,463
Interest expense, net	<u>4,359</u>	<u>6,302</u>
Income before taxes	28,036	39,161
Income tax benefit	<u>(91)</u>	<u>(383)</u>
Consolidated net income	28,127	39,544
Less: Net income attributable to noncontrolling interests	<u>325</u>	<u>289</u>
Net income attributable to Brookstone, Inc.	<u>\$ 27,802</u>	<u>\$ 39,255</u>

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

	<u>Fifty-two weeks ended</u> <u>December 29, 2012</u>	<u>Fifty-two weeks ended</u> <u>December 31, 2011</u>
Net sales	\$ 519,613	\$ 496,766
Cost of sales	<u>363,045</u>	<u>339,631</u>
Gross profit	156,588	157,135
Selling, general and administrative expenses	150,061	143,374
Long-lived asset impairment	<u>878</u>	<u>-</u>
Income from operations	5,129	13,761
Interest expense, net	<u>17,317</u>	<u>19,722</u>
Loss before taxes	(12,188)	(5,961)
Income tax provision	<u>109</u>	<u>136</u>
Consolidated net loss	(12,297)	(6,097)
Less: Net income attributable to noncontrolling interests	<u>1,418</u>	<u>1,184</u>
Net loss attributable to Brookstone, Inc.	<u>\$ (13,715)</u>	<u>\$ (7,281)</u>

Contact:

Thomas F. Moynihan
Vice President, Chief Financial Officer
(603) 880-9500