

Brookstone Announces \$1.2 million EBITDA Improvement for First Quarter 2013 Financial Results

- **Comp sales increased 2.1%**
- **Net Sales increased 0.6% to \$89.6 million**
- **Adjusted EBITDA improved 13.1%**

MERRIMACK, NH, May 14, 2013 -- Innovative product development company and multi-channel lifestyle retailer Brookstone, Inc. announced today that, for the first quarter ended March 30, 2013, net sales increased 0.6% to \$89.6 million and comp sales increased 2.1% while Adjusted EBITDA improved 13.1% to \$(7.8) million as compared to the first quarter ended March 31, 2012. The revenue increase of 0.6% was on top of an 11.2% increase during the same period last year.

For the first quarter of 2013, net sales in our e-Commerce channel increased \$2.0 million, or 12.8%, to \$17.5 million, as compared to the same period last year. This was primarily due to increases in revenue resulting from improved catalog productivity, continued growth of our online product portfolio, and the expansion of successful Internet marketing programs.

Net sales in the Alternative Distribution channel, which includes our wholesale business, increased \$1.4 million, or 24.0%, to \$7.4 million as compared to last year. The significant increase in the net sales of our Alternative Distribution segment was primarily the result of an increase in sales to our wholesale partners that purchased our products for sale in their retail stores and channels. We continue to focus on expanding our revenue streams through alternative channels.

In our Retail channel for the first quarter of 2013, net sales decreased \$2.9 million, or 4.2%, to \$64.7 million and same-store sales decreased 1.2% as compared to the first quarter of last year. The net sales results in our Retail channel were impacted by delays in new product introductions and a decrease in the number of stores from 284 to 267 as compared to the first quarter of 2012. The same-store sales decline of 1.2% for the first quarter compares to a 7.9% increase during the same period last year.

Our cash level at the end of the first quarter was approximately \$1.4 million as compared to \$1.3 million for the first quarter of 2012. In addition, we had cash borrowings of approximately \$28.9 million and approximately \$29.2 million in borrowings available under our revolving credit facility. Although inventories at the end of the first quarter increased approximately \$13.9 million or 16.6% from the first quarter of 2012, we believe that our stock levels remain satisfactory, inventory quality is strong, and total inventory levels are in line with historical norms and expectations.

Jim Speltz, Brookstone's President and CEO, said: "We are pleased with the top and bottom line growth of our e-Commerce and wholesale channels. Specifically, e-Commerce has seen growth in website traffic, catalog productivity, and customer file growth. At the same time, we are disappointed in our first quarter Retail channel results. As previously noted, we have refocused our product strategy in 2013 to develop a deeper range of relevant and timely gifts that are oriented around seasonal events including Mothers Day, Fathers Day, and the winter holiday season. These initiatives complement our core category offerings and 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 (in thousands):

	For the thirteen weeks ended	
	March 30, 2013	March 31, 2012
Net loss attributable to Brookstone	\$ (14,711)	\$ (16,704)
Interest expense	4,247	4,408
Income tax provision	187	188
Depreciation and Amortization	2,341	2,409
EBITDA	(7,936)	(9,699)
Share-based compensation	38	589
Straight-line rent adjustment	55	82
Adjusted EBITDA	\$ (7,843)	\$ (9,028)

Brookstone, Inc. is an innovative product development and specialty lifestyle retail company that currently operates approximately 265 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>March 30, 2013</u>	<u>December 29, 2012</u>	<u>March 31, 2012</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,365	\$ 31,614	\$ 1,280
Receivables, net	9,596	14,895	8,411
Merchandise inventories	97,196	107,215	83,336
Prepaid expenses	7,249	2,881	8,458
Total current assets	115,406	156,605	101,485
Property, plant and equipment, net	41,333	42,735	43,661
Intangible assets, net	105,000	105,000	105,000
Goodwill	99,734	99,734	99,734
Other assets	1,835	2,037	2,639
Total assets	<u>\$ 363,308</u>	<u>\$ 406,111</u>	<u>\$ 352,519</u>
<u>Liabilities and Shareholder's Equity</u>			
Current liabilities:			
Accounts payable	\$ 22,960	\$ 55,103	\$ 14,879
Other current liabilities	26,221	49,187	26,439
Short-term borrowings	28,899	---	10,860
Current portion of long term debt	2,104	2,104	2,104
Deferred income taxes	47	47	469
Total current liabilities	80,231	106,441	54,751
Long-term debt:			
Senior Notes, at face value net of discount	125,438	125,410	125,328
Concession on 2010 Note Exchange, net	6,058	6,973	9,567
Other long-term debt	13,971	14,499	16,077
Total long-term debt	145,467	146,882	150,972
Other long-term liabilities	17,648	17,858	18,551
Deferred income taxes	38,488	38,488	38,066
Total liabilities	281,834	309,669	262,340
Commitments and contingencies	---	---	---
Equity:			
Brookstone Shareholder's equity:			
Additional paid-in capital	271,004	270,966	267,416
Accumulated other comprehensive loss	(3,072)	(3,120)	(2,710)
Retained deficit	(187,706)	(172,995)	(175,984)
Total Brookstone Shareholder's equity	80,226	94,851	88,722
Noncontrolling interests	1,248	1,591	1,457
Total equity	81,474	96,442	90,179
Total liabilities and equity	<u>\$ 363,308</u>	<u>\$ 406,111</u>	<u>\$ 352,519</u>

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

	Thirteen weeks ended	
	March 30, 2013	March 31, 2012
Net sales	\$ 89,614	\$ 89,052
Cost of sales	<u>71,246</u>	<u>68,854</u>
Gross profit	18,368	20,198
Selling, general and administrative expenses	<u>28,537</u>	<u>32,014</u>
Loss from operations	(10,169)	(11,816)
Interest expense, net	<u>4,247</u>	<u>4,408</u>
Loss before income taxes	(14,416)	(16,224)
Income tax provision	<u>187</u>	<u>188</u>
Consolidated net loss	(14,603)	(16,412)
Less: Net income attributable to noncontrolling interests	<u>108</u>	<u>292</u>
Net loss attributable to Brookstone	<u>\$ (14,711)</u>	<u>\$ (16,704)</u>

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