

# **NEWS BULLETIN** RE: **CLAIRE'S STORES, INC.**

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**CLAIRE'S STORES, INC. REPORTS FISCAL 2008 FIRST QUARTER RESULTS:  
NET SALES INCREASE 9.2%;  
COMPARABLE STORE SALES INCREASE 1.3%**

PEMBROKE PINES, Florida, June 19, 2007. Claire's Stores, Inc., a leading specialty retailer offering value-priced jewelry and accessories, today reported its financial results for the first quarter of Fiscal 2008, which ended May 5, 2007.

The Company reported net sales of \$340.6 million for the quarter, a 9.2% increase over the first quarter of Fiscal 2007, which ended April 29, 2006. The increase was primarily attributable to the growth in our new store base, particularly in Europe, an increase in our consolidated comparable store sales and foreign currency translation gains.

First quarter consolidated comparable store sales of 1.3% were derived as follows:

- Claire's North America: positive 2.4%
- Claire's Europe: negative 0.7%
- Icing: positive 0.6%

Please note that our comparable store sales numbers are calculated in local currencies. Net sales numbers give effect to the impact of foreign exchange.

First quarter results were driven by strong growth in accessories. Merchandise margins increased despite some softness in jewelry sales. Gross margins declined 20 basis points primarily because comparable store sales increases and merchandise margin gains collectively did not offset the increase in rent and rent related expenses. Our first quarter results were also impacted by acquisition related activities and their associated costs.

For the quarter, Adjusted EBITDA rose 3.9% to \$60.9 million, compared to \$58.6 million in the first quarter of Fiscal 2007. The Company defines Adjusted EBITDA as earnings before interest, income taxes, depreciation and amortization, excluding the impact of transaction expenses incurred during the first quarter of Fiscal 2008 in connection with the May 29, 2007 acquisition of the Company by Apollo Management VI, L.P. and certain affiliated co-investment partnerships, and other non-recurring or non-cash expenses, and normalizing occupancy costs for certain rent-related adjustments.

Net income for the first fiscal quarter fell 3.0% to \$28.8 million, compared to \$29.7 million during the first quarter of Fiscal 2007.

During the first quarter of Fiscal 2008, cash provided by operating activities rose to \$20.3 million

from \$13.3 million during the first quarter of Fiscal 2007 and cash and cash equivalents were \$330.8 million as of May 5, 2007. The use of cash in the first fiscal quarter primarily reflects customary working capital requirements, capital expenditures related to new store openings along with store remodels and the quarterly dividend. For the first fiscal quarter, the Company had capital expenditures of \$22.3 million compared to \$23.2 million in last year's first fiscal quarter.

**Store Count: End of First Fiscal Quarter:**

	<u>May 5, 2007</u>	<u>April 29, 2006</u>
Claire's North America	1,685	1,682
Claire's Europe	877	792
Icing	441	432
Claire's Nippon	203	180
Total	<u>3,206</u>	<u>3,086</u>

**Conference Call Information**

Claire's Stores, Inc., will begin holding quarterly conference calls in September 2007, following the completion of the second quarter of Fiscal 2008.

**Company Overview**

Claire's Stores, Inc. is a leading specialty retailer of value-priced jewelry and accessories for girls and young women through its two store concepts: Claire's and Icing. While the latter operates only in North America, Claire's operates internationally. As of June 2, 2007, Claire's Stores, Inc. operated approximately 3,005 stores in the United States, Canada, Puerto Rico, the Virgin Islands, the United Kingdom, Ireland, France, Switzerland, Austria, Germany, Spain, Portugal, Belgium, and the Netherlands. Claire's Stores, Inc. operates through its subsidiary, Claire's Nippon, Co., Ltd., approximately 205 stores in Japan as a 50:50 joint venture with AEON, Co., Ltd. The Company also franchises 145 stores in the Middle East, Turkey, Russia, Poland, and South Africa.

**Forward-looking Statements**

This press release contains "forward-looking statements" which represent the Company's expectations or beliefs with respect to future events. Statements that are not historical are considered forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. Those factors include, without limitation: changes in consumer preferences and consumer spending for girls and young women's' apparel, jewelry and accessories; competition; general economic conditions such as inflation and increased energy costs; general and political social conditions such as war, political unrest and terrorism; natural disasters or severe weather events; currency fluctuations and exchange rate adjustments; changes in laws; uncertainties generally associated with the specialty retailing business; disruptions in our supply of inventory; inability to increase comparable store sales at historical rates; significant increases in our merchandise markdowns; inability to design and implement new information systems; delays in anticipated store openings or renovations; uncertainty that definitive financial results may differ from preliminary financial results due to, among other things, final GAAP adjustments; changes in applicable laws, rules and

regulations; loss of key members of management; increases in the cost of labor; labor disputes; increases in the cost of borrowings; unavailability of additional debt or equity capital; and the impact of our substantial indebtedness on our operating income and our ability to grow. These and other applicable risks, cautionary statements and factors that could cause actual results to differ from the Company's forward-looking statements are included in the Company's filings with the SEC, specifically as described in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007 and Form 10-Q Equivalent for the quarterly period ended May 5, 2007. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances. The historical results contained in this press release are not necessarily indicative of the future performance of the Company.

**Additional Information:**

Note: Other Claire's Stores, Inc. press releases, a corporate profile and the most recent Annual Report on Form 10-K and Form 10-Q Equivalent are available on Claire's business website at: <http://www.clairestores.com>.

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**CLAIRE'S STORES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	<b><u>THREE MONTHS ENDED</u></b>			
	<b><u>May 5, 2007</u></b>		<b><u>April 29, 2006</u></b>	
	<b>(In thousands)</b>			
Net sales	\$340,571	100.0%	\$311,927	100.0%
Cost of sales, occupancy and buying expenses	<u>161,591</u>	47.4%	<u>147,174</u>	47.2%
Gross profit	<u>178,980</u>	52.6%	<u>164,753</u>	52.8%
Other expenses (income):				
Selling, general and administrative	127,170	37.3%	111,620	35.8%
Depreciation and amortization	15,234	4.5%	13,158	4.2%
Other income	<u>(1,341)</u>	(0.4%)	<u>(330)</u>	(0.1%)
	<u>141,063</u>	41.4%	<u>124,448</u>	39.9%
Operating income	37,917	11.1%	40,305	12.9%
Interest expense (income), net	<u>(3,753)</u>	(1.1%)	<u>(4,181)</u>	(1.3%)
Income before income taxes	41,670	12.2%	44,486	14.3%
Income taxes	<u>12,888</u>	3.8%	<u>14,785</u>	4.7%
Net income	<u><u>\$ 28,782</u></u>	8.5%	<u><u>\$ 29,701</u></u>	9.5%

**CLAIRE'S STORES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<b>May 5, 2007</b>	<b>April 29, 2006</b>
	<b>(In thousands, except per share amounts)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$330,785	\$386,354
Inventories	127,272	128,341
Prepaid expenses	49,879	42,883
Other current assets	43,760	36,560
Total current assets	551,696	594,138
Property and equipment:		
Land and building	17,272	17,350
Furniture, fixtures and equipment	289,873	261,565
Leasehold improvements	304,251	252,374
	611,396	531,289
Less accumulated depreciation and amortization	(335,802)	(296,272)
	275,594	235,017
Intangible assets, net	56,365	48,700
Other assets	35,547	26,343
Goodwill	201,842	199,660
	293,754	274,703
Total assets	\$1,121,044	\$1,103,858
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$68,358	\$72,642
Income taxes payable	19,726	27,609
Accrued expenses and other liabilities	97,627	86,578
Total current liabilities	185,711	186,829
Long-term liabilities:		
Deferred tax liability	20,031	21,513
Deferred rent expense	26,835	22,302
Other liabilities	10,936	992
Total long-term liabilities	57,802	44,807
Stockholders' equity:		
Class A stock - par value \$0.05 per share	243	244
Common stock - par value \$0.05 per share	4,411	4,702
Additional paid-in capital	76,315	71,982
Accumulated other comprehensive income, net of tax	43,279	28,730
Retained earnings	753,283	766,564
Total stockholders' equity	877,531	872,222
Total liabilities and stockholders' equity	\$1,121,044	\$1,103,858

## **Net income reconciliation to EBITDA and Adjusted EBITDA**

EBITDA represents net income before provision for income taxes, interest income and expense, and depreciation and amortization. Adjusted EBITDA represents EBITDA further adjusted to exclude non-cash and unusual items. Management uses Adjusted EBITDA as an important tool to assess our operating performance. Management considers Adjusted EBITDA to be a useful measure in highlighting trends in our business and in analyzing the profitability of similar enterprises. Management believes that Adjusted EBITDA is effective, when used in conjunction with net income, in evaluating asset performance, and differentiating efficient operators in the industry. Furthermore, management believes that Adjusted EBITDA provides useful information to potential investors and analysts because it provides insight into management's evaluation of our results of operations. In addition, our calculation of Adjusted EBITDA is consistent with the equivalent measurement in the covenants for the indentures governing the senior notes.

EBITDA and Adjusted EBITDA are not measures of financial performance under GAAP, are not intended to represent cash flow from operations under GAAP and should not be used as an alternative to net income as an indicator of operating performance or to cash flow from operating, investing or financing activities as a measure of liquidity. Management compensates for the limitations of using EBITDA and Adjusted EBITDA by using it only to supplement our GAAP results to provide a more complete understanding of the factors and trends affecting our business. Each of EBITDA and Adjusted EBITDA has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP.

Some of the limitations of EBITDA and Adjusted EBITDA are:

- EBITDA and Adjusted EBITDA do not reflect our cash used for capital expenditures;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized often will have to be replaced and EBITDA and Adjusted EBITDA do not reflect the cash requirements for such replacements;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital requirements;
- EBITDA and Adjusted EBITDA do not reflect the cash necessary to make payments of interest or principal on our indebtedness; and
- EBITDA and Adjusted EBITDA do not reflect non-recurring expenses which qualify as extraordinary items such as one-time write-offs to inventory and reserve accruals.

While EBITDA and Adjusted EBITDA are frequently used as a measure of operations and the ability to meet indebtedness service requirements, they are not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation.

While management believes that these measures provide useful information to investors, the SEC may require that EBITDA and Adjusted EBITDA be presented differently or not at all in filings we will make with the SEC.

For the three months ended May 5, 2007 and April 29, 2006, a reconciliation of net income to EBITDA, EBITDA after rent related adjustments and Adjusted EBITDA is set forth in the following table:

**CLAIRE'S STORES, INC. AND SUBSIDIARIES  
(UNAUDITED)**

	<b>THREE MONTHS ENDED</b>	
	<b>May 5, 2007</b>	<b>April 29, 2006</b>
	<b>(In thousands)</b>	
Net income	\$28,782	\$29,701
Income taxes	12,888	14,785
Interest expense	67	56
Interest income	(3,820)	(4,237)
Depreciation and amortization	15,234	13,158
<b>EBITDA</b>	<b>53,151</b>	<b>53,463</b>
Book to cash rent adjustment (a)	500	520
<b>EBITDA after rent related adjustments</b>	<b>53,651</b>	<b>53,983</b>
Amortization of intangible assets(b)	444	348
Equity income (c)	(648)	(22)
Loss (gain) on retirement of property and equipment (d)	872	(147)
Stock compensation expense (e)	1,275	2,435
Legal settlement costs (f)	100	-
Consulting expenses (g)	251	460
Fixture leases (h)	376	899
Cost savings (i)	747	682
Transaction related costs (j)	3,836	-
<b>Adjusted EBITDA</b>	<b>\$60,904</b>	<b>\$58,638</b>

(a) Represents (i) the elimination of non-cash straight-line rent expense of \$189 and \$353 and non-cash landlord allowance amortization of \$(330) and \$(200) and (ii) the inclusion of cash landlord allowances received of \$641 and \$367 for the three months ended May 5, 2007 and April 29, 2006.

(b) Represents the elimination of non-cash amortization of lease rights.

(c) Represents the elimination of non-cash equity income related to our 50:50 joint venture with AEON Co. Ltd.

(d) Represents the elimination of non-cash losses and cash gains, net, on store related property and equipment primarily associated with remodels, relocations and closures. The net gain

during the three months ended April 29, 2006 includes the gain recorded on the sale of land and buildings.

- (e) Represents the elimination of stock compensation expense related to restricted stock grants and performance based awards granted under our long-term incentive plans.
- (f) Represents the elimination of legal fees accrued in connection with wage and hour class action litigation currently pending in California.
- (g) Represents the elimination of consulting expenses related to our European distribution center. We centralized our distribution operations in continental Europe by transitioning to a third party distribution center in the Netherlands.
- (h) Represents the elimination of non-cash amortization expenses associated with synthetic leases of store fixtures. The Company has not entered into any new synthetic leases after 2001.
- (i) Reflects the adjustment of executive air travel and other costs to the Company's estimate for such costs on a normalized basis and the estimated savings on directors' and officers' insurance reflective of the Company no longer being a public company. For purposes of estimating these savings, we have assumed an annual air travel budget of \$250 for our senior executive officers.
- (j) Represents transaction related costs consisting primarily of the following: (i) settlement and legal expenses relating to shareholder lawsuits of \$2,100, (ii) professional fees of \$965 relating to a fairness opinion, (iii) proxy printing services of \$275 and (iv) travel and associated costs of \$300.