

INPUT & Z SCORE DATA

Borders Group
Consolidated Statements
Annual Periods
Audited
(in millions)
US \$

Period ending date	01/28/06	02/03/07	02/02/08	01/31/09	01/30/10
Cash & Equivalents	82	120	61	54	37
Accounts Receivable	150	151	118	102	77
Inventory	1,406	1,452	1,327	915	874
Current Assets	1,638	1,724	1,506	1,071	988
Total Assets	2,572	2,673	2,303	1,609	1,425
Accounts Payable	660	631	550	350	351
STD in Current Liabilities	207	543	549	330	275
Current Liabilities	1,311	1,596	1,468	994	928
Long Term Debt	5	5	5	6	7
Total Liabilities	1,644	1,971	1,826	1,346	1,267
Retained Earnings	615	438	251	64	-46
Total Equity	928	642	477	263	158
Sales	4,079	4,114	3,821	3,275	2,824
Cost of Revenue	2,818	2,935	2,728	2,321	2,076
EBIT - Earnings Before Int & Tax	173	-137	7	-149	-95
Interest Exp	14	32	43	5	45
EAT - Earnings After Tax	101	-151	-19	-185	-110
Deprec & Amort Exp	122	130	110	164	115
Cash Dividends					
Repurchase of capital stock					

Z Score Private/Public Model

Period ending date	01/28/06	02/03/07	02/02/08	01/31/09	01/30/10
Score	2.66	0.85	0.76	0.03	-0.15
Equivalent Rating	BBB	B-	B-	CCC+	CCC

Rating & Score by Category

	Rating	Score	Rating	Score	Rating	Score	Rating	Score	Rating
Working Capital	A	0.8340	B	0.3141	CCC+	0.1082	B	0.3139	B
RE	BBB+	0.7795	BBB-	0.5342	BBB-	0.3553	BB	0.1297	BB-
EBIT	BB	0.4520	D	-0.3444	CCC-	0.0204	D	-0.6223	D
Equity	BBB-	0.5927	BB-	0.3420	B-	0.2743	B-	0.2052	B-

Category Percent

WC/TA	12.71%	4.79%	1.65%	4.79%	4.21%
RE/TA	23.91%	16.39%	10.90%	3.98%	-3.23%
EBIT/TA	6.73%	-5.13%	0.30%	-9.26%	-6.67%
Equity/TL	56.45%	32.57%	26.12%	19.54%	12.47%

Z score evaluates liquidity, leverage, profitability and solvency using ratio analysis. Applicable to all industry sectors outside of financial services, public or private co's. Scoring is calibrated to the S&P bond rating classifications: AAA through D (Default). Each class may have a plus or minus indicating further strength or weakness within the classification. BBB is the lowest rating class considered investment grade. CCC and below indicates severe distress or default. The approximate breakdown of US companies by rating class: 33% BBB or higher, 17% BB, 33% B and 17% CCC or lower. Scores and classifications allow each user to quantify and choose cutoff points appropriate for their operations.

A total score of 2.60 is needed for a (BBB) rating.

Individual category (BBB) percents required are as follows: WC/TA (10.3%); RE/TA (18.40%); EBIT/TA (8.00%); Equity/TL (6.36%) or Total Leverage of (2.57)

CONDENSED INCOME STATEMENT

Borders Group
Consolidated Statements
Annual Periods
(in millions)
US \$

Period ending date	01/28/06		02/03/07		02/02/08		01/31/09		01/30/10	
Revenue	4,079	100.00%	4,114	100.00%	3,821	100.00%	3,275	100.00%	2,824	100.00%
Cost of Revenue	<u>2,818</u>	<u>69.09%</u>	<u>2,935</u>	<u>71.34%</u>	<u>2,728</u>	<u>71.39%</u>	<u>2,321</u>	<u>70.87%</u>	<u>2,076</u>	<u>73.51%</u>
Gross Margin	1,261	30.91%	1,179	28.66%	1,093	28.61%	954	29.13%	748	26.49%
SG&A Expense	<u>1,088</u>	<u>26.67%</u>	<u>1,316</u>	<u>31.99%</u>	<u>1,086</u>	<u>28.42%</u>	<u>1,103</u>	<u>33.68%</u>	<u>843</u>	<u>29.85%</u>
EBIT	173	4.24%	-137	-3.33%	7	0.18%	-149	-4.55%	-95	-3.36%
Interest Expense	14	0.34%	32	0.78%	43	1.13%	5	0.15%	45	1.59%
Tax & Other Exp (Inc)	<u>58</u>	<u>1.42%</u>	<u>-18</u>	<u>-0.44%</u>	<u>-17</u>	<u>-0.44%</u>	<u>31</u>	<u>0.95%</u>	<u>-30</u>	<u>-1.06%</u>
Earnings After Tax	<u>101</u>	<u>2.48%</u>	<u>-151</u>	<u>-3.67%</u>	<u>-19</u>	<u>-0.50%</u>	<u>-185</u>	<u>-5.65%</u>	<u>-110</u>	<u>-3.90%</u>

CONDENSED BALANCE SHEET

Borders Group
Consolidated Statements
Annual Periods
(in millions)
US \$

Period ending date	01/28/06		02/03/07		02/02/08		01/31/09		01/30/10	
Cash & Equivalents	82		120		61		54		37	
Accounts Receivable	150		151		118		102		77	
Inventory	1,406		1,452		1,327		915		874	
Other current assets	<u>0</u>		<u>1</u>		<u>0</u>		<u>0</u>		<u>0</u>	
Total current assets	1,638	63.69%	1,724	64.50%	1,506	65.39%	1,071	66.56%	988	69.33%
Long Term Assets (LTA)	<u>934</u>	36.31%	<u>949</u>	35.50%	<u>797</u>	34.61%	<u>538</u>	33.44%	<u>437</u>	30.67%
Total assets	<u>2,572</u>	100.00%	<u>2,673</u>	100.00%	<u>2,303</u>	100.00%	<u>1,609</u>	100.00%	<u>1,425</u>	100.00%
Accounts payable	660		631		550		350		351	
Short term portion debt	207		543		549		330		275	
Other current liabilities	<u>444</u>		<u>422</u>		<u>369</u>		<u>314</u>		<u>302</u>	
Total current liabilities	1,311	50.97%	1,596	59.71%	1,468	63.74%	994	61.78%	928	65.12%
Long term debt	5		5		5		6		7	
Other long term liabilities	<u>328</u>		<u>430</u>		<u>353</u>		<u>346</u>		<u>332</u>	
Total long term liabilities	333	12.95%	435	16.27%	358	15.54%	352	21.88%	339	23.79%
Total liabilities	1,644		2,031		1,826		1,346		1,267	
Retained earnings	615		438		251		64		-46	
Other equity	<u>313</u>		<u>204</u>		<u>226</u>		<u>199</u>		<u>204</u>	
Total equity	928	36.08%	642	24.02%	477	20.71%	263	16.35%	158	11.09%
Total liabilities and equity	<u>2,572</u>	100.00%	<u>2,673</u>	100.00%	<u>2,303</u>	100.00%	<u>1,609</u>	100.00%	<u>1,425</u>	100.00%

CONDENSED EQUITY STATEMENT

Borders Group
Consolidated Statements
Annual Periods
(in millions)
US \$

Period ending date	02/03/07	02/02/08	01/31/09	01/30/10
Beginning Balance	928	642	477	263
Income (Loss)	<u>-151</u>	<u>-19</u>	<u>-185</u>	<u>-110</u>
	777	623	292	153
Cash Dividends	25	19	7	0
Repurchase of capital stock	149	1	1	0
Net Other Changes *- Inc (Dec)	<u>-309</u>	<u>-166</u>	<u>-37</u>	<u>5</u>
Ending Balance	<u><u>642</u></u>	<u><u>477</u></u>	<u><u>263</u></u>	<u><u>158</u></u>

* Commonly Composed of: Capital issued and Other Comprehensive Income (Loss) items not reflected in the Income Statement.

Will contain dividends and stock repurchases if not listed as separate input.

CONDENSED Cash (Funds) Flow

Borders Group
Consolidated Statements
Annual Periods
(in millions)
US \$

Period ending date	02/03/07	02/02/08	01/31/09	01/30/10
Earnings (Loss) After Tax	-151	-19	-185	-110
Depreciation Expense	130	110	164	115
Receivables	-1	33	16	25
Inventory	-46	125	412	41
Adjustments/Changes	<u>50</u>	<u>-210</u>	<u>-262</u>	<u>-25</u>
Operating Funds Flow	-18	39	145	46
Investing Activity - LTA	<u>-145</u>	<u>42</u>	<u>95</u>	<u>-14</u>
Free Funds Flow	-163	81	240	32
Debt Financing - Inc (Dec)	336	6	-218	-54
Equity Financing - Inc (Dec)	<u>-135</u>	<u>-146</u>	<u>-29</u>	<u>5</u>
Increase (Decrease) in Cash	38	-59	-7	-17
Beginning Cash	<u>82</u>	<u>120</u>	<u>61</u>	<u>54</u>
Ending Cash	<u><u>120</u></u>	<u><u>61</u></u>	<u><u>54</u></u>	<u><u>37</u></u>

Note:

Investing Activity reflects the change in long term assets.

Investing Activity is net of depreciation if no depreciation expense was submitted.

Free Funds Flow is the net change before Financing Activities.

Debt Financing Activity reflects the change in total debt.

Equity Financing Activity reflects the change in equity other than from current earnings.

LTA (Long Term Assets)

CONDENSED Source and Application of Funds with change in working capital

Borders Group
Consolidated Statements
Annual Periods
(in millions)
US \$

Period ending date	02/03/07	02/02/08	01/31/09	01/30/10
Provided (Used)				
Income (Loss)	-151	-19	-185	-110
Depreciation & Amortization	130	110	164	115
Accounts Receivable	-1	33	16	25
Inventory	-46	125	412	41
Other Current Assets	-1	1	0	0
Accounts Payable	-29	-81	-200	1
ST Debt	336	6	-219	-55
Other Current Liabilities	-22	-53	-55	-12
Long Term Assets (LTA)	-145	42	95	-14
Long Term Debt	0	0	1	1
Other Long Term Liabilities	102	-77	-7	-14
RE Other Changes	-26	-168	-2	0
Other Equity Changes	<u>-109</u>	<u>22</u>	<u>-27</u>	<u>5</u>
Change in Cash	38	-59	-7	-17
Beginning Cash	<u>82</u>	<u>120</u>	<u>61</u>	<u>54</u>
Ending Cash	<u><u>120</u></u>	<u><u>61</u></u>	<u><u>54</u></u>	<u><u>37</u></u>
Change in Working Capital	<u><u>-199</u></u>	<u><u>-90</u></u>	<u><u>39</u></u>	<u><u>-17</u></u>
Change in WC- Inc (Dec)				
Cash	38	-59	-7	-17
Accounts Receivable	1	-33	-16	-25
Inventory	46	-125	-412	-41
Other Current Assets	<u>1</u>	<u>-1</u>	<u>0</u>	<u>0</u>
Inc (Dec) Total Current Assets	<u><u>86</u></u>	<u><u>-218</u></u>	<u><u>-435</u></u>	<u><u>-83</u></u>
Accounts Payable	-29	-81	-200	1
Short Term Debt	336	6	-219	-55
Other Current Liabilities	-22	-53	-55	-12
Rounding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Inc (Dec) Total Current Liabilities	<u><u>285</u></u>	<u><u>-128</u></u>	<u><u>-474</u></u>	<u><u>-66</u></u>
Net Change	<u><u>-199</u></u>	<u><u>-90</u></u>	<u><u>39</u></u>	<u><u>-17</u></u>
ST (Short Term)				

Selected Financial Data - Performance

Borders Group					
Consolidated Statements					
Annual Periods					
(in millions)					
US \$					
Period ending date	01/28/06	02/03/07	02/02/08	01/31/09	01/30/10
Revenue	4,079	4,114	3,821	3,275	2,824
Change Amount	n/a	35	-293	-546	-451
Change Percent	0.00%	0.85%	-7.67%	-16.67%	-15.97%
Margin	1,261	1,179	1,093	954	748
% of Revenues/Sales	30.91%	28.66%	28.61%	29.13%	26.49%
SG&A	1,088	1,316	1,086	1,103	843
% of Revenues/Sales	26.67%	31.99%	28.42%	33.68%	29.85%
EBIT	173	-137	7	-149	-95
Amt Inc (Dec)	n/a	-310	144	-156	54
% of Revenues/Sales	4.24%	-3.33%	0.18%	-4.55%	-3.36%
EBITDA	295	-7	117	15	20
Amt Inc (Dec)	0	-302	124	-102	5
Earnings After Tax (EAT)	101	-151	-19	-185	-110
% of Revenues/Sales	2.48%	-3.67%	-0.50%	-5.65%	-3.90%
Change	n/a	-6.15%	3.17%	-5.15%	1.75%
Earnings After Tax (EAT)	101	-151	-19	-185	-110
Amt Inc (Dec)	n/a	-252	132	-166	75
Deprec & Amort Exp	122	130	110	164	115
Change	n/a	8	-20	54	-49
Capital Expenditures	n/a	145	-42	-95	14
Change	n/a	n/a	-187	-53	109
Interest Coverage EBIT	12.36	-4.28	0.16	-29.80	-2.11
Change	n/a	-16.64	4.44	-29.96	27.69
Interest Coverage EBITDA	21.07	-0.22	2.72	3.00	0.44
Change	n/a	-21.29	2.94	0.28	-2.56
Free Cash Flow	n/a	-163	81	240	32
Change	n/a	n/a	244	159	-208

Selected Financial Data - Liquidity

Borders Group					
Consolidated Statements					
Annual Periods					
(in millions)					
US \$					
Period ending date	01/28/06	02/03/07	02/02/08	01/31/09	01/30/10
Current Assets	1,638	1,724	1,506	1,071	988
Change	n/a	86	-218	-435	-83
Current Liabilities	1,311	1,596	1,468	994	928
Change	n/a	285	-128	-474	-66
Working Capital	327	128	38	77	60
Change	n/a	-199	-90	39	-17
Cash	82	120	61	54	37
Change	n/a	38	-59	-7	-17
Cash Ratio	0.06	0.08	0.04	0.05	0.04
Change	n/a	1.26%	-3.36%	1.28%	-1.45%
Quick Assets	232	271	179	156	114
Change	n/a	39	-92	-23	-42
Quick Ratio	0.18	0.17	0.12	0.16	0.12
Change	n/a	-0.72%	-4.79%	3.50%	-3.41%
Current Ratio	1.25	1.08	1.03	1.08	1.06
Change	n/a	-0.17	-0.05	0.05	-0.01

Selected Financial Data - Efficiency

Borders Group Consolidated Statements Annual Periods (in millions) US \$					
Period ending date	01/28/06	02/03/07	02/02/08	01/31/09	01/30/10
Accounts Receivable	150	151	118	102	77
A/R Days Outstanding**	13.42	13.40	11.27	11.37	9.95
Change	n/a	-0.03	-2.13	0.10	-1.42
A/R Turnover	27.19	27.25	32.38	32.11	36.68
Days Sales Outstanding	13.68	13.65	11.49	11.59	10.14
Accounts Payable	660	631	550	350	351
Accounts Payable Turnover	4.27	4.65	4.96	6.63	5.91
Inventory Days on Hand**	182.11	180.57	177.55	143.89	153.67
Working Capital	327	128	38	77	60
Working Capital % of Assets**	12.71%	4.79%	1.65%	4.79%	4.21%
Sales per LTA employed**	4.37	4.34	4.79	6.09	6.46
Margin per LTA employed**	1.35	1.24	1.37	1.77	1.71
As a percent of Sales					
Inventory	34.47%	35.29%	34.73%	27.94%	30.95%
Accounts Receivable	3.68%	3.67%	3.09%	3.11%	2.73%

** Computed using end of period balances

Selected Financial Data - Leverage

Borders Group					
Consolidated Statements					
Annual Periods					
(in millions)					
US \$					
Period ending date	01/28/06	02/03/07	02/02/08	01/31/09	01/30/10
Capital Summary:					
STD in Current Liabilities	207	543	549	330	275
Long Term Debt	<u>5</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>7</u>
Total Debt	212	548	554	336	282
Equity	<u>928</u>	<u>642</u>	<u>477</u>	<u>263</u>	<u>158</u>
Capital	<u><u>1,140</u></u>	<u><u>1,190</u></u>	<u><u>1,031</u></u>	<u><u>599</u></u>	<u><u>440</u></u>
Total Debt	212	548	554	336	282
Stockholders Equity	928	642	477	263	158
Total Debt to Equity	0.23	0.85	1.16	1.28	1.78
Total Assets	2,572	2,673	2,303	1,609	1,425
Total Debt to Assets Ratio	0.08	0.21	0.24	0.21	0.20
Short Term Debt (STD)	207	543	549	330	275
STD % of Total Debt	97.64%	99.09%	99.10%	98.21%	97.52%
STD % of Working Capital	63.30%	424.22%	1444.74%	428.57%	458.33%
Total Liabilities	1,644	1,971	1,826	1,346	1,267
Total Liabilities to Equity Ratio	1.77	3.07	3.83	5.12	8.02
EBITDA/Total Debt	139.15%	-1.28%	21.12%	4.46%	7.09%

Rates of Return & Other

Borders Group Consolidated Statements Annual Periods (in millions) US \$					
Period ending date	01/28/06	02/03/07	02/02/08	01/31/09	01/30/10
ROA*	3.93%	-5.65%	-0.83%	-11.50%	-7.72%
Total Leverage*	2.77	4.16	4.83	6.12	9.02
ROE*	10.88%	-23.52%	-3.98%	-70.34%	-69.62%
ROC*	12.05%	-13.76%	0.94%	-36.00%	-37.42%

* Computed using earnings after tax for the period and end of period balances (return for period, i.e. Annual, Quarterly or Monthly)