

FOR IMMEDIATE RELEASE

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Risk Capital Partners Acquires Borders Group's UK and Ireland Subsidiaries

Luke Johnson's private equity fund, Risk Capital Partners, has purchased the national book retailer Borders/Books etc. The purchase price consists of a £10 million (approximately \$20 million) up-front cash payment and an additional payment of up to £10 million of deferred cash consideration, payment of which is contingent on the future performance of the business. To show its ongoing commitment to the business, Borders Group is retaining a 17% stake in the UK business.

With 70 stores in the UK and Ireland (including Borders superstores and Books etc. stores) and approximately 2,000 employees, the high street bookseller is the UK's third largest, with an estimated 8% market share.

Borders Group's UK and Ireland subsidiaries recorded sales of approximately £223 million for the year ending February 2007 and made positive EBITDA of around £2 million.

"We believe passionately in the future of books and think Borders has a great formula," says Luke Johnson, Chairman of Risk Capital Partners. "The stores are mostly well-invested with new outlets in excellent locations. Borders and Books etc saw around 30 million customer visits last year with an average dwell time of an hour. The transaction is set to transform the balance sheet of the business going forward: it will be virtually debt free and have tangible net worth of over £75 million."

With RCP, the senior management – led by Chief Executive David Roche – will execute a comprehensive plan to revitalise the business, which includes improving stock turn, reducing central costs, boosting margins, reviewing any underperforming stores, improving the website and introducing new product lines.

"We have an experienced management team now free to run the business as an independent British operation," adds Johnson.

The company's 41 UK/Ireland superstores sell a wide range of mainstream and specialist books, music, DVDs, and magazines. The stores also include Starbucks and Paperchase concessions. The Paperchase concessions within Borders stores in the UK and Ireland, as well as in other locations worldwide, will remain under the ownership of Borders Group and are not part of the transaction.

"Book buyers want to browse and receive a personal and intelligent service," says Johnson. "And we believe Borders is the leader in delivering just that. As a published

writer from a family of writers, I understand the cultural importance of books and have seen, through Channel 4's Richard & Judy Book Club, how people can be stimulated to buy and read books.”

Borders' new Cardiff store opens on September 28th in the David Morgan building in the heart of the city. Over 100,000 book, CD, DVD and magazine titles will be complemented by a full range of Welsh language books, and a 2,000 sq ft children's department.

www.riskcapitalpartners.co.uk
<http://www.bordersstores.co.uk/>

Notes to editors:

Risk Capital Partners is a private equity investor with particular expertise in the retail sector. Significant investments include women's fashion retailer East, restaurant chain Giraffe, and GRA – the Greyhound Racing Association. In the past 18 months Risk Capital has successfully sold Integrated Dental Holdings, Mayfair Bingo, Signature Restaurants and its stake in Loewy Group for attractive returns. It has also made new investments in Patisserie Valerie, Public Recruitment Group and APT Controls.

Borders UK offers the widest range of books and magazines in the marketplace, and has a growing share of the specialist music and DVD markets. With their Starbucks coffee shops and Paperchase stationery concessions, as well as dedicated children's sections, Borders stores offer a friendly environment for customers. Awards include Retail Bookselling Chain of the Year 2005 & 2006, and Bookselling Company of the Year 2006 & 2007.

Borders UK has over 1,000,000 sq ft of retail space and around 8% of the retail bookselling market – operating out of 42 Borders superstores in city centres and retail parks from Bournemouth to Inverness and 28 high street and airport bookshops under the Books etc. and Borders Express brands. In October last year Borders opened its first superstore in the Republic of Ireland, in the West Dublin suburb of Blanchardstown.

For more information please call:

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