Indigo Reports Q1 Results

Announces Launch of !ndgiotech™ and Poppin™
Indigo named TOP Retail Employer Brand

TORONTO, ON – August 7, 2013 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book, gift and specialty toy retailer reported revenue of $171.5 million for its first quarter ending June 29, 2013. Revenue declined 8.1% from the previous year due primarily to the phenomenal success of the Fifty Shades and Hunger Games trilogies last year. The Company is also operating eight fewer small format stores. Excluding revenue from the two hit trilogies, revenue declined only 1.3% from the same quarter last year. The Company again experienced double-digit revenue growth in lifestyle, paper and toy products.

On a comparable store basis, Indigo and Chapters superstores posted a 7.3% decrease in revenue, while Coles and IndigoSpirit small format stores were down 13.1% with the impact of the blockbuster trilogies. Excluding the blockbuster titles, comparable store sales declined 1.6% in superstores and increased 1.1% in small format stores. Online sales were flat compared to the same period last year notwithstanding the impact of Fifty Shades and Hunger Games series. Additionally, online sales of lifestyle, paper, and toy products continue to grow.

The Company recognized a net loss of $15.0 million for the 13-week period ended June 29, 2013 ($0.59 net loss per common share), compared to a net loss of $5.5 million ($0.22 net loss per common share) last year. The decrease was primarily the result of the decline in hit-related book sales, higher inventory markdown as well as intentionally higher selling and administrative expenses compared to last year. As part of its transformational strategy to drive top-of-mind consumer awareness in its key growth categories, the Company invested more in building its general merchandise capabilities and in marketing.

During the quarter, the Company announced the arrival of Poppin®, a lifestyle brand that brings design to the desk top. Indigo is the exclusive Canadian retailer in store and online at Indigo.ca.

Indigo also announced the introduction of 39 !ndigotech™ shops within its stores to launch across Canada in Q2 and Q3. In addition to Kobo devices, !ndigotech™ features a wide selection of Apple® products including iPad™ and iPad Mini™ tablets, iPod® devices and AppleTV®, Apple® accessories, and a curated selection of other design inspired lifestyle electronics and accessories.

In the quarter, Indigo was named the top Canadian retail employer, and sixth overall out of all employers, by Randstad Canada. The Randstad Award rewards and encourages best practices in building the best employer brands, and is the only employer award where winners are chosen entirely by workers and job seekers in search of employment opportunities within Canada's leading organizations.

Also during the quarter, Indigo announced for the ninth consecutive year that the Love of Reading Foundation will donate $1.5 million to 20 high-needs elementary schools in an effort to bolster literacy and transform school libraries across the country.

The Board of Directors today approved a quarterly dividend of 11 cents per common share to be paid on September 4, 2013, to all shareholders of record as of August 21, 2013.

Forward-Looking Statements

Statements contained in this news release that are not historical facts are forward-looking statements which involve risk and uncertainties that could cause results to differ materially from those expressed in the forward-looking statements. Among the key factors that could cause such differences are: general economic, market or business conditions in Canada; competitive actions by other companies; changes in laws or regulations; and other factors, many of which are beyond the control of the Company.

Non-IFRS Financial Measures
The Company prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards and International Accounting Standards 34, "Interim Financial Reporting." In order to provide additional insight into the business, the Company has also provided non-IFRS data, including comparative store sales growth, in the press release above. This measure does not have a standardized meaning prescribed by IFRS and is therefore specific to Indigo and may not be comparable to similar measures presented by other companies. Comparative store sales growth is a key indicator used by the Company to measure performance against internal targets and prior period results. This measure is commonly used by financial analysts and investors to compare Indigo to other retailers. Comparable store sales are defined as sales generated by stores that have been open for more than 12 months on a 52-week basis.

About Indigo Books & Music Inc.

Indigo is a publicly traded Canadian company listed on the Toronto Stock Exchange (IDG). As the largest book, gift and specialty toy retailer in Canada, Indigo operates in all provinces under different banners including Indigo Books & Music; Indigo Books, Gifts, Kids; IndigoSpirit; Chapters; The World's Biggest Bookstore; and Coles. The online channel, indigo.ca, offers a one-stop online shop with a robust selection of books, toys, home décor, stationery and gifts.

In 2004, Indigo founded the Indigo Love of Reading Foundation, a registered charity that provides new books and education materials to high-needs Canadian elementary schools, to address the literacy crisis in Canada. To date the Foundation, as well as the Indigo "Adopt A School" program, have contributed more than $15 million—equating to over 1.3 million books— to high-needs elementary schools across Canada. Visit loveofreading.org for more information.

To learn more about Indigo, please visit the Our Company section at indigo.ca.

For further information please contact:
Janet Eger
Vice President, Public Affairs
416 342 8561
jeger@indigo.ca

Consolidated Balance Sheets
(Unaudited)

(thousands of Canadian dollars)	**As at June 29, 2013**	As at June 30, 2012	As at March 30, 2013	As at April 1, 2012
ASSETS				
Current				
Cash and cash equivalents	**191,346**	188,588	210,562	206,718
Accounts receivable	**9,010**	13,768	7,126	12,810
Inventories	**207,029**	217,921	216,533	229,199
Prepaid expenses	**5,288**	4,391	4,153	3,692
Total current assets	**412,673**	424,668	438,374	452,419
Property, plant and equipment	**56,144**	62,998	58,903	66,928
Intangible assets	**21,283**	22,198	22,164	22,810
Equity investment	**597**	494	968	961
Deferred tax assets	**54,570**	52,675	48,731	48,633
Total assets	**545,267**	563,033	569,140	591,751
LIABILITIES AND EQUITY				
Current				
Accounts payable and accrued liabilities	**145,892**	152,648	150,177	173,416
Unredeemed gift card liability	**46,901**	43,174	47,169	42,711
Provisions	**1,828**	237	2,168	232
Deferred revenue	**13,753**	11,980	13,733	11,234
Income taxes payable	**11**	69	11	65
Current portion of long-term debt	**757**	1,006	773	1,060
Total current liabilities	**209,142**	209,114	214,031	228,718
Long-term accrued liabilities	**3,368**	4,644	4,004	5,800
Long-term provisions	**78**	391	78	460
Long-term debt	**527**	1,135	705	1,141
Total liabilities	**213,115**	215,284	218,818	236,119
Equity				
Share capital	**203,805**	203,482	203,805	203,373
Contributed surplus	**7,789**	7,310	8,128	7,039
Retained earnings	**120,558**	136,957	138,389	145,220
Total equity	**332,152**	347,749	350,322	355,632
Total liabilities and equity	**545,267**	563,033	569,140	591,751

Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

(thousands of Canadian dollars, except per share data)	**13-week period ended June 29, 2013**	13-week period ended June 30, 2012
Revenues	**171,525**	186,626
Cost of sales	**(99,289)**	(106,328)
Gross profit	**72,236**	80,298
Operating, selling and administrative expenses	**(93,309)**	(90,017)
Operating loss	**(21,073)**	(9,719)
Interest on long-term debt and financing charges	**(27)**	(31)
Interest income on cash and cash equivalents	**584**	581
Share of loss from equity investment	**(371)**	(360)
Loss before income taxes	**(20,887)**	(9,529)
Income tax recovery	**5,839**	4,042
Net loss and comprehensive loss for the period	**(15,048)**	(5,487)
Net loss per common share		
Basic	**$(0.59)**	$(0.22)
Diluted	**$(0.59)**	$(0.22)

Consolidated Statements of Cash Flows
(Unaudited)

(thousands of Canadian dollars)	**13-week period ended June 29, 2013**	13-week period ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss from for the period	**(15,048)**	(5,487)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	**4,039**	4,719
Amortization of intangible assets	**2,713**	2,422
Net impairment of capital assets	**-**	250
Loss on disposal of capital assets	**10**	44
Stock-based compensation	**503**	159
Directors' compensation	**133**	133
Deferred tax assets	**(5,839)**	(4,042)
Other	**(575)**	(754)
Net change in non-cash working capital balances	**976**	(11,158)
Interest on long-term debt and financing charges	**27**	31
Interest income on cash and cash equivalents	**(584)**	(581)
Income taxes received	**-**	4
Distributions from equity investment	**-**	107
Share of loss from equity investment	**371**	360
Cash flows used in operating activities	**(13,274)**	(13,793)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,290)**	(781)
Addition of intangible assets	**(1,832)**	(1,830)
Interest received	**640**	607
Cash flows used in investing activities	**(2,482)**	(2,004)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	**(197)**	(346)
Interest paid	**(36)**	(48)
Proceeds from share issuances	**-**	88
Dividends paid	**(2,783)**	(2,776)
Repurchase of options	**(975)**	-
Cash flows used in financing activities	**(3,991)**	(3,082)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**531**	749
Net decrease in cash and cash equivalents during the period	**(19,216)**	(18,130)
Cash and cash equivalents, beginning of period	**210,562**	206,718
Cash and cash equivalents, end of period	**191,346**	188,588