

Indigo Reports Q2 Results:
Exceptional revenue growth and improved profitability
Comp Superstore Sales grow by 13.6%
Online Sales grow by 14.2%

TORONTO, ON - November 3, 2015 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book, gift and specialty toy retailer reported 8.8% growth in revenue for its second quarter ended September 26, 2015.

Revenue for the quarter was \$205.7 million, up \$16.7 million from last year, despite operating two fewer superstores and four fewer small format stores. On a comparable store basis, Indigo and Chapters superstores posted 13.6% growth, while Coles and IndigoSpirit small format stores increased by 12.9%. Sales from Indigo's online channel, indigo.ca, grew by 14.2%.

Revenue growth was driven by continued double digit growth in the general merchandise business, mainly in Paper and Toys, and strong growth in the core book business, boosted by the trend for adult colouring books.

Commenting on the results, CEO Heather Reisman said, "We are pleased with this quarter's results. Up against a tough comp from last year, we have demonstrated that we are consistently growing the business and improving profitability".

The net loss for the 13-week period ended September 26, 2015 was \$1.8 million (net loss per common share of \$0.07), compared to a loss of \$8.5 million (net loss per common share of \$0.33) for the period ended September 27, 2014. The improvement of \$6.7 million was driven by increased revenue performance and a higher margin rate.

During the quarter Indigo launched a new American Girl® Specialty Boutique at the Toronto Eaton Centre store, alongside a complete renovation of the Books and Indigo Kids sections. Additionally, the Company revitalized their plum® rewards loyalty program to now include online collection and redemption of plum® points and an enhanced suite of member benefits based on customer feedback.

Analyst/Investor Call

Indigo will host a conference call for analysts and investors to review these results at 10:00 a.m. (ET) tomorrow, November 4th, 2015. The call can be accessed by dialling 416-764-8688 from within the Toronto area, or 1-888-390-0546 outside of Toronto. The eight digit participant code is 34060006.

A playback of the call will also be available by telephone until 11:59 p.m. (ET) on Wednesday November 11th, 2015. The call playback can be accessed after 12:00 p.m. (ET) on November 4th, 2015, by dialing 416-764-8677 from within the Toronto area, or 1-888-390-0541 outside of Toronto. The six-digit replay passcode number is 060006#. The conference call transcript will be archived in the Investor Relations section of the Indigo website, www.indigo.ca.

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; 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.

Indigo founded the [Indigo Love of Reading Foundation](http://indigo.ca/indigo-love-of-reading) in 2004 to address the underfunding of public elementary school libraries. Every year the Indigo Love of Reading Foundation grants \$1.5 million to 20 high-needs elementary schools so they can transform their libraries with the purchase of new books and education resources. To date, the Indigo Love of Reading Foundation has committed over \$20.5 million to over 2,000 schools through our signature programs.

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

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Consolidated Balance Sheets

(Unaudited)

(thousands of Canadian dollars)	As at September 26, 2015	As at September 27, 2014	As at March 28, 2015
ASSETS			
Current			
Cash and cash equivalents	176,199	149,429	203,162
Accounts receivable	18,616	12,778	4,896
Inventories	256,952	235,053	208,395
Income taxes recoverable	25	-	25
Prepaid expenses	4,843	6,406	5,477
Total current assets	456,635	403,666	421,955
Property, plant, and equipment	52,955	55,845	54,886
Intangible assets	15,700	19,550	16,587
Equity investment	-	-	726
Deferred tax assets	44,241	44,604	44,241
Total assets	569,531	523,665	538,395
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	208,805	175,396	160,645
Unredeemed gift card liability	42,249	40,773	48,211
Provisions	52	913	913
Deferred revenue	14,172	13,178	13,298
Current portion of long-term debt	112	316	172
Total current liabilities	265,390	230,576	223,239
Long-term accrued liabilities	2,618	2,398	3,841
Long-term provisions	91	97	110
Long-term debt	21	133	56
Total liabilities	268,120	233,204	227,246
Equity			
Share capital	206,472	204,601	205,871
Contributed surplus	10,232	9,366	9,770
Retained earnings	84,707	76,494	95,508
Total equity	301,411	290,461	311,149
Total liabilities and equity	569,531	523,665	538,395

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(thousands of Canadian dollars, except per share data)	13-week period ended September 26, 2015	13-week period ended September 27, 2014	26-week period ended September 26, 2015	26-week period ended September 27, 2014
Revenue	205,722	189,030	390,616	369,832
Cost of sales	(112,102)	(105,707)	(215,612)	(206,556)
Gross profit	93,620	83,323	175,004	163,276
Operating, selling, and administrative expenses	(95,582)	(92,175)	(185,801)	(185,985)
Operating loss	(1,962)	(8,852)	(10,797)	(22,709)
Interest on long-term debt and financing charges	(3)	(20)	(5)	(29)
Interest income on cash and cash equivalents	336	411	727	788
Share of loss from equity investment	(219)	(79)	(726)	(598)
Net loss and comprehensive loss for the period	(1,848)	(8,540)	(10,801)	(22,548)
Net loss per common share				
Basic	\$ (0.07)	\$ (0.33)	\$ (0.42)	\$ (0.88)
Diluted	\$ (0.07)	\$ (0.33)	\$ (0.42)	\$ (0.88)

Consolidated Statements of Cash Flows

(Unaudited)

(thousands of Canadian dollars)	13-week period ended September 26, 2015	13-week period ended September 27, 2014	26-week period ended September 26, 2015	26-week period ended September 27, 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	(1,848)	(8,540)	(10,801)	(22,548)
Add (deduct) items not affecting cash				
Depreciation of property, plant, and equipment	3,580	3,635	7,164	7,333
Amortization of intangible assets	2,206	2,981	4,660	5,849
Loss on disposal of capital assets	1	2	660	9
Share-based compensation	278	163	610	498
Directors' compensation	85	62	196	166
Other	(3,090)	(1,686)	(2,651)	(541)
Net change in non-cash working capital balances	967	4,573	(20,674)	8,160
Interest on long-term debt and financing charges	3	20	5	29
Interest income on cash and cash equivalents	(336)	(411)	(727)	(788)
Share of loss from equity investment	219	79	726	598
Cash flows from (used in) operating activities	2,065	878	(20,832)	(1,235)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant, and equipment	(3,644)	(2,551)	(5,897)	(4,711)
Addition of intangible assets	(2,370)	(1,808)	(3,774)	(3,812)
Proceeds from disposal of capital assets	5	-	5	-
Interest received	259	411	486	788
Cash flows used in investing activities	(5,750)	(3,948)	(9,180)	(7,735)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	(44)	(180)	(95)	(366)
Interest paid	(17)	(21)	(34)	(31)
Proceeds from share issuances	53	340	257	671
Cash flows from (used in) financing activities	(8)	139	128	274
Effect of foreign currency exchange rate changes on cash and cash equivalents	3,181	1,693	2,921	547
Net decrease in cash and cash equivalents during the period	(512)	(1,238)	(26,963)	(8,149)
Cash and cash equivalents, beginning of period	176,711	150,667	203,162	157,578
Cash and cash equivalents, end of period	176,199	149,429	176,199	149,429