

Indigo Reports Q1 Results - 7th consecutive quarter of revenue growth
Comp Superstore Sales grow by 5.3%
Online Sales grow by 18.2%

TORONTO, ON - August 4, 2015 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book, gift and specialty toy retailer reported 2.3% growth in revenue for its first quarter ended June 27, 2015.

Revenue for the quarter was \$184.9 million, up \$4.1 million from last year, despite operating two fewer superstores and five fewer small format stores. On a comparable store basis, Indigo and Chapters superstores posted 5.3% growth, while Coles and IndigoSpirit small format stores decreased by 1.0%. Sales from Indigo's online channel, indigo.ca, grew by 18.2%.

Revenue growth was driven by the continued double digit growth of the General Merchandise business. On a comparable store basis, we also experienced positive growth in the Print business.

Commenting on the results, CEO Heather Reisman said, "This is the 7th consecutive quarter of revenue growth and the 5th quarter of profitability improvement which confirms our strategy is taking us in the right direction. We are excited by the initiatives we are currently working on which will continue to build our growth momentum."

The net loss for the 13-week period ended June 27, 2015 was \$9.0 million (net loss per common share of \$0.35), compared to a loss of \$14.0 million (net loss per common share of \$0.55) for the period ended June 28, 2014. The improvement of \$5.0 million was driven by improved revenue performance and proceeds from the disposal of a lease.

The Indigo Love of Reading Foundation celebrated its 11th anniversary during the quarter and announced that it will once again donate \$1.5 million to 20 high-needs elementary schools in an effort to bolster literacy and transform school libraries across the country. To date, the Foundation has committed more than \$19.5 million to over 2,000 elementary schools in Canada through its Literacy Fund grant and community Adopt a School program.

Analyst/Investor Call

Indigo will host a conference call for analysts and investors to review these results at 10:00 a.m. (ET) tomorrow, August 5th, 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 40547764.

A playback of the call will also be available by telephone until 10:00 a.m. (ET) on August 12th, 2015. The call playback can be accessed after 12:00 p.m. (ET) on August 5th, 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 547764#. 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 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 \$19.5 million to over 2,000 schools through our signature programs.

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

For further information please contact:

Janet Eger

Vice President, Public Affairs

416 342 8561

jeeger@indigo.ca

Consolidated Balance Sheets

(Unaudited)

(thousands of Canadian dollars)	As at June 27, 2015	As at June 28, 2014	As at March 28, 2015
ASSETS			
Current			
Cash and cash equivalents	176,711	150,667	203,162
Accounts receivable	13,370	8,802	4,896
Inventories	205,528	213,185	208,395
Income taxes recoverable	25	-	25
Prepaid expenses	5,627	6,182	5,477
Total current assets	401,261	378,836	421,955
Property, plant, and equipment	52,897	56,931	54,886
Intangible assets	15,536	20,723	16,587
Equity investment	219	79	726
Deferred tax assets	44,241	44,604	44,241
Total assets	514,154	501,173	538,395
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	145,599	138,553	160,645
Unredeemed gift card liability	48,470	46,776	48,211
Provisions	745	911	913
Deferred revenue	13,560	13,002	13,298
Current portion of long-term debt	144	446	172
Total current liabilities	208,518	199,688	223,239
Long-term accrued liabilities	2,661	2,719	3,841
Long-term provisions	99	153	110
Long-term debt	33	177	56
Total liabilities	211,311	202,737	227,246
Equity			
Share capital	206,118	204,204	205,871
Contributed surplus	10,170	9,198	9,770
Retained earnings	86,555	85,034	95,508
Total equity	302,843	298,436	311,149
Total liabilities and equity	514,154	501,173	538,395

Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

(thousands of Canadian dollars, except per share data)	13-week period ended June 27, 2015	13-week period ended June 28, 2014
Revenue	184,894	180,802
Cost of sales	(103,510)	(100,849)
Gross profit	81,384	79,953
Operating, selling, and administrative expenses	(90,219)	(93,810)
Operating loss	(8,835)	(13,857)
Interest on long-term debt and financing charges	(2)	(9)
Interest income on cash and cash equivalents	391	377
Share of loss from equity investment	(507)	(519)
Net loss and comprehensive loss for the period	(8,953)	(14,008)
Net loss per common share		
Basic	\$(0.35)	\$(0.55)
Diluted	\$(0.35)	\$(0.55)

Consolidated Statements of Cash Flows
(Unaudited)

(thousands of Canadian dollars)	13-week period ended June 27, 2015	13-week period ended June 28, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(8,953)	(14,008)
Add (deduct) items not affecting cash		
Depreciation of property, plant, and equipment	3,584	3,698
Amortization of intangible assets	2,454	2,868
Disposal of capital assets	659	7
Share-based compensation	332	335
Directors' compensation	111	104
Other	439	1,231
Net change in non-cash working capital balances	(21,641)	3,587
Interest on long-term debt and financing charges	2	9
Interest income on cash and cash equivalents	(391)	(377)
Share of loss from equity investment	507	519
Cash flows used in operating activities	(22,897)	(2,027)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(2,253)	(2,160)
Addition of intangible assets	(1,404)	(2,004)
Interest received	227	291
Cash flows used in investing activities	(3,430)	(3,873)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(51)	(186)
Interest paid	(17)	(10)
Proceeds from share issuances	204	331
Cash flows from financing activities	136	135
Effect of foreign currency exchange rate changes on cash and cash equivalents	(260)	(1,146)
Net decrease in cash and cash equivalents during the period	(26,451)	(6,911)
Cash and cash equivalents, beginning of period	203,162	157,578
Cash and cash equivalents, end of period	176,711	150,667