## Indigo Books & Music Inc. posts improved third quarter results

Comp store sales improved 1.9% in the superstores, 3.8% mall stores

TORONTO February 19, 2002 – Indigo Books & Music Inc. reported improved third quarter results, with total consolidated revenues rising to \$273.9 million, an increase of 10.6% from \$247.6 million for the same period last year. In addition to comparable store sales increase in superstores and traditional stores of 1.9% and 3.8% respectively, the increase was attributable to the addition of 15 existing Indigo superstores and 1 new Indigo opened in December.

This \$29.9 million in sales was offset by sales decreases from closing 27 traditional format stores and lower sales at Chapters Online. On a year to date basis total consolidated revenues were \$565.0 million as compared to \$538.5 million on a year to date basis last year.

Consolidated earnings before amortization, interest, taxes, restructuring charges and non-controlling interest ("operating earnings") increased to \$34.9 million compared to operating earnings of \$27.2 in the third quarter last year. This represents an increase in operating earnings of \$7.7 million or 28.3% in the quarter. On a year-to-date basis, operating earnings were \$34.2 million as compared to \$11.3 million on a year to date basis last year, an increase in operating earnings of \$22.9 million or 203%.

On a year to date basis, restructuring and other costs of \$21.2 million, recorded in the second quarter, relate to store closures and other costs associated with the amalgamation between the Company and Old Indigo. The charges are comprised of \$12.3 million in capital asset write downs, \$4.5 million relating to store closings, \$1.7 million relating to relocation and other costs associated with the acquisition and \$2.7 million in finance charges. Of the total restructuring charges, approximately \$8.6 million are cash charges of which \$3.0 million have been paid. The balance of approximately \$12.5 million relates to non-cash transactions.

Excluding restructuring charges, the net income on a year to date basis was \$1.7 million (\$0.13 per share) as compared to a net loss of \$11.5 million (\$1.01 per share) on a year to date basis last year. This represents an increase of \$13.2 million (\$1.14 per share).

The consolidated net income for the third quarter was \$18.8 million (\$1.41 per share) as compared to a net income of \$9.0 million (\$0.79 per share) in the third quarter last year, a \$9.8 million or a 109% improvement. The consolidated net loss on a year to date basis, after the one-time restructuring charges described

above, was \$19.4 million (\$1.53 per share) as compared to a net loss of \$11.5 million (\$1.01 per share) on a year to date basis last year.

"We are pleased with our improved third quarter performance," said Heather Reisman, Chief Executive Officer of Indigo. "We will continue to focus on strengthening all aspects of the retail experience for our customers and on addressing the opportunity to streamline our portfolio of stores in areas where we feel there is over-capacity.

"I am particularly proud of the employees in this company who have worked and continue to work relentlessly and with spirit to reverse the problems which were negatively affecting performance."

Subsequent to the quarter end 13 superstores and 10 traditional stores, previously offered for sale pursuant to a Consent Order issued by the Commissioner of Competition, reverted to Indigo as no divestitures were completed by the trustee appointed to effect the sale. It is anticipated that a few stores in the portfolio will close and that costs related to this process will be incurred.

#### Retail

Retail sales in the third quarter were \$263.5 million as compared to \$232.1 million in the third quarter of last year, an increase of \$31.4 million or 13.5%. Operating earnings increased to \$35.0 million in the third quarter from \$33.3 million in the third quarter last year, an increase of \$1.7 million or 5.1%. The increase, as compared to last year, can be attributed to improved gross margin dollars, reduced warehousing and distribution costs offset slightly by higher occupancy and labour costs due to the expansion of the superstore portfolio.

Retail sales on a year to date basis were \$538.4 million as compared to \$497.6 million last year, an increase of \$40.8 million or 8.2 %. On a year to date basis, operating earnings were \$37.0 million as compared to \$35.4 million last year.

#### Superstores

In the third quarter, revenues at the Chapters and Indigo superstores, including the World's Biggest Bookstore, grew to \$176.1 million, a 26.0% increase compared to revenue of \$139.8 million in the third quarter last year. The growth in revenue was generated by the operation of 16 additional superstores as compared to the third quarter last year and positive performance on a comparable store basis. Comparative store sales increased 1.9% during the quarter as compared to 1.3% in the same period last year. Following challenges in the post September 11<sup>th</sup> environment, comparable store sales in the key month of December increased 5.7%.

Year to date revenues increased \$51.7 million to \$367.8 million as compared to last year. This growth in revenue is attributable to the operation of a larger superstore portfolio and improvement in merchandising.

## Traditional Stores

Total traditional store revenues declined to \$72.4 million in the third quarter, a decrease of \$5.3 million or 6.8% in comparison to \$77.7 million in the third quarter last year. The decline in revenue was the result of operating 27 fewer mall stores, or approximately 12% fewer stores as compared with the third quarter last year. The comparative store sales increase of 3.9% during the quarter was a significant improvement over the 0.4% decline in the third quarter last year. The total number of traditional stores as at the end of the quarter was 190 as compared to 217 stores last year. Comparable store sales in the key month of December increased 4.3%.

Year to date revenues decreased \$10.8 million to \$145.5 million as compared to last year. Comparative store sales increased 2.5% on a year to date basis, a significant improvement over the 3.1% decrease during the same period last year.

#### Online

Revenues in the third quarter were \$10.4 million as compared to \$15.5 million in the third quarter last year, a decrease of \$5.1 million or 32.9%. The decline was attributable to less aggressive marketing, discounting and promotional activities during the third quarter of this year as compared to the third quarter last year. Losses before interest, taxes, amortization and restructuring charges ("operating losses") were reduced by \$5.9 million to \$71,000 primarily due to significant reductions in operating costs as a result of restructuring activities undertaken over the previous three quarters.

On a year to date basis, revenues were \$26.6 million as compared to \$40.9 million on a year to date basis last year, a \$14.3 million decrease. Operating losses were reduced by \$21.2 million on a year to date basis to \$2.8 million, a significant improvement over last year's performance.

#### Forward-Looking Statements

Statements contained in this press release that are not historical facts are forward-looking statements, which involve risk and uncertainties which 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 and its subsidiaries.

## About Indigo Books & Music Inc.

Indigo is a Canadian company and the largest book retailer in Canada, operating bookstores in all provinces under the names Indigo Books Music & more, Chapters, Coles, SmithBooks, and World's Biggest Bookstore. Indigo operates www.chapters.indigo.ca, an online retailer of books, videos and DVDs.

Indigo is a publicly traded company, listed on the TSE under the stock symbol IDG. To learn more about Indigo, please visit the About Our Company section of <u>www.chapters.indigo.ca</u>.

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Indigo Books & Music Inc. Consolidated Statements of Financial Position

#### Figures as at December 29, 2001 and December 30, 2000 are unaudited

[in thousands of dollars]         2001         2000         200           Assets         Cash         \$ 25,322         \$ 16,474         \$ 11,3           Short term investments         -         -         3,8           Income taxes receivable         16,526         19,729         11,5,7           Income taxes receivable         4,695         -         5,33           Freguid expenses         4,624         4,551         4,88           Future income tax assets         2,921         925         5,21           Total current assets         2,921         925         5,22           Total assets, net         132,249         140,206         138,8           Goodwill, net of accumulated amortization of \$5,653 (2001-\$5,137)         59,331         1,292         8,3           Deferred financing charges, net of accumulated amortization of \$467         3,383         -         7024         9,060         5,47           Accounts payable and accrued liabilities         527,068         489,366         388,87         182,91           Liabilities and shareholders' equity         -         -         52,67         182,91           Deferred financing charges, payable         -         -         52,67         182,91           Deferred f		As at	As at	As at	
Assets           Cash         \$ 25,322         \$ 16,474         \$ 11,3           Short term investments         3,8         Accounts receivable         16,526         19,729         11,5.           Inventories         270,255         297,129         11,5.         3,8         Accounts receivable         4,695         -         3,8           Prepaid expenses         4,624         4,551         4,80         -         3,8         -         -         3,8         -         -         3,8         -         -         3,8         -         -         5,27         -         133,9         -         -         -         5,27         -         132,249         140,206         138,8         -         -         5,26         -         3,38         -         -         -         -         3,33         -         -         -         132,249         140,206         138,8         -         -         5,317         59,331         1,222         8,30         -         -         132,249         140,206         138,8         -         -         52,65         4,89,366         388,8*         -         -         5,477         1,30         -         -         52,65         4,624		December 29,	December 30,	March 31	
Cash         \$ 25,322         \$ 16,474         \$ 11,3           Short term investments         -         -         3,8           Accounts receivable         16,526         19,729         11,5           Income taxes receivable         4,695         -         5,3           Prepaid expenses         4,624         4,551         4,8           Future income taxes receivable         2,921         925         5,2           Total current assets         2,921         925         5,2           Total current assets         2,921         925         5,2           Capital assets, net         132,249         140,206         138,8           Future income taxes assets         7,762         9,060         5,4           Godwill, net of accumulated amortization of \$5,653 (2001 - \$5,137)         59,331         1,292         8,3           Deferred financing charges, net of accumulated amortization of \$467         3,383         -         52,0           Accounts payable and accrued liabilities         305,550         262,457         182,9           Income taxes payable         -         -         52,00           Accounts payable and accrued liabilities         305,550         262,457         182,9           Income taxes payable	[in thousands of dollars]	2001	2000	2001	
Short term investments       -       -       3.8         Accounts receivable       16,526       19,729       11,5         Inventories       270,255       297,129       13,9         Income taxes receivable       4,695       -       5,3         Prepaid expenses       4,624       4,551       4,8         Future income tax assets       2,921       925       5,2         Total current assets       224,343       338,808       236,2         Capital assets, net       132,249       140,206       138,8         Future income taxes assets       7,762       9,060       5,4         Goodwill, net of accumulated amortization of \$5,653 (2001 - \$5,137)       59,331       1.292       8,35         Deferred financing charges, net of accumulated amortization of \$467       3,383       -       -       52,66         Accounts payable and accrued liabilities       305,530       262,457       182,9       -       -       52,66         Accounts payable and accrued liabilities       331,667       275,945       240,87         Accrued benefit obligations       1,916       49       1,11         Long-term debt       20,000       -       5,477       1,7         Total current liabilities	Assets				
Accounts receivable       16,526       19,729       11,5.         Inventories       270,255       297,129       193,9         Income taxes receivable       4,695       -       5,3         Prepaid expenses       4,624       4,551       4,88         Future income tax assets       2,921       925       5,2         Total current assets       2,921       925       5,2         Capital assets, net       132,249       140,206       138,8         Future income taxes assets       7,762       9,060       5,4         Goodwill, net of accumulated amortization of \$5,653 (2001 - \$5,137)       59,331       1,292       8,3         Deferred financing charges, net of accumulated amortization of \$467       3,383       -       52,66         Accounts payable and acrued liabilities       305,530       262,457       182,9         Income taxes payable       -       8,170       52,66         Accounts payable and acrued liabilities       305,530       262,457       182,9         Income taxes payable       -       8,170       52,66         Deferred revenue       6,137       5,170       5,2         Current portion long term debt       20,000       -       10,01         Conventi	Cash	\$ 25,322	\$ 16,474	\$ 11,394	
Inventories       270,255       297,129       193,91         Income taxes receivable       4,695       5.3         Prepaid expenses       4,624       4,551       4,88         Future income tax assets       2,921       925       5.2         Total current assets       324,343       338,608       236,21         Capital assets, net       132,249       140,206       138,8         Future income taxes assets       7,762       9,060       5.4         Goodwill, net of accumulated amortization of \$5,653 (2001 - \$5,137)       59,331       1.292       8.3         Deferred financing charges, net of accumulated amortization of \$467       3,383       -       -       527,068       489,366       388,8*         Liabilities and shareholders' equity       Bank indebtedness       -       -       52,6       182,9       -       8,170         Deferred revenue       6,137       5,318       5.2       Current portion long term debt       20,000       -       8,170         Deferred revenue       6,137       5,318       5.2       240,8*       5,21       240,8*         Current portion long term debt       20,000       -       -       5,477       1,7         Total current liabilities       1,91	Short term investments	-	-	3,850	
Income taxes receivable       4,655       -       5,3         Prepaid expenses       4,624       4,551       4,81         Prepaid expenses       2,921       925       5,22         Total current assets       324,343       338,608       236,21         Capital assets, net       132,249       140,206       138,8         Capital assets, net       7,762       9,060       5,4         Goodwill, net of accumulated amortization of \$5,653 (2001 - \$5,137)       59,331       1,292       8,33         Deferred financing charges, net of accumulated amortization of \$467       3,383       -       527,068       489,366       388,67         Total assets       527,068       489,366       388,67       132,94       140,206       142,94       140,206       143,85         Liabilities and shareholders' equity       Bank indebtedness       -       -       52,66       388,67         Liabilities and scrued liabilities       305,530       262,457       182,94       162,94       182,94       182,94       182,94       192,94       142,94       142,94       142,94       142,94       142,94       142,94       142,94       142,94       142,94       144,71       153,543       122,242       144,71       144,71 <t< td=""><td>Accounts receivable</td><td>16,526</td><td>19,729</td><td>11,547</td></t<>	Accounts receivable	16,526	19,729	11,547	
Prepaid expenses       4,624       4,551       4,8         Future income tax assets       2,921       925       5,2         Total current assets       324,343       338,608       236,2         Capital assets, net       132,249       140,206       138,8         Future income taxe assets       7,762       9,060       5,4         Goodwill, net of accumulated amortization of \$5,653 (2001-\$5,137)       59,331       1,292       8,3         Deferred financing charges, net of accumulated amortization of \$467       3,383       -       -         Total assets       527,068       489,366       388,8*         Liabilities and shareholders' equity       -       -       52,6         Accounts payable and accrued liabilities       305,530       262,457       182,9*         Income taxes payable       -       -       52,6         Accounts payable and accrued liabilities       305,530       262,457       182,9*         Income taxes payable       -       -       8,170       -         Deferred revenue       6,137       5,318       5,2       -         Current portion long term debt       20,000       -       -       -         Total current liabilities       331,667       275,945 </td <td>Inventories</td> <td>270,255</td> <td>297,129</td> <td>193,977</td>	Inventories	270,255	297,129	193,977	
Future income tax assets         2,921         925         5,21           Total current assets         324,343         338,808         236,21           Capital assets, net         132,249         140,206         138,8           Future income taxes assets         7,762         9,060         5,4           Goodwill, net of accumulated amortization of \$5,653 (2001 - \$5,137)         59,331         1,292         8,3           Deferred financing charges, net of accumulated amortization of \$467         3,383         -         -           Total assets         527,068         489,366         388,8*         -           Liabilities and shareholders' equity         -         -         52,6         Accounts payable and accrued liabilities         305,530         262,457         182,9*           Income taxes payable         6,137         5,318         5,2*         20,000         -         -           Deferred revenue         6,137         5,318         5,2*         240,8*         -         -         -         -         -         -         26,000         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -		4,695	-	5,353	
Total current assets         324,343         338,808         236,21           Capital assets, net         132,249         140,206         138,8           Future income taxes assets         7,762         9,060         5,4           Goodwill, net of accumulated amortization of \$5,553 (2001-\$5,137)         59,331         1,292         8,3           Deferred financing charges, net of accumulated amortization of \$467         3,383         -         -           Total assets         527,068         489,366         388,87           Liabilities and shareholders' equity         -         -         52,66           Bank indebtedness         -         -         52,67           Accounts payable and accrued liabilities         305,530         262,457         182,9           Income taxes payable         -         8,170         -         8,170           Deferred revenue         6,137         5,318         5,2         -         -         6,137         5,318         5,2           Current portion long term debt         20,000         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -         -	Prepaid expenses	4,624	4,551	4,863	
Capital assets, net       132,249       140,206       138,8         Future income taxes assets       7,762       9,060       5,4         Goodwill, net of accumulated amortization of \$5,653 (2001 - \$5,137)       59,331       1,292       8,31         Deferred financing charges, net of accumulated amortization of \$467       3,383       -       -       52,068       489,366       388,87         Liabilities and shareholders' equity       Bank indebtedness       -       -       52,61       -       52,61         Accounts payable and accrued liabilities       305,530       262,457       182,91       -       8,170       -       52,61         Deferred revenue       6,137       5,318       5,27       -       8,170       -       -       7,545       240,81       -       -       -       5,2,61       -       -       -       5,2,61       -       -       8,170       -       -       -       5,2,61       -       -       -       5,2,61       -       -       -       5,2,61       -       -       -       2,62,457       182,96       -       -       8,170       -       -       -       5,2,61       -       -       -       -       -       -       -	Future income tax assets	2,921	925	5,281	
Future income taxes assets         7,762         9,060         5,4           Goodwill, net of accumulated amortization of \$5,653 (2001 - \$5,137)         59,331         1,292         8,33           Deferred financing charges, net of accumulated amortization of \$467         3,383         -         -           Total assets         527,068         489,366         388,8°           Liabilities and shareholders' equity         -         -         52,61           Bank indebtedness         -         -         -         52,61           Accounts payable and accrued liabilities         305,530         262,457         182,9°           Income taxes payable         -         8,170         -         -           Deferred revenue         6,137         5,318         5,2         -           Current portion long term debt         20,000         -	Total current assets	324,343	338,808	236,265	
Future income taxes assets         7,762         9,060         5,4           Goodwill, net of accumulated amortization of \$5,653 (2001 - \$5,137)         59,331         1,292         8,33           Deferred financing charges, net of accumulated amortization of \$467         3,383         -         -           Total assets         527,068         489,366         388,8°           Liabilities and shareholders' equity         -         -         52,61           Bank indebtedness         -         -         -         52,61           Accounts payable and accrued liabilities         305,530         262,457         182,9°           Income taxes payable         -         8,170         -         8,170           Deferred revenue         6,137         5,318         5,2         -           Current portion long term debt         20,000         -         -         -           Total current liabilities         331,667         275,945         240,8°         -           Accrued benefit obligations         1,916         49         1,11         Long-term debt         84,000         54,000         54,000           Convertible debentures         27,133         -         -         -         5,477         1,7           Total liabili	Capital assets, net	132.249	140.206	138,842	
Goodwill, net of accumulated amortization of \$5,653 (2001 - \$5,137)         59,331         1,292         8,31           Deferred financing charges, net of accumulated amortization of \$467         3,383         -	•			5,402	
Deferred financing charges, net of accumulated amortization of \$467         3,383         -           Total assets         527,068         489,366         388,8°           Liabilities and shareholders' equity         East indebtedness         -         -         526,068         388,8°           Bank indebtedness         -         -         526,07         182,99         -         527,068         489,366         388,8°           Liabilities and shareholders' equity         Bank indebtedness         -         -         52,60           Bank indebtedness         -         -         52,60         182,99         -         52,61         182,99           Income taxes payable         -         8,170         -         8,170         -         8,170         -         182,99         -         8,170         -         8,170         -         -         182,99         -         8,170         -         -         5,27         -         20,000         -         -         133         5,27         240,87         -         -         -         -         182,99         -         -         -         -         -         -         -         -         -         -         -         -         -         -<				8,301	
Liabilities and shareholders' equity           Bank indebtedness         -         -         52,61           Accounts payable and accrued liabilities         305,530         262,457         182,9           Income taxes payable         -         8,170         -           Deferred revenue         6,137         5,318         5,2'           Current portion long term debt         20,000         -         -           Total current liabilities         331,667         275,945         240,8'           Accrued benefit obligations         1,916         49         1,11           Long-term debt         84,000         54,000         54,000           Convertible debentures         27,133         -         -           Non-controlling interest         -         5,477         1,7'           Total liabilities         444,716         335,471         297,7'           Share capital         153,543         132,262         144,7'           Equity portion of convertible debentures         1,903         -           Retained earnings (deficit)         (73,094)         21,633         (53,66)           Total shareholders' equity         82,352         153,895         91,11			-	-	
Liabilities and shareholders' equity           Bank indebtedness         -         -         52,66           Accounts payable and accrued liabilities         305,530         262,457         182,9           Income taxes payable         -         8,170         -           Deferred revenue         6,137         5,318         5,2'           Current portion long term debt         20,000         -         -           Total current liabilities         331,667         275,945         240,8'           Accrued benefit obligations         1,916         49         1,11           Long-term debt         84,000         54,000         54,000           Convertible debentures         27,133         -         -           Non-controlling interest         -         5,477         1,7'           Total liabilities         444,716         335,471         297,7'           Share capital         153,543         132,262         144,7'           Equity portion of convertible debentures         1,903         -           Retained earnings (deficit)         (73,094)         21,633         (53,66)           Total shareholders' equity         82,352         153,895         91,11	Total assets	527.068	489.366	388,810	
Accounts payable and accrued liabilities       305,530       262,457       182,9-         Income taxes payable       -       8,170         Deferred revenue       6,137       5,318       5,2'         Current portion long term debt       20,000       -       -         Total current liabilities       331,667       275,945       240,8'         Accrued benefit obligations       1,916       49       1,11         Long-term debt       84,000       54,000       54,000         Convertible debentures       27,133       -       -         Non-controlling interest       -       5,477       1,7         Total liabilities       444,716       335,471       297,7'         Shareholders' equity       153,543       132,262       144,7'         Equity portion of convertible debentures       1,903       -       -         Retained earnings (deficit)       (73,094)       21,633       (53,66)         Total shareholders' equity       82,352       153,895       91,11	Liabilities and shareholders' equity				
Income taxes payable       -       8,170         Deferred revenue       6,137       5,318       5,27         Current portion long term debt       20,000       -       -         Total current liabilities       331,667       275,945       240,87         Accrued benefit obligations       1,916       49       1,11         Long-term debt       84,000       54,000       54,000         Convertible debentures       27,133       -       -         Non-controlling interest       -       5,477       1,7         Total liabilities       444,716       335,471       297,70         Share capital       153,543       132,262       144,77         Equity portion of convertible debentures       1,903       -         Retained earnings (deficit)       (73,094)       21,633       (53,66         Total shareholders' equity       82,352       153,895       91,11	Bank indebtedness	-	-	52,605	
Deferred revenue         6,137         5,318         5,27           Current portion long term debt         20,000         -         -           Total current liabilities         331,667         275,945         240,87           Accrued benefit obligations         1,916         49         1,11           Long-term debt         84,000         54,000         54,000           Convertible debentures         27,133         -         -           Non-controlling interest         -         5,477         1,7           Total liabilities         444,716         335,471         297,74           Share capital         153,543         132,262         144,77           Equity portion of convertible debentures         1,903         -         -           Retained earnings (deficit)         (73,094)         21,633         (53,66)           Total shareholders' equity         82,352         153,895         91,11	Accounts payable and accrued liabilities	305,530	262,457	182,942	
Current portion long term debt         20,000         -           Total current liabilities         331,667         275,945         240,8'           Accrued benefit obligations         1,916         49         1,11           Long-term debt         84,000         54,000         54,000           Convertible debentures         27,133         -         -           Non-controlling interest         27,133         -         -           Total liabilities         444,716         335,471         297,74           Shareholders' equity         Share capital         153,543         132,262         144,77           Equity portion of convertible debentures         1,903         -         -           Retained earnings (deficit)         (73,094)         21,633         (53,66)           Total shareholders' equity         82,352         153,895         91,11	Income taxes payable	-	8,170	-	
Total current liabilities         331,667         275,945         240,8'           Accrued benefit obligations         1,916         49         1,11           Long-term debt         84,000         54,000         54,000           Convertible debentures         27,133         -         -           Non-controlling interest         -         5,477         1,7           Total liabilities         444,716         335,471         297,74           Shareholders' equity         -         5,3,543         132,262         144,77           Equity portion of convertible debentures         1,903         -         -           Retained earnings (deficit)         (73,094)         21,633         (53,66           Total shareholders' equity         82,352         153,895         91,10	Deferred revenue	6,137	5,318	5,272	
Accrued benefit obligations       1,916       49       1,11         Long-term debt       84,000       54,000       54,000         Convertible debentures       27,133       -       -         Non-controlling interest       -       5,477       1,7         Total liabilities       444,716       335,471       297,70         Shareholders' equity       Share capital       153,543       132,262       144,77         Equity portion of convertible debentures       1,903       -       -         Retained earnings (deficit)       (73,094)       21,633       (53,66)         Total shareholders' equity       82,352       153,895       91,10	Current portion long term debt	20,000	-	-	
Long-term debt       84,000       54,000       54,000         Convertible debentures       27,133       -         Non-controlling interest       -       5,477       1,7         Total liabilities       444,716       335,471       297,70         Shareholders' equity       Share capital       153,543       132,262       144,77         Equity portion of convertible debentures       1,903       -       -         Retained earnings (deficit)       (73,094)       21,633       (53,66)         Total shareholders' equity       82,352       153,895       91,10	Total current liabilities	331,667	275,945	240,819	
Long-term debt       84,000       54,000       54,000         Convertible debentures       27,133       -         Non-controlling interest       -       5,477       1,7         Total liabilities       444,716       335,471       297,70         Shareholders' equity       Share capital       153,543       132,262       144,77         Equity portion of convertible debentures       1,903       -       -         Retained earnings (deficit)       (73,094)       21,633       (53,66)         Total shareholders' equity       82,352       153,895       91,10	Accrued benefit obligations	1 916	49	1,166	
Convertible debentures Non-controlling interest27,133 5,477- 1,7Total liabilities444,716335,471297,70Shareholders' equityShare capital Equity portion of convertible debentures Retained earnings (deficit)153,543 (73,094)132,262 21,633144,77 (53,66Total shareholders' equity82,352153,89591,10				54,000	
Non-controlling interest         -         5,477         1,7           Total liabilities         444,716         335,471         297,70           Shareholders' equity         Share capital         153,543         132,262         144,77           Share capital Equity portion of convertible debentures Retained earnings (deficit)         1,903         -         1           Total shareholders' equity         82,352         153,895         91,10			,	,	
Shareholders' equity           Share capital         153,543         132,262         144,77           Equity portion of convertible debentures         1,903         -           Retained earnings (deficit)         (73,094)         21,633         (53,66)           Total shareholders' equity         82,352         153,895         91,10		-	5,477	1,716	
Shareholders' equity           Share capital         153,543         132,262         144,77           Equity portion of convertible debentures         1,903         -           Retained earnings (deficit)         (73,094)         21,633         (53,66)           Total shareholders' equity         82,352         153,895         91,10	Total liabilities	444,716	335,471	297,701	
Equity portion of convertible debentures1,903-Retained earnings (deficit)(73,094)21,633(53,66)Total shareholders' equity82,352153,89591,10	Shareholders' equity	·			
Equity portion of convertible debentures1,903-Retained earnings (deficit)(73,094)21,633(53,66)Total shareholders' equity82,352153,89591,10	Share capital	460 640	100 000	A A A 775	
Retained earnings (deficit)         (73,094)         21,633         (53,66)           Total shareholders' equity         82,352         153,895         91,10	-		132,202	144,775	
Total shareholders' equity 82,352 153,895 91,10			- 21,633	- (53,666)	
Total liabilities and shareholders' equity\$ 527,068\$ 489,366\$ 388,8		02,332	100,000	51,109	
	Total liabilities and shareholders' equity	\$ 527,068	\$ 489,366	\$ 388,810	

# Indigo Books & Music Inc. Consolidated Statements of Earnings

Unaudited

	13 week period ended		13 week period ended		39 week period ended		39 week period ended		
									[in thousands of dollars, except per share data]
Revenue									
Superstores	\$	176,142	\$	139,838	\$	367,836	\$	316,112	
Traditional bookstores		72,394		77,661		145,501		156,344	
Internet		10,386		15,481		26,618		40,915	
Other		14,969		14,570		25,091		25,114	
		273,891		247,550		565,046		538,485	
Cost of product, purchasing, selling and administration		238,967		220,302		530,797		527,137	
		34,924		27,248		34,249		11,348	
Amortization of capital assets		7,636		6,836		22,738		20,167	
Amortization of pre-opening store costs		58		157		443		832	
Amortization of goodwill		249		134		749		402	
Income (loss) before the undernoted items		26,981		20,121		10,319		(10,053)	
Restructuring charges		-		-		21,152		-	
Interest on long-term debt and financing charges		2,246		978		5,235		2,934	
Interest on current debt		1,961		1,370		4,626		3,260	
Income (loss) before income tax recovery and non-controlling interest		22,774		17,773		(20,694)		(16,247)	
Income tax expense		4,102		11,052		450		4,773	
Income (loss) before non-controlling interest		18,672		6,721		(21,144)		(21,020)	
Non-controlling interest		(127)		(2,275)		(1,716)		(9,524)	
Net income (loss) for the period	\$	18,799	\$	8,996	\$	(19,428)	\$	(11,496)	
	_				_		_		
Basic net income (loss) per common share	\$	1.41	\$		\$	(1.53)	\$	(1.01)	
Diluted net income (loss) per common share	\$	1.27	\$	0.79	\$	(1.53)	\$	(1.01)	
Weighted average common shares outstanding									
Basic		13,341		11,375		12,728		11,369	
Diluted		15,090		11,379		12,728		11,369	