Attention business, news editors

Indigo announces Annual Results

Toronto, Ontario (May 21, 2002) – Indigo Books & Music Inc. (TSE: IDG), Canada's largest book retailer, today announced its results for the 52 weeks ended March 30, 2002.

The Company's results for fiscal year 2002 show total consolidated revenues increased 7.2% to $735.5 million from $686.5 million the year before. The sales increase was primarily due to operating an additional 13 superstores for part of the year, offset by a sales decreases from operating 17 fewer mall stores and lower sales in the online division.

Consolidated earnings before interest, taxes, amortization, restructuring charges, take-over costs and non-controlling interest was $37.0 million compared to a loss of $43.3 million in the previous year. This increase of $80.3 million or 185.5% over last year is in part attributable to significant cost containment in online operations, improved inventory management and the initial stage of synergies which have surfaced as a result of the merger.

"We are beginning to see the benefits of a clear vision and energized, focused action from the entire organization. We are 12 months into what I have always believed would be a 2 year turnaround, but we are clearly on our way. The effort which people throughout the organization put forth has been tremendous" said Heather Reisman, Chief Executive Officer of Indigo.

Total restructuring and other take-over costs of $40.3 million for the year are the result of store closures and other costs associated with the amalgamation of Chapters and the former Indigo. Restructuring charges comprise $24.0 million in capital asset write downs, $11.9 million related to store closings, $1.7 million due to relocation and other costs associated with the acquisition and $2.7 million in refinancing charges.

The net loss was $47.9 million or $3.52 per share, compared to a net loss of $84.5 million ($7.33 per share) in the previous year. This represents an improvement of $36.6 million or 52.0% per share.

Pursuant to a Consent Order issued by the Commissioner of Competition regarding the merger of Chapters and Indigo, the Company agreed to offer for sale 13 superstores and 10 mall stores. No sale of the stores was completed under the terms of the Consent Order and the assets have reverted to Indigo. As a result, Indigo completed a review of its real estate portfolio and has taken a charge for restructuring and other costs related to store closures of $19.2 million in the quarter.

The weighted average number of shares outstanding for the year was 13.6 million compared to 11.5 million in the previous year.

Retail

Retail sales were $710.0 million as compared to $635.4 million in the previous year, an increase of $65.6 million or 10.3%. Earnings before interest, taxes, amortization and restructuring charges increased to $38.9 million from a loss of $10.2 million the year before, an increase of $49.1 million. In addition to operating an additional 13 superstores for part of the year, the increase can be attributed to improved gross margin dollars and reduced warehousing and distribution costs.

Superstores

Indigo operates 90 superstores including 73 *Chapters*, 16 *Indigo* and the *World's Biggest Bookstore*. Revenues in fiscal year 2002 grew to $485.8 million, an 18.8% increase compared to revenue to $408.9 million the previous year. The growth was generated by the addition of 16 superstores and offset by the closure of 3 stores as compared to last year. As well, comparative store sales increased 1.1% in fiscal year 2002 as compared to a decline of 1.6% the year before.

Traditional Stores

Indigo operates 187 traditional or mall stores under the banners *Coles*, *SmithBooks*, *Classic Books*, *LibrairieSmith* and *The Book Company*. Total traditional store revenues declined to $183.8 million, a decrease of $11.4 million or 5.8% compared to $195.2 million in the previous year. The decline is the result of operating 17 fewer bookstores or approximately 8% less stores as compared to last year. Comparative store sales increased 3.7% during the year, a significant improvement over the 3.0% decline last year.

Online

Revenues were $34.7 million compared to $51.1 million last year, a decrease of $16.4 million or 32%. The decline is attributable to less aggressive marketing, discounting and promotional activities during the year. Losses before interest, taxes, amortization and restructuring charges were reduced by $31.2 million to $1.9 million, primarily due to significant reductions in operating costs as a result of restructuring.

Forward-Looking Statements

Statements contained in this press release which 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 www.chapters.indigo.ca.

For more information please contact:
Tracy Nesdoly
Vice President Communications
Indigo Books & Music Inc.
416-263-5025

CONSOLIDATED STATEMENTS OF LOSS

(unaudited)

(thousands of dollars)*	**52-week period ended March 30, 2002**	52-week period ended March 31, 2001
Revenue	**735,684**	686,479
Cost of product, purchasing, selling and administration	**698,660**	729,800
	37,024	(43,321)
Amortization of capital assets	**29,839**	28,143
Amortization of pre-opening store costs	**452**	1,033
Amortization of goodwill	**1,087**	516
	31,378	29,692
Earning (loss) before the under noted items	**5,646**	(73,013)
Restructuring and take-over costs	**40,316**	29,966
Interest on long-term debt and financing charges	**7,576**	3,910
Interest on bank indebtedness	**6,782**	3,586
Loss before income taxes and non-controlling interest	**(49,028)**	(110,475)
Income tax expense (benefit)	**600**	(12,718)
Loss before non-controlling interest	**(49,628)**	(97,757)
Non-controlling interest	**(1,716)**	(13,285)
Net loss for the period	**(47,912)**	(84,472)
Net loss per common share		
Basic	**$(3.52)**	$(7.33)
Diluted	**$(3.52)**	$(7.33)
Weighted average number of common shares outstanding		
Basic	**13,630**	11,527
Diluted	**13,630**	11,527

** Except per share data*

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

(thousands of dollars)	**As at March 30, 2002**	As at March 31, 2001
ASSETS		
Current		
Cash and cash equivalents	**677**	11,394
Short-term investments	**—**	3,850
Accounts receivable	**12,817**	11,547
Inventories	**223,467**	193,977
Income taxes receivable	**4,950**	5,353
Prepaid expenses	**4,338**	4,863
Future income tax assets	**6,538**	5,281
Total current assets	**252,787**	236,265
Capital assets, net	**115,041**	138,842
Future income tax assets	**4,145**	5,402
Goodwill, net of accumulated amortization of $5,991 [March 31, 2001 - $4,904]	**64,570**	8,301
Deferred finance fees, net of accumulated amortization of $886	**3,289**	—
	439,832	388,810
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**57,254**	52,605
Accounts payable and accrued liabilities	**198,746**	182,942
Deferred revenue	**6,625**	5,272
Current portion of long term debt	**31,000**	—
Total current liabilities	**293,625**	240,819
Accrued benefit obligations	**1,306**	1,166
Long-term debt	**53,000**	54,000
Convertible debentures	**28,071**	—
Non-controlling interest	**—**	1,716
Total liabilities	**376,002**	297,701
Commitments and contingencies		
Shareholders' equity		
Share capital	**163,505**	144,775
Equity portion of convertible notes	**1,903**	—
Deficit	**(101,578)**	(53,666)
Total shareholders' equity	**63,830**	91,109
	439,832	388,810