Indigo's comparable store sales increase 7.8% in first quarter

TORONTO, August 21, 2002 – Indigo Books & Music Inc. (TSX: IDG) Canada's largest book retailer, reported strong sales results for the first quarter due to significant inventory and merchandising improvements.

Total consolidated revenues for the 13 weeks ended June 29, 2002 increased 16% to $156.3 million from $135.3 million in the first quarter last year. The increase, due to strong comparative store sales and the addition of 12 superstores, was offset somewhat by decreases from closing 16 traditional format stores.

In the first quarter, revenues at Chapters and Indigo superstores including World's Biggest Bookstore grew to $111.4 million, a 28% increase compared to revenue of $87.2 million in the first quarter of the previous year. Comparative store sales increased 7.8% during the quarter as compared to 2.3% in the same period last year. The total number of superstores at the end of the quarter is 89, compared to 77 last year.

"I feel very pleased with the results," said Heather Reisman, CEO of Indigo. "Through careful product selection, continuing improvements in merchandising and by working closely with publishers and vendors, we have been able to show strong comparative store sales for the period."

Total traditional store revenues declined to $33.9 million in the first quarter, a decrease of $1.8 million or 5% in comparison to $35.7 million in the first quarter last year. The decline in revenue is the result of operating 16 (8%) fewer stores compared to the first quarter last year. Sales declined due to the smaller portfolio but were offset by strong sales increases from improved in-stock position and merchandising. Comparative store sales increased 4.5% in the first quarter, compared to 3.6% in the first quarter last year. The total number of traditional stores at the end of the quarter is 182, compared to 198 last year.

Consolidated losses before interest, taxes, amortization and non-controlling interest (operating losses) for the first quarter were $2.9 million compared to $1.7 million in the first quarter last year, representing an increase in operating losses of $1.2 million in the quarter. The increase is largely due to increased store expenses as a result of operating an additional 12 superstores. In this quarter, Indigo typically incurs operating losses due to the seasonality of its business.

The consolidated net loss for the quarter was $13.2 million ($ 0.63 per share) as compared to a consolidated net loss of $7.0 million ($0.48 per share) in the first quarter last year. The variance is largely attributable to two non-cash items that reduced last year's losses. The Company had a non-controlling interest in Chapters Online in the first quarter last year that reduced last year's interest losses by $820,000. Similarly, $3.8 million in income taxes recoverable reduced the reported net loss for the quarter last year. In accordance with Canadian generally accepted accounting principles, income tax recoverable was not recognized in the quarter this year.

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 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 Toronto Stock Exchange under the stock symbol IDG. To learn more about Indigo, please visit the About Our Company section of www.chapters.indigo.ca.

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Indigo Books & Music Inc.
Consolidated Statements of Loss

Unaudited

[in thousands of dollars, except per share data]	**13-week period ended June 29, 2002**	13-week period ended June 30, 2001
Revenue	**$ 156,336**	$ 135,285
Cost of product, purchasing, selling and administration	**159,189**	136,978
	(2,853)	**(1,693)**
Amortization of capital assets	**5,974**	7,301
Amortization of pre-opening store costs	**14**	195
Amortization of goodwill	**-**	250
Loss before the undernoted items	**(8,841)**	**(9,439)**
Interest on long-term debt and financing charges	**2,240**	978
Interest on current debt	**1,951**	1,162
Loss before income tax recovery and non-controlling interest	**(13,032)**	**(11,579)**
Income tax expense (benefit)	**150**	(3,802)
Loss before non-controlling interest	**(13,182)**	**(7,777)**
Non-controlling interest	**-**	(820)
Net loss for the period	**$ (13,182)**	**$ (6,957)**
Basic net loss per common share	**$ (0.63)**	$ (0.48)
Diluted net loss per common share	**$ (0.63)**	$ (0.48)
Weighted average common shares outstanding	20,760	14,353

Indigo Books & Music Inc.

Consolidated Balance Sheets

Figures as at June 29, 2002 and June 30, 2001 are unaudited

[in thousands of dollars]	**As at June 29, 2002**	As at June 30, 2001	As at March 30, 2002
Assets			
Cash and cash equivalents	**$ 407**	$ 367	$ 677
Accounts receivable	**11,067**	13,036	12,817
Inventories	**228,856**	207,141	223,467
Income taxes receivable	**352**	8,152	4,950
Prepaid expenses	**3,856**	4,995	4,338
Future income tax assets	**6,538**	5,281	6,538
Total current assets	**251,076**	**238,972**	**252,787**
Capital assets, net	**109,233**	131,643	115,041
Future income taxes assets	**4,145**	6,405	4,145
Goodwill	**64,570**	8,051	64,570
Deferred financing fees, net of accumulated amortization of $1,217 [March 30, 2002 - $886]	**2,958**	-	3,289
Total assets	**431,982**	**385,071**	**439,832**
Liabilities and shareholders' equity			
Bank indebtedness	**61,433**	69,033	57,254
Accounts payable and accrued liabilities	**184,536**	170,220	198,746
Deferred revenue	**7,332**	5,354	6,625
Current portion long-term debt	**31,000**	-	31,000
Total current liabilities	**284,301**	**244,607**	**293,625**
Accrued benefit obligations	**1,306**	1,416	1,306
Long-term debt	**53,000**	54,000	53,000
Convertible debentures	**28,665**	-	28,071
Non-controlling interest	**-**	896	-
Total liabilities	**367,272**	**300,919**	**376,002**
Shareholders' equity			
Share capital	**177,567**	144,775	163,505
Equity portion of convertible debentures	**1,903**	-	1,903
Deficit	**(114,760)**	(60,623)	(101,578)
Total shareholders' equity	**64,710**	**84,152**	**63,830**
Total liabilities and shareholders' equity	**$ 431,982**	**$ 385,071**	**$ 439,832**