

Indigo's comparable store sales increase 6.2% in Q2 Operating Earnings* Double

TORONTO, October 31, 2002 - Indigo Books & Music Inc.(TSX: IDG), Canada's largest book retailer, reported strong sales results for the second consecutive quarter due to significant inventory and merchandising improvements.

Both superstores and traditional format stores showed strong comparable sales growth in the second quarter continuing the first quarter sales trends. Comparative stores sales at Chapters and Indigo superstores, including The World's Biggest Bookstore, increased 6.2% while comparative store sales at Coles increased 5.0% during the quarter. Year to date, comparable store sales are 7.0% and 4.8% at superstores and mall stores respectively.

"I am extremely pleased to see the trend we started in the first quarter is continuing," said Heather Reisman, CEO of Indigo. "Our strategy of careful product selection, improved merchandising, working closely with publishers and other suppliers, as well as the tremendous efforts of our store teams, have clearly put us on the right track going into the all-important holiday season."

Total consolidated revenues for the second quarter ended September 28, 2002 grew 9.8% or \$15.3 million to \$171.2 million from \$155.9 million in the second quarter last year. The increase was due in part to the operation of 12 additional superstores for the full quarter, offset by sales decreases from closing nine mall stores.

Second quarter sales at Chapters and Indigo superstores, including The World's Biggest Bookstore, grew 13.2% to \$118.2 million compared to sales of \$104.5 million in the same period last year. Total mall store revenues declined to \$36.4 million in the second quarter, a decrease of \$1.0 million or 2.7% in comparison to \$37.4 million in the second quarter last year, due to the closure of nine stores.

The total number of superstores at September 28, 2002 was 89 as compared to 92 superstores at the end of the second quarter last year. The total number of mall stores at the end of the quarter was 181, compared to 190 last year. The store closures are part of the Company's ongoing initiative to streamline the real estate portfolio and close under-performing locations.

Consolidated earnings before interest, taxes, restructuring charges, amortization and non-controlling interest ("operating earnings") in the second quarter was \$2.3 million compared to \$1.0 million in the second quarter last year, representing an increase in operating earnings of \$1.3 million. The increase is due to improved performance across all areas of the business stemming from higher sales and lower operating costs.

The consolidated net loss for the second quarter was \$7.6 million (\$0.36 per share) as compared to a net loss of \$31.3 million (\$2.12 per share) in the same period last year, an improvement of \$23.7 million (\$1.76 per share). The consolidated net loss in the second quarter last year included restructuring and other charges of \$21.2 million (\$1.43 per share) due to store closures and acquisition of all shares of Indigo Books & Music, Inc (“Old Indigo”). Excluding restructuring and other charges, the consolidated net loss improved \$2.5 million over the prior 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.

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*, *The World's Biggest Bookstore* and *Coles*. Indigo operates www.chapters.indigo.ca, an online retailer of books, gifts, 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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* *Defined as consolidated earnings before interest, taxes, restructuring charges, amortization and non-controlling interest.*

Indigo Books & Music Inc.
Consolidated Statements of Earnings

Unaudited

		13-week period ended September 28, 2002		13-week period ended September 29, 2001		26-week period ended September 28, 2002		26-week period ended September 29, 2001
<i>[in thousands of dollars, except per share data]</i>								
Revenue	\$	171,207	\$	155,870	\$	327,543	\$	291,155
Cost of product, purchasing, selling and administration		168,926		154,852		328,115		291,830
		2,281		1,018		(572)		(675)
Amortization of capital assets		5,978		7,801		11,952		15,102
Amortization of pre-opening store costs		14		190		28		385
Amortization of goodwill		-		250		-		500
Loss before the undernoted items		(3,711)		(7,223)		(12,552)		(16,662)
Restructuring charges		-		21,152		-		21,152
Interest on long-term debt and financing charges		2,383		2,011		4,623		2,989
Interest on current debt		1,385		1,503		3,336		2,665
Loss before income tax and non-controlling interest		(7,479)		(31,889)		(20,511)		(43,468)
Income tax expense (recovery)		150		150		300		(3,652)
Loss before non-controlling interest		(7,629)		(32,039)		(20,811)		(39,816)
Non-controlling interest		-		(769)		-		(1,589)
Net loss for the period	\$	(7,629)	\$	(31,270)	\$	(20,811)	\$	(38,227)
Basic net loss per common share	\$	(0.36)	\$	(2.12)	\$	(0.99)	\$	2.62
Diluted net loss per common share	\$	(0.36)	\$	(2.12)	\$	(0.99)	\$	(2.62)
Weighted average common shares outstanding		21,344		14,761		21,052		14,597

Indigo Books & Music Inc.
Consolidated Balance Sheets

Figures as at September 28, 2002 and September 29, 2001 are unaudited

<i>[in thousands of dollars]</i>	As at September 28, 2002	As at September 29, 2001	As at March 30, 2002
Assets			
Cash and cash equivalents	\$ -	\$ 1,329	\$ 677
Accounts receivable	11,182	13,484	12,817
Inventories	239,060	255,687	223,467
Income taxes receivable	202	4,845	4,950
Prepaid expenses	5,531	5,211	4,338
Future income tax assets	6,538	2,921	6,538
Total current assets	262,513	283,477	252,787
Capital assets, net	107,832	137,139	115,041
Future income taxes assets	4,145	11,714	4,145
Goodwill	64,570	54,333	64,570
Deferred financing fees, net of accumulated amortization of \$1,632 [September 29, 2001- \$117; March 30, 2002 - \$886]	2,543	3,733	3,289
Total assets	441,603	490,396	439,832
Liabilities and shareholders' equity			
Bank indebtedness	48,679	67,089	57,254
Accounts payable and accrued liabilities	197,892	225,782	198,746
Deferred revenue	7,527	6,089	6,625
Current portion long-term debt	31,000	20,000	31,000
Total current liabilities	285,098	318,960	293,625
Accrued benefit obligations	1,306	1,666	1,306
Long-term debt	53,000	84,000	53,000
Convertible debentures	29,259	26,629	28,071
Non-controlling interest	-	127	-
Total liabilities	368,663	431,382	376,002
Shareholders' equity			
Share capital	193,426	149,004	163,505
Equity portion of convertible debentures	1,903	1,903	1,903
Deficit	(122,389)	(91,893)	(101,578)
Total shareholders' equity	72,940	59,014	63,830
Total liabilities and shareholders' equity	\$ 441,603	\$ 490,396	\$ 439,832