

Indigo has 8th straight quarter of revenue growth

First-quarter revenues improve by 5.1% over same period last year

TORONTO, August 19, 2003 - Indigo Books & Music Inc. (TSX: IDG), Canada's largest book retailer, reported continued solid sales results for its first quarter of fiscal year 2004. Sales of the latest installment in the successful Harry Potter series of books offset a challenging retail environment and operating fewer stores.

Total consolidated revenues in the first quarter increased 5.1% to \$164.2 million, up from \$156.3 million in the same quarter last year. The increase, due primarily to the Harry Potter release, also led to positive comparative store sales. Superstores including Indigo, Chapters and World's Biggest Bookstore had a comparative sales increase of 3.9% while mall stores saw an increase of 0.3%, reversing the declining trend seen in that format over the previous two quarters.

Online sales in the first quarter grew 65.3% over the same period last year. The growth was driven by sales of Harry Potter, improvements in selection and delivery, as well as increased marketing and promotional activity.

"We are pleased with this quarter's performance particularly given the challenges of SARS, a drop in tourism and general global uncertainty," said Heather Reisman, Indigo's Chief Executive Officer.

Indigo saw a \$1.6 million improvement in net income in the first quarter of fiscal 2004. Despite fewer stores and a harsh economic climate that negatively affected retail in general, Indigo's operating losses improved 16.3% to \$2.4 million from \$2.9 million in the first quarter last year, driven by factors including higher sales and lower store operating expenses. Net loss for the first quarter was \$11.5 million or \$0.48 per share as compared to a net loss of \$13.2 million or \$0.63 per share in the first quarter last year. First quarter losses are typical in the retail industry due to seasonal sales patterns.

The total number of superstores in the first quarter of fiscal 2004 is 88 as compared to 89 for the same period last year. The total number of mall stores was 175, compared to 182 the previous year. In the first quarter of fiscal 2004, Indigo closed four mall stores as part of an ongoing initiative to streamline the real estate portfolio and close under-performing locations in over served markets. As well, Indigo closed the McGill University Bookstore in Montreal when the contract expired.

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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Indigo Books & Music Inc.
Consolidated Balance Sheets

Figures as at June 28, 2003 and June 29, 2002 are unaudited

<i>[in thousands of dollars]</i>	As at June 28, 2003	As at June 29, 2002	As at March 29, 2003
Assets			
Cash and cash equivalents	\$ -	\$ 407	\$ -
Accounts receivable	8,316	11,067	9,383
Inventories	201,377	228,856	202,455
Income taxes receivable	-	352	181
Prepaid expenses	6,231	3,856	5,663
Future tax assets	4,012	6,538	4,012
Total current assets	219,936	251,076	221,694
Capital assets, net	102,303	109,233	106,170
Future taxes assets	6,671	4,145	6,671
Goodwill	58,458	64,570	58,458
Deferred financing fees, net of accumulated amortization of \$2,770 [June 29, 2002- \$1,217; March 29, 2003 - \$2,391]	1,405	2,958	1,784
Total assets	388,773	431,982	394,777
Liabilities and shareholders' equity			
Bank indebtedness	33,549	61,433	21,388
Accounts payable and accrued liabilities	182,203	184,536	189,702
Income Taxes Payable	407	-	-
Deferred revenue	6,610	7,332	6,835
Current portion long-term debt	31,218	31,000	31,324
Total current liabilities	253,987	284,301	249,249
Accrued benefit obligations	948	1,306	886
Long-term debt	23,186	53,000	23,186
Convertible debentures	31,836	28,665	31,092
Total liabilities	309,957	367,272	304,413
Shareholders' equity			
Share capital	193,426	177,567	193,426
Equity portion of convertible debentures	1,903	1,903	1,903
Deficit	(116,513)	(114,760)	(104,965)
Total shareholders' equity	78,816	64,710	90,364
Total liabilities and shareholders' equity	\$ 388,773	\$ 431,982	\$ 394,777

Indigo Books & Music Inc.
Consolidated Statements of Earnings

Unaudited

	13-week period ended June 28, 2003	13-week period ended June 29, 2002
<i>[in thousands of dollars, except per share data]</i>		
Revenue	\$ 164,248	\$ 156,336
Cost of product, purchasing, selling and administration	166,637	159,189
	(2,389)	(2,853)
Amortization of capital assets	6,170	5,974
Amortization of pre-opening store costs	-	14
Loss before the undernoted items	(8,559)	(8,841)
Interest on long-term debt and financing charges	1,453	2,240
Interest on bank indebtedness	1,386	1,951
Loss before income tax	(11,398)	(13,032)
Income tax expense	150	150
Net loss for the period	\$ (11,548)	\$ (13,182)
Basic net loss per common share	\$ (0.48)	\$ (0.63)
Diluted net loss per common share	\$ (0.48)	\$ (0.63)
Weighted average common shares outstanding	23,965	20,760