Indigo holds ground despite tough retail environment

Earnings per share improve

TORONTO -- November 4, 2003 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book retailer, reported revenues flat to last year despite unrelenting challenges to retail in the last quarter, including a steep tourism decline and blackouts in Ontario which shut down operations for a two-day period. The Company posted improved earnings per share this quarter and profits ahead of last fiscal year.

Total consolidated revenues in the second quarter were $170.1 million compared to $171.2 million for the same period last year. Comparative store sales increased by 1.2% for superstores (Indigo and Chapters) while mall stores comparative sales were flat at 0.1%.

As planned, Indigo closed the McGill University Bookstore in Montreal when its contract expired in June resulting in campus sales declining by $3.1 million versus the same quarter last year.

"We have held ground, although even this was tough given the challenges faced by the retail industry these past months." said Heather Reisman, Indigo's Chief Executive Officer.

The Online business continued to show strong performance in an increasingly competitive market. Sales from chapters.indigo.ca grew 25.5% in the second quarter over the same period last year, from $8.2 million to $10.3 million. This growth was attributed to improvements in several key areas such as title availability and the growing use of online kiosk terminals at the retail stores. Customers have also responded well to the introduction of line extensions in the gifts category and the launch of a distinctive, affordably priced jewellery collection. Indigo will continue to support its online business with strong marketing programs and a focus on matching competition on pricing and shipping initiatives.

On the profitability front, losses per share decreased from $0.36 to $0.32, an improvement of $0.04 over the same quarter last year. Earnings were the same as last year with a net loss of $7.6 million, this despite expenses incurred related to the supply chain redesign project (SAP). Commenting on the impact of this major initiative, Ms Reisman added, "We are on track to complete the implementation of SAP in April. We will then start experiencing the benefits of this commitment."

The picture year to date is modestly improved with a net loss of $19.1 million compared to $20.8 million for the same period in fiscal 2003, an improvement of $1.7 million or 8%.

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, music, 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 September 27, 2003 and September 28, 2002 are unaudited
Figures as at March 29, 2003 are audited

[in thousands of dollars]	**As at September 27, 2003**	As at September 28, 2002	As at March 29, 2003
Assets			
Cash and cash equivalents	**$ -**	$ -	$ -
Accounts receivable	**7,536**	11,182	9,383
Inventories	**209,129**	239,060	202,455
Income taxes receivable	**-**	202	181
Prepaid expenses	**7,091**	5,531	5,663
Future tax assets	**4,012**	6,538	4,012
Total current assets	**227,768**	262,513	221,694
Capital assets, net	**103,175**	107,832	106,170
Future tax assets	**6,671**	4,145	6,671
Goodwill	**58,458**	64,570	58,458
Deferred financing fees, net of accumulated amortization of $3,149 [September 28, 2002- $1,632; March 29, 2003 - $2,391]	**1,026**	2,543	1,784
Total assets	**397,098**	441,603	394,777
Liabilities and shareholders' equity			
Bank indebtedness	**43,638**	48,679	21,388
Accounts payable and accrued liabilities	**185,720**	197,892	189,702
Income taxes payable	**1,350**	-	-
Deferred revenue	**6,634**	7,527	6,835
Current portion long-term debt	**53,266**	31,000	31,324
Total current liabilities	**268,608**	285,098	249,249
Accrued benefit obligations	**1,011**	1,306	886
Long-term debt	**1,673**	53,000	23,186
Convertible debentures	**32,580**	29,259	31,092
Total liabilities	**325,872**	368,663	304,413
Shareholders' equity			
Share capital	**193,426**	193,426	193,426
Equity portion of convertible debentures	**1,903**	1,903	1,903
Deficit	**(124,103)**	(122,389)	(104,965)
Total shareholders' equity	**71,226**	72,940	90,364
Total liabilities and shareholders' equity	**$ 397,098**	$ 441,603	$ 394,777

Indigo Books & Music Inc.
Consolidated Statements of Earnings

Unaudited

[in thousands of dollars, except per share data]	**13-week Period ended September 27, 2003**	13-week period ended September 28, 2002	**26-week period ended September 27, 2003**	26-week period ended September 28, 2002
Revenue	**$ 170,080**	$ 171,207	**$ 334,328**	$ 327,543
Cost of product, purchasing, selling and administration	**168,570**	168,926	**335,207**	328,115
	1,510	2,281	**(879)**	(572)
Amortization of capital assets	**6,219**	5,978	**12,389**	11,952
Amortization of pre-opening store costs	**-**	14	**-**	28
Loss before the undernoted items	**(4,709)**	(3,711)	**(13,268)**	(12,552)
Interest on long-term debt and financing charges	**1,445**	2,383	**2,898**	4,623
Interest on bank indebtedness	**1,286**	1,385	**2,672**	3,336
Loss before income tax	**(7,440)**	(7,479)	**(18,838)**	(20,511)
Income tax expense	**150**	150	**300**	300
Net loss for the period	**$ (7,590)**	$ (7,629)	**$ (19,138)**	$ (20,811)
Basic net loss per common share	**$ (0.32)**	$ (0.36)	**$ (0.80)**	$ (0.99)
Diluted net loss per common share	**(0.32)**	(0.36)	**(0.80)**	(0.99)
Weighted average common shares outstanding	23,965	21,344	23,965	21,052