

Indigo posts \$4.3 million profit

4th quarter earnings improve

TORONTO - June 24, 2004 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book retailer, reported net profit of \$4.3 million, or \$0.18 per share for its fiscal year ending April 3, 2004. This compares to a profit of \$1.4 million, or \$0.06 per share the previous year. Losses in the Company's fourth quarter, which covers the January to March time period, were \$5.3 million, \$3.2 million better than the same quarter in 2003.

Total sales for the year rose 3.4%, or \$26.5 million on a 53-week fiscal year. On a comparative basis over 52 weeks, superstores saw a 2.7% increase while mall stores were relatively flat (-0.1%). Online sales, which include revenues from the in-store computer kiosk program, posted over 33% growth over 2003.

Commenting on these results, Chief Executive Officer Heather Reisman stated: "It was a demanding year for all retailers as a result of SARS, Mad Cow, and blackouts. In addition we still had a great deal of post merger work to do on internal systems and processes. Many of the deep technological challenges we faced since the merger are behind us and we are now in a position to focus on some key opportunities that will drive both growth and profitability."

Comparative sales in the Company's fourth quarter rose 5.0% in superstores while mall stores increased 2.5%. The Company's online channel saw an increase of 27% over the same quarter last year, maintaining its steady growth.

Indigo Books & Music Inc. recently announced the successful launch of its new SAP system, which facilitates all aspects of its inventory management and financial reporting. Commenting on this, Ms. Reisman said: "This project, 18 months in the making, has required enormous cooperation of customers, employees and vendors and we look forward to collectively realizing the gains of this long-term investment."

Indigo Books & Music inc. also reports that it has refinanced its short and long-term debt. The Company has put in place a new \$90 million operating line of credit and \$49 million in new long-term debt, proceeds of which were used to pay off higher cost subordinated notes.

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 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 chapters.indigo.ca.

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CONSOLIDATED BALANCE SHEETS

<i>(thousands of dollars)</i>	As at April 3, 2004	As at March 29, 2003
ASSETS		
Current		
Cash and cash equivalents	8,698	—
Accounts receivable	6,951	9,383
Inventories	199,421	202,455
Income taxes recoverable	—	181
Prepaid expenses	12,431	5,663
Future tax assets	3,939	4,012
Total current assets	231,440	221,694
Capital assets, net	103,146	106,170
Future tax assets	12,640	6,671
Goodwill	52,496	58,458
Deferred financing fees, net of accumulated amortization of nil [March 29, 2003 - \$2,391]	1,012	1,784
	400,734	394,777
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	63,369	21,388
Accounts payable and accrued liabilities	180,813	189,702
Income taxes payable	1,376	—
Deferred revenue	8,732	6,835
Current portion of long-term debt	13,183	31,324
Total current liabilities	267,473	249,249
Accrued benefit obligations	328	886
Long-term debt	39,263	23,186
Convertible notes	—	31,092
Total liabilities	307,064	304,413
Shareholders' equity		
Share capital	193,426	193,426
Contributed surplus	438	—
Equity portion of convertible notes	—	1,903
Deficit	(100,194)	(104,965)
Total shareholders' equity	93,670	90,364
	400,734	394,777

CONSOLIDATED STATEMENTS OF EARNINGS

<i>(thousands of dollars*)</i>	53-week period ended April 3, 2004	52-week period ended March 29, 2003
Revenue	805,716	779,244
Cost of product, purchasing, selling and administration	761,300	737,228
	44,416	42,016
Amortization of capital assets	24,313	23,864
Amortization of pre-opening store costs	—	30
Earnings before the undernoted items	20,103	18,122
Interest on long-term debt and financing charges	9,241	8,568
Interest on bank indebtedness	5,640	6,229
Earnings before income taxes	5,222	3,325
Income tax expense	876	1,900
Net earnings for the period	4,346	1,425
Net earnings per common share		
Basic	\$0.18	\$0.06
Diluted	\$0.18	\$0.06

* *Except per share data*