

Indigo's second quarter loss up \$0.02 per share

Results impacted by sale of Campus bookstores, store closures

TORONTO - November 8, 2004 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book retailer, reported a net loss of \$8.2 million (\$0.34 per share) in its second quarter. This compares to a net loss of \$7.6 million (\$0.32 per share) in the same period last year.

Second quarter consolidated sales decreased 1% compared to last year, from \$170.1 million to \$168.5 million. This decline is largely attributed to the sale of the Campus bookstore division, which accounted for \$2.2 million of the sales shortfall. Consolidated sales would have been up 0.3% otherwise. Given the Company's commitment to focus on its core retail and online businesses, the strategic plan called for the divestiture of this non-critical asset from the portfolio. The Company also operated 10 fewer stores than the year prior. Comparable store sales for the second quarter were up 0.1% in superstores and down 0.7% in mall stores.

Sales in this quarter were also impacted by short-term inventory issues as a result of the recent conversion to the SAP inventory management system. The Company also experienced additional operating costs associated with this transition.

"There are inevitable adjustments associated with stabilizing this new inventory management system and the issues are being addressed rapidly," said Heather Reisman, Chief Executive Officer. "We are looking forward to the medium-term benefits this new tool will provide, from highly targeted inventory for each of our trade areas, to enhanced customer service and lower overall cost of supply chain management."

The Online business continues to show strong performance in an increasingly competitive market. Sales from chapters.indigo.ca in the second quarter saw an increase of 34.7% over the same quarter last year, to \$13.9 million from \$10.3 million.

On a year to date basis, total revenues are down 3% to \$324.4 million from \$334.3 million while net losses are at \$19.6 million, a marginal increase over last 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 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 (Unaudited)

<i>(thousands of dollars)</i>	As at October 2, 2004	As at September 27, 2003	As at April 3, 2004
ASSETS			
Current			
Cash and cash equivalents	\$ 10,743	\$ —	\$ 8,698
Accounts receivable	6,545	7,536	6,951
Inventories	239,076	209,129	199,421
Prepaid expenses	6,358	7,091	12,431
Future tax assets	3,939	4,012	3,939
Total current assets	266,661	227,768	231,440
Capital assets, net	93,797	103,175	103,146
Future tax assets	12,640	6,671	12,640
Goodwill	52,496	58,458	52,496
Deferred financing fees, net of accumulated amortization of \$187 [September 27, 2003 - \$3,149; April 3, 2004 - nil]	825	1,026	1,012
Total assets	426,419	397,098	400,734
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	78,156	43,638	63,369
Accounts payable and accrued liabilities	211,107	185,720	180,813
Income taxes payable	812	1,350	1,376
Deferred revenue	8,750	6,634	8,732
Current portion of long-term debt	13,183	53,266	13,183
Total current liabilities	312,008	290,608	267,473
Accrued benefit obligations	391	1,011	328
Long-term debt	39,259	1,673	39,263
Convertible notes	—	32,580	—
Total liabilities	351,658	325,872	307,064
Shareholders' equity			
Share capital	193,926	193,426	193,426
Contributed surplus	607	—	438
Equity portion of convertible notes	—	1,903	—
Deficit	(119,772)	(124,103)	(100,194)
Total shareholders' equity	74,761	71,226	93,670
Total liabilities and shareholders' equity	\$ 426,419	\$ 397,098	\$ 400,734

CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	13-week period ended October 2, 2004	13-week period ended September 27, 2003	26-week period ended October 2, 2004	26-week period ended September 27, 2003
<i>(thousands of dollars, except per share data)</i>				
Revenues	\$ 168,462	\$ 170,080	\$ 324,409	\$ 334,328
Cost of goods sold, selling and administration	168,629	168,570	327,042	335,207
	(167)	1,510	(2,633)	(879)
Amortization of capital assets	6,692	6,219	13,765	12,389
Loss before the undernoted items	(6,859)	(4,709)	(16,398)	(13,268)
Interest on long-term debt and financing charges	430	1,445	866	2,898
Interest on bank indebtedness	903	1,286	2,114	2,672
Loss before income taxes	(8,192)	(7,440)	(19,378)	(18,838)
Income tax expense	50	150	200	300
Net loss for the period	\$ (8,242)	\$ (7,590)	\$ (19,578)	\$ (19,138)
Basic net loss per common share	\$ (0.34)	\$ (0.32)	\$ (0.81)	\$ (0.80)
Diluted net loss per common share	\$ (0.34)	\$ (0.32)	\$ (0.81)	\$ (0.80)
Weighted average common shares outstanding	24,072	23,965	24,062	23,965