

Indigo Q1 Revenue Up 3.1%

First Quarter Loss Cut In Half

TORONTO, ONT - July 30, 2008— Indigo Books & Music Inc. (TSX: IDG), Canada's largest book retailer, reported gains in net revenue and net earnings for its first quarter ending June 28th, 2008.

Notwithstanding continuing decreases in retail book prices, total revenue for the quarter increased 3.1% to \$191 million. On a comparable store basis, Indigo and Chapters superstores posted 3.3% growth, while Coles small format stores were up 5.4%. Sales from Indigo's online channel, chapters.indigo.ca, grew 7.7% to \$21 million.

The Company's net loss for the first quarter was \$1.3 million, reduced from \$2.8 million during the same quarter last year.

Commenting on the results, CEO Heather Reisman said "We are pleased that consumers continue to respond to lower book prices by buying and reading more."

Also in the quarter, Chapters and Indigo were deemed Canada's highest rated retail brands by consumers in the well regarded Kubas Major Market Retail Report for 2008.

Additionally, the Indigo Love of Reading Foundation granted \$1.5 million in literacy funding to 20 high needs elementary schools across the country bringing total donations to-date to \$6 million across 50 schools.

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.

Non-GAAP Financial Measures

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles. In order to provide additional insight into the business, the Company has also provided non-GAAP data, including comparative store sales growth, in the press release above. This measure does not have a standardized meaning prescribed by GAAP, and is therefore specific to Indigo and may not be comparable to similar measures presented by other companies. Comparative store sales growth is a key indicator used by the Company to measure performance against internal targets and prior period results. This measure is commonly used by financial analysts and investors to compare Indigo to other retailers. Comparable store sales are defined as sales generated by stores that have been open for more than 12 months.

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, Chapters, Coles, Indigospirit and The World's Biggest Bookstore. Indigo operates chapters.indigo.ca, an online retailer of books, music, movies and more. It is a publicly traded company listed on the Toronto Stock Exchange under the stock symbol IDG.

In 2004, Indigo founded the Indigo Love of Reading Foundation, a registered charity whose mission is to provide new books and creative learning materials to high-needs elementary schools, enhancing the literacy and self-esteem of students in Canada. Visit loveofreading.org for more information.

For further information please contact:

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Consolidated Balance Sheets (Unaudited)

<i>(thousands of dollars)</i>	As at June 28, 2008	As at June 30, 2007	As at March 29, 2008
ASSETS			
Current			
Cash and cash equivalents	57,052	6,870	55,933
Accounts receivable	7,389	7,417	8,996
Inventories	197,188	214,313	206,259
Income taxes recoverable	21	194	21
Prepaid expenses	5,250	5,085	4,929
Future tax assets	6,745	9,205	6,745
Total current assets	273,645	243,084	282,883
Property and equipment	67,146	72,303	67,348
Future tax assets	43,647	32,035	43,250
Goodwill	27,523	27,523	27,523
Total assets	411,961	374,945	421,004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	-	12,520	-
Accounts payable and accrued liabilities	187,126	187,207	193,323
Deferred revenue	10,832	12,431	10,350
Derivative liabilities	-	1,400	-
Current portion of long-term debt	2,618	2,661	2,648
Total current liabilities	200,576	216,219	206,321
Long-term accrued liabilities	6,736	9,009	7,549
Long-term debt	2,847	4,861	3,380
Total liabilities	210,159	230,089	217,250
Shareholders' equity			
Share capital	198,424	197,622	198,938
Contributed surplus	2,867	1,994	2,564
Retained earnings (deficit)	511	(53,396)	2,252
Accumulated other comprehensive loss	-	(1,364)	-
Total shareholders' equity	201,802	144,856	203,754
Total liabilities and shareholders' equity	411,961	374,945	421,004

Consolidated Statements of Earnings
(Unaudited)

	13-week period ended June 28, 2008	13-week period ended June 30, 2007
<i>(thousands of dollars, except per share data)</i>		
Revenues	190,602	184,917
Cost of sales, operations, selling and administration	185,398	179,764
	5,204	5,153
Amortization of property and equipment	7,111	7,610
Amortization of pre-opening store costs	-	54
	7,111	7,664
Loss before the undernoted items	(1,907)	(2,511)
Interest on long-term debt and financing charges	108	247
Interest expense (income) on bank indebtedness	(393)	82
Loss before income taxes	(1,622)	(2,840)
Income tax recovery	(397)	-
Net loss for the period	(1,225)	(2,840)
Net loss per common share		
Basic	\$(0.05)	\$(0.12)
Diluted	\$(0.05)	\$(0.12)
Weighted average number of common shares outstanding	24,833	24,648

Consolidated Statements of Cash Flows
(Unaudited)

<i>(thousands of dollars)</i>	13-week period ended June 28, 2008	13-week period ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(1,225)	(2,840)
Add (deduct) items not affecting cash		
Amortization	7,111	7,664
Stock-based compensation	233	140
Directors' compensation	105	110
Future tax assets	(397)	-
Loss on disposal of property and equipment	13	-
Amortization and write-off of deferred financing charges	-	139
Other	-	17
Net change in non-cash working capital balances related to operations		
Accounts receivable	1,607	2,431
Inventories	9,071	9,746
Prepaid expenses	(321)	(561)
Deferred revenue	482	1,810
Accounts payable and accrued liabilities	(7,010)	(21,133)
Cash flows from (used in) operating activities	9,669	(2,477)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,888)	(2,939)
Cash flows used in investing activities	(5,888)	(2,939)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bank indebtedness	-	12,520
Repayment of long-term debt	(1,597)	(13,895)
Proceeds from share issuances	99	22
Repurchase of common shares	(1,164)	-
Cash flows used in financing activities	(2,662)	(1,353)
Net increase (decrease) in cash and cash equivalents during the period	1,119	(6,769)
Cash and cash equivalents, beginning of period	55,933	13,639
Cash and cash equivalents, end of period	57,052	6,870