Indigo

SECOND QUARTER REPORT FOR THE 13 AND 26-WEEK PERIODS ENDED SEPTEMBER 26, 2020

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Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") is prepared as at November 3, 2020 and is based primarily on the unaudited interim condensed consolidated financial statements of Indigo Books & Music Inc. (the "Company" or "Indigo") for the 13 and 26-week periods ended September 26, 2020 and September 28, 2019. The Company's unaudited interim condensed consolidated financial statements and accompanying notes are reported in Canadian dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting." Except as otherwise noted, the same accounting policies and methods of computation as those used in the preparation of the fiscal 2020 Annual Report were followed in the preparation of these unaudited interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements do not contain all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes contained in this Quarterly Report, the audited annual consolidated financial statements and accompanying notes for the 52-week period ended March 28, 2020 and the MD&A included in the Company's fiscal 2020 Annual Report. The Annual Report and additional information about the Company, including the Annual Information Form, can be found on SEDAR at *www.sedar.com*.

Overview

Indigo is Canada's largest book, gift, and specialty toy retailer, operating stores in all ten provinces and one territory and offering online sales through the *indigo.ca* website and the Company's mobile applications. The Company also has retail operations in the United States through a wholly-owned subsidiary, operating one retail store in Short Hills, New Jersey. As at September 26, 2020, the Company operated 88 superstores under the banners *Chapters* and *Indigo* and 94 small format stores under the banners *Coles*, *Indigospirit* and *The Book Company*.

The Company is inclusive of its wholly-owned subsidiaries; Indigo Design Studio, Inc., Indigo Cultural Department Store Inc. ("Indigo U.S."), and YYZ Holdings Inc. ("YYZ"), along with its 20% equity investment in Unplug Meditation, LLC ("Unplug").

The Company supports a separate registered charity called the Indigo Love of Reading Foundation (the "Foundation"). The Foundation provides new books and learning material to high-needs elementary schools across the country through donations from Indigo, its customers, its suppliers, and its employees.

Statement on COVID-19

As previously discussed in the fiscal 2020 Annual Report and fiscal 2021 first Quarter Report, the Company has taken proactive measures in response to the COVID-19 pandemic to protect the health and safety of its customers, employees and communities, and to ensure the continuity of the Company's business operations with a focus on preserving cash to manage liquidity.

In the first and second quarters of fiscal 2021, the Company undertook the following actions:

- Recognized $3.7 million in rent concessions year-to-date as a direct response to the economic impact of the COVID-19 pandemic and in accordance with IFRS 16 *Leases* ("IFRS 16"). The Company continues to negotiate with landlords regarding rent concessions to share the financial burden of COVID-19.
- Reduced forward inventory purchases and processed returns on unproductive book purchases to suppliers at full credit, while maintaining an optimized assortment.
- Accelerated its digital road map and launched curbside pick-up and a partnership with Instacart to alleviate demand on the Company's distribution centres and to protect the health and safety of the Company's customers, employees and communities.
- Commenced the phased re-opening of its retail stores on May 19, 2020, in accordance with the directives of local government and public health authorities, with all but one of its 182 stores re-opened by the end of the first quarter. As at September 26, 2020, all stores were re-opened.
- Recalled substantially all retail leadership and hourly employees from temporary layoff.
- Applied for the Canada Emergency Wage Subsidy ("CEWS") program and recognized payroll subsidies of $19.6 million year-to-date.
- Entered into a $25 million related party revolving line of credit to enhance the Company's liquidity.
- Regularly reviewed the Company's COVID-19 protocols, at times implementing practices above the standards set out by public health authorities, in response to the rising COVID-19 cases across several regions and the beginning of our critical holiday period. These include enhanced cleaning and social distancing protocols, mandatory masks for all employees and customers, the closure of washrooms in stores, and temperature checks across all the Company's distribution centres, among others.

The Company anticipates challenging conditions for the remainder of fiscal 2021; however, investments made in the Company's digital infrastructure and distribution networks in recent years provides the agility to serve customers in many ways.

Results of Operations

The following table summarizes the Company's consolidated results of operations for the periods indicated. The classification of financial information presented below is specific to Indigo and may not be comparable to that of other retailers. The selected financial information is derived from the unaudited interim condensed consolidated financial statements for the 13 and 26-week periods ended September 26, 2020 and September 28, 2019.

(millions of Canadian dollars)	**13-week period ended September 26, 2020**	**% Revenue**	13-week period ended September 28, 2019	% Revenue	**26-week period ended September 26, 2020**	**% Revenue**	26-week period ended September 28, 2019	% Revenue
Revenue	**205.3**	**100.0**	203.4	100.0	**340.4**	**100.0**	395.9	100.0
Cost of sales	**(125.9)**	**61.3**	(118.6)	58.3	**(222.8)**	**65.5**	(227.2)	57.4
Cost of operations	**(52.6)**	**25.6**	(60.9)	29.9	**(84.8)**	**24.9**	(119.6)	30.2
Selling, general and administrative expenses	**(20.7)**	**10.1**	(25.2)	12.4	**(33.3)**	**9.8**	(50.6)	12.8
Depreciation of right-of-use assets	**(10.9)**	**5.3**	(10.2)	5.0	**(21.5)**	**6.3**	(20.0)	5.1
Finance charges related to leases	**(6.5)**	**3.2**	(6.3)	3.1	**(13.0)**	**3.8**	(12.4)	3.1
Adjusted EBITDA[1]	**(11.3)**	**5.5**	(17.8)	8.8	**(35.0)**	**10.3**	(33.9)	8.6
Depreciation of property, plant and equipment	**(4.3)**	**2.1**	(5.9)	2.9	**(8.9)**	**2.6**	(11.8)	3.0
Amortization of intangible assets	**(3.3)**	**1.6**	(3.3)	1.6	**(6.5)**	**1.9**	(6.6)	1.7
Gain (loss) on disposal of capital assets	**1.2**	**0.6**	(0.5)	0.2	**0.9**	**0.3**	(1.0)	0.3
Net interest income	**0.2**	**0.1**	0.5	0.2	**0.4**	**0.1**	1.2	0.3
Share of loss from equity investments	–	–	(0.8)	0.4	–	–	(1.6)	0.4
Loss before income taxes	**(17.5)**	**8.5**	(27.9)	13.7	**(49.1)**	**14.4**	(53.8)	13.6

1 Earnings before interest, taxes, depreciation, amortization, impairment, asset disposals, and share of loss from equity investments, and includes IFRS 16 right-of-use asset depreciation and associated finance charges. For further information on the key metric and its computation, see "Non-IFRS Financial Measures".

Adjusted EBITDA is a key indicator used by the Company to measure performance against internal targets and prior period results and is commonly used by financial analysts and investors to assess performance. This measure is specific to Indigo and has no standardized meaning prescribed by IFRS. Therefore, adjusted EBITDA may not be comparable to similar measures presented by other companies.

Adjusted EBITDA includes certain impacts of IFRS 16, which represents a change in calculation methodology from fiscal 2020. All prior period numbers have been consistently stated. For further information regarding this metric refer to "Non-IFRS Financial Measures".

A reconciliation of adjusted EBITDA to loss before income taxes, the most directly comparable measure determined under IFRS, is presented above for informational purposes.

Revenue

Total consolidated revenue for the 13-week period ended September 26, 2020 increased $1.9 million or 0.9% to $205.3 million from $203.4 million for the 13-week period ended September 28, 2019. Higher revenue was driven by the online channel more than doubling in sales, with growth of 113.6%, complemented by the retail channel's ongoing recovery. The Company converted a significant new audience, with over 200,000 new customers in the second quarter. Demand for categories that lend themselves to the current climate remained strong, with reading, wellness, and at-home learning and entertainment experiencing growth to last year. The Company also experienced growth in its core baby category and the launch of the proprietary *Oui*™ brand saw a strong response from customers, lifting several lifestyle categories above the prior year.

Historically, the Company has reported on comparable sales, which in the past has been a key performance indicator for the Company. Due to the temporary store closures from COVID-19 and strict social distancing requirements limiting capacity in stores upon reopening, the Company believes comparable sales is not currently representative of the underlying trends of its business. The metric has therefore not been discussed in this MD&A.

Online revenue increased by $33.5 million or 113.6% to $63.0 million for the 13-week period ended September 26, 2020 compared to $29.5 million in the same period last year. The online channel delivered exceptionally strong results at more than double last year sales, despite traffic moderating from a first quarter peak as customers shifted back into the retail channel post store re-openings. Traffic, conversion and average order value continued to show significant improvements compared to the same period last year, as loyal customers further embraced the Company's online channel.

Retail revenue decreased by $32.7 million or 19.3% to $136.8 million for the 13-week period ended September 26, 2020 compared to $169.5 million in the same period last year. As anticipated, re-opened stores saw softer traffic than pre-pandemic levels, with COVID-19 continuing to have effects on shopping behaviour. Despite being down overall, traffic and transactions steadily improved throughout the quarter, suggesting customers were gradually gaining confidence in shopping in-store. Additionally, conversion and average transaction values increased year-over-year as more customers visited stores with the intention of making a purchase. The back-to-school sales season performed better than the quarter overall, reinforcing that consumer spending is concentrated on focused purchases.

Revenue from other sources includes café revenue, revenue from unredeemed gift cards ("gift card breakage"), revenue from unredeemed *plum*® points ("*plum* breakage"), *plum* PLUS membership fees ("*plum* PLUS revenue"), irewards card sales, corporate sales, and revenue-sharing with Rakuten Kobo Inc. ("Kobo"). Revenue from other sources increased $1.1 million or 25.0% to $5.5 million for the 13-week period ended September 26, 2020 compared to $4.4 million in the same period last year, driven by *plum* PLUS membership fees as more customers had signed up to the program.

On a fiscal year-to-date basis, total consolidated revenue decreased by $55.5 million or 14.0% to $340.4 million compared to $395.9 million for the same period last year. The decrease reflects the impact of COVID-19 related store closures in the first quarter, partially offset by the exceptional online channel growth and the influx of customers new to the Indigo brand.

Revenue by channel is highlighted below:

(millions of Canadian dollars)	**13-week period ended September 26, 2020**	13-week period ended September 28, 2019	% increase
Superstores	**118.2**	143.2	(17.5)
Small format stores	**18.6**	26.3	(29.3)
Online (including store kiosks)	**63.0**	29.5	113.6
Other[1]	**5.5**	4.4	25.0
Total	**205.3**	203.4	0.9

1 Includes cafés, irewards, gift card breakage, *plum* breakage, *plum* PLUS revenue, corporate sales, and Kobo revenue share.

Revenue by product line is as follows:

	13-week period ended September 26, 2020	13-week period ended September 28, 2019	**26-week period ended September 26, 2020**	26-week period ended September 28, 2019
Print[1,4]	**60.6%**	60.3%	**61.9%**	60.4%
General merchandise[2,4]	**36.8%**	37.5%	**35.7%**	37.7%
Other[3]	**2.6%**	2.2%	**2.4%**	1.9%
Total	**100.0%**	100.0%	**100.0%**	100.0%

1 Includes books, magazines, newspapers, eReaders, and related shipping revenue.

2 Includes lifestyle, paper, toys, electronics, and related shipping revenue.

3 Includes cafés, irewards, gift card breakage, *plum* breakage, *plum* PLUS revenue, corporate sales, and Kobo revenue share.

4 Certain comparative information relating to eReaders has been reclassified to conform to the current year's presentation.

Cost of Sales

Cost of sales includes the landed cost of goods sold, online shipping costs, inventory shrink and damage reserve, less all vendor support programs. Cost of sales increased $7.3 million to $125.9 million for the 13-week period ended September 26, 2020, compared to $118.6 million for the same period last year. As a percent of total revenue, cost of sales increased 3.0% to 61.3% compared to 58.3%, primarily a function of additional shipping costs attributable to the increase in online sales. While the higher penetration of online sales impacted total margin, efficiencies realized to the Company's online fulfillment processes and lower online promotional activity led to margin rate improvements in the online channel year-over-year. The Company remains focused on long-term strategies to optimize margin, efforts which were furthered by the accelerated shift toward e-commerce across the retail industry.

On a fiscal year-to-date basis, cost of sales decreased by $4.4 million to $222.8 million compared to $227.2 million for the same period last year. Year-to-date cost of sales as a percent of total revenue increased 8.1% to 65.5% compared to 57.4% for the same period last year. As discussed above, this was driven by a shift in sales channel mix since the start of the COVID-19 pandemic. Further, in the previous quarter, the Company temporarily changed its fulfillment strategy to maximize through-put across its three distribution centres and service all customers to meet the surge in online demand during retail store closures while maintaining safe social distancing practices. While this allowed the Company to prioritize the health and safety of its employees and fulfill orders in a timely manner, it caused a temporary increase in shipping costs.

Cost of Operations

Cost of operations includes all store, store support, online, and distribution centre costs. Cost of operations decreased by $8.3 million to $52.6 million for the 13-week period ended September 26, 2020, compared to $60.9 million for the same period last year. As a percent of total revenue, cost of operations decreased 4.3% to 25.6%, compared to 29.9% in the prior year. The Company realized $11.0 million in cost reductions throughout its retail network, primarily a result of lower store operating costs in response to the year-over-year decline in store traffic. This is inclusive of $1.6 million from the CEWS (partial benefit attributed to operating costs) and negotiated rent concessions of $1.3 million, recognized in accordance with the IFRS 16 COVID-19 practical expedient for rent concessions. These cost containment efforts were partially offset by increased variable costs in the Company's online distribution network and the incremental costs of maintaining social distancing practices.

On a fiscal year-to-date basis, cost of operations decreased by $34.8 million to $84.8 million compared to $119.6 million for the same period last year. Year-to-date cost of operations as a percent of total revenue decreased by 5.3% to 24.9% compared to 30.2% for the same period last year. This decrease was primarily driven by reduced store operating costs from COVID-19 disruptions in the first half of fiscal 2021, as discussed, and the impact of the temporary lay-off of retail employees as a result of retail store closures during the first quarter.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include marketing, head office costs, and operating expenses associated with the Company's strategic initiatives. These expenses decreased $4.5 million to $20.7 million for the 13-week period ended September 26, 2020, compared to $25.2 million for the same period last year. As a percent of total revenue, selling, general and administrative expenses decreased 2.3% to 10.1%, compared to 12.4% for the same period last year. Through increased focus on cost containment during this COVID-19 economic climate, the Company realized reductions of $4.5 million in selling, general and administrative expenses. This was achieved primarily through the temporary reduction in paid marketing with a focus on bringing marketing costs in-house as well as through the rationalization of the Company's head office workforce. This is also inclusive of the $1.3 million of CEWS (partial benefit attributed to selling, general and administrative expenses), which offset head office labour charges.

On a fiscal year-to-date basis, selling, general and administrative expenses decreased $17.3 million to $33.3 million compared to $50.6 million in the same period last year. Year-to-date selling, general and administrative expenses as a percent of total revenue decreased 3.0% to 9.8% compared to 12.8% in the same period last year, for the reasons discussed above.

Lease Charges

Lease charges associated with IFRS 16 include the depreciation of the right-of-use assets, and finance charges associated with the lease liabilities. Lease charges increased by $0.9 million to $17.4 million for the 13-week period ended September 26, 2020, compared to $16.5 million for the same period last year, as a result of the lease renewals recognized over the past four quarters.

On a fiscal year-to-date basis, lease charges increased by $2.1 million to $34.5 million compared to $32.4 million in the same period last year, for the reasons discussed above.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment, asset disposals, and share of loss from equity investments, and includes IFRS 16 right-of-use asset depreciation and associated finance charges. Adjusted EBITDA improved by $6.5 million to a loss of $11.3 million for the 13-week period ended September 26, 2020, compared to a loss of $17.8 million for the same period last year. Adjusted EBITDA, as a percent of total revenue, improved 3.3% to a loss of 5.5% this quarter, compared to a loss of 8.8% for the same period last year. Higher adjusted EBITDA was driven by reduced cost of operations and selling, general and administrative expenses from a focus on cost containment during the COVID-19 economic climate. This was furthered by the top-line growth in the quarter.

On a fiscal year-to-date basis, Adjusted EBITDA decreased $1.1 million to a loss of $35.0 million compared to a loss of $33.9 million in the same period last year. Year-to-date Adjusted EBITDA as a percent of total revenue changed 1.7% to a loss of 10.3% this year compared to a loss of 8.6% for the same period last year. Lower Adjusted EBITDA was driven by the year-to-date decline in revenue, impacted by the temporary retail store closures in the first quarter. This was partially offset by the above noted reductions in spending and CEWS of $19.6 million recognized to date. A reconciliation of adjusted EBITDA to losses before taxes has been included in the "Results of Operations" section of this MD&A.

Capital Assets

Depreciation and amortization of capital assets, excluding right-of-use assets, for the 13-week period ended September 26, 2020 decreased \$1.6 million to \$7.6 million compared to \$9.2 million for the same period last year. The decrease in depreciation and amortization was driven by the impairment charge taken on capital assets in the prior year, which reduced the Company's capital asset base. Capital expenditures in the second quarter of fiscal 2021 totaled \$4.0 million compared to \$3.8 million for the same period last year. Capital investment made in the quarter was primarily to support the increased demand on the online channel. Capital expenditures for the second quarter of fiscal 2021 included \$2.5 million primarily for digital application software and internal development costs, \$1.0 million for furniture, fixtures and equipment and \$0.5 million for technology equipment. None of the capital expenditures were financed through leases.

On a fiscal year-to-date basis, depreciation and amortization decreased by \$3.0 million to \$15.4 million compared to \$18.4 million in the same period last year. The decrease in depreciation and amortization was driven by the impairment charge taken on capital assets in the prior year, which reduced the Company's capital asset base, as well as reduced capital expenditures during the period. Year-to-date, the Company spent \$6.2 million on capital expenditures compared to \$9.1 million last year. The decrease in capital investment on a year-to-date basis was in response to cash preservation and cost-cutting measures due to the uncertainty surrounding COVID-19. Capital expenditures for the current year included \$4.3 million primarily for digital application software and internal development costs, \$1.3 million for furniture, fixtures and equipment and \$0.7 million for technology equipment. None of the capital expenditures were financed through leases.

Net Interest Income

Net interest income, excluding finance charges related to leases, decreased \$0.3 million to \$0.2 million for the 13-week period ended September 26, 2020, compared to \$0.5 million for the same period last year. The Company nets interest income against interest expense. Compared to the prior year, the Company earned lower interest income as a result of a continuing decrease in interest rates throughout fiscal 2020.

On a fiscal year-to-date basis, the Company recognized net interest income of \$0.4 million compared to \$1.2 million in the same period last year for the same reasons discussed above.

Equity Investments

The Company uses the equity method to account for its investment in Unplug, and its previous investment in Calendar Club of Canada Limited Partnership ("Calendar Club"). The Company recognizes its share of equity investment earnings and losses as part of consolidated net earnings and losses. In the third quarter of fiscal 2020, the Company sold its equity investments in Calendar Club to Paris Southern Lights Inc. (a minority partner in the partnership). Prior to the fiscal 2020 transaction, the Company recognized a net loss from Calendar Club of $0.8 million and $1.6 million for the 13 and 26-week periods ended September 28, 2019, respectively.

Earnings from Unplug were immaterial for the 13 and 26-week periods ended September 26, 2020 and September 28, 2019.

Income Taxes

The Company recognized no income taxes for the 13-week period ended September 26, 2020, compared to recognizing a non-cash income tax recovery $7.4 million for the same period last year. This was a result of deferred tax assets that were not recognized in the current period, which was influenced by the Company's current operating loss, and uncertainty surrounding future profitability introduced by the COVID-19 pandemic, among other factors. As such, uncertainty exists surrounding the probability of sufficient taxable income being available to utilize all deferred tax assets within the timeline of management's forecasts. The time period of future projected taxable profits used to assess the recognition of deferred tax assets was shorter than the expiration period of the non-capital tax loss carryforward, and other deferred tax assets which do not expire.

On a fiscal year-to-date basis, the Company recognized no income taxes compared to recognizing a non-cash income tax recovery of $14.3 million for the same period last year for the same reasons discussed above.

The Company used a statutory income tax rate of 26.8% for the quarter, and 26.7% in the prior year. The Company does not expect to pay cash income taxes for the current year.

Net Loss

The Company recognized a net loss of $17.5 million for the 13-week period ended September 26, 2020 ($0.63 net loss per common share), compared to a net loss of $20.5 million ($0.74 net loss per common share) for the same period last year. This improvement was primarily driven by reduced costs of operations and selling, general, and administrative expenses from the Company's focus on cost containment in the quarter, furthered by top-line growth. The Company also recognized no income taxes, compared to recognizing an income tax recovery of $7.4 million in the prior year.

On a fiscal year-to-date basis, the Company recognized a net loss $49.1 million ($1.78 net loss per common share), compared to a net loss of $39.5 million ($1.44 net loss per common share) in the same period last year. The higher year-to-date net loss was primarily a result of no income taxes recognized in the current year, compared to $14.3 million of income tax recovery recognized in the prior year.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists primarily of gains and losses related to hedge accounting and the Company's foreign currency translation adjustments. The Company has a formal hedging policy to mitigate foreign exchange risk, entering into contracts to manage the currency fluctuation risk associated with forecasted U.S. dollar expenses, primarily for general merchandise inventory purchases. Financial instruments used to mitigate risk include foreign exchange forward contracts. All contracts entered into during the quarter have been designated as cash flow hedges for accounting purposes and extend over a period not exceeding 12 months.

During the 13-week period ended September 26, 2020, the Company entered into contracts with total notional amounts of C$40.4 million to buy U.S. dollars and sell Canadian dollars, compared to entering contracts with total notional amounts of C$25.0 million in the prior year. On a fiscal year-to-date basis, the Company entered into contracts with total notional amounts of C$47.2 million, compared to entering contracts with total notional amounts of C$57.8 million in the same period last year.

As at September 26, 2020, the Company had remaining contracts in place representing total notional amounts of C$64.0 million and an unrealized net gain of $0.1 million, compared to total notional amounts of C$74.3 million and an unrealized net loss of $0.1 million as at September 28, 2019.

During the 13 and 26-week periods ended September 26, 2020, the Company had net losses (net of taxes) from the change in fair value of outstanding cash flow hedges of $1.5 million and $2.4 million, respectively, compared to a net gain of $0.8 million and net loss of $0.3 million (net of taxes) in the same periods last year. During the same respective periods, the Company reclassified nominal net losses and net gains (net of taxes) of $1.3 million from settled contracts out of other comprehensive income to inventory and expenses, compared to reclassifying net gains (net of taxes) of $0.1 million and $0.6 million in the prior year.

During the 13-week period ended September 26, 2020, the Company terminated derivative instruments with one of its counterparties based on the counterparty's heightened credit risk during the COVID-19 pandemic; consequently, hedge accounting was discontinued and a gain of $0.3 million as at that date was deferred in other comprehensive income. This gain will be recognized in earnings concurrently with the related hedged transactions in a future period.

This resulted in an other comprehensive loss of $1.2 million and $3.4 million for the 13 and 26-week periods ended September 26, 2020, compared to other comprehensive income of $0.6 million and loss of $0.8 million for the same respective periods in the prior year.

Seasonality and Second Quarter Results

Indigo's business is highly seasonal and follows quarterly sales and earnings (loss) fluctuation patterns, which are similar to those of other retailers that are highly dependent on the holiday sales season. A disproportionate amount of revenues and earnings are earned in the third quarter. As a result, quarterly performance is not necessarily indicative of the Company's performance for the rest of the year. For fiscal 2021, revenue and net earnings may not follow historic patterns of seasonality due to the impact of the COVID-19 pandemic.

The following table sets out revenue, net earnings (loss), basic and diluted earnings (loss) per common share for the preceding eight fiscal quarters.

	Fiscal quarters							
(millions of Canadian dollars, except per share data)	**Q2 Fiscal 2021**[1]	Q1 Fiscal 2021[1]	Q4 Fiscal 2020[1]	Q3 Fiscal 2020[1]	Q2 Fiscal 2020[1]	Q1 Fiscal 2020[1]	Q4 Fiscal 2019	Q3 Fiscal 2019
Revenue	**205.3**	135.1	178.1	383.7	203.4	192.6	199.2	426.0
Total net earning (loss)	**(17.5)**	(31.6)	(171.3)	25.8	(20.5)	(19.1)	(23.8)	21.5
Basic earnings (loss) per common share	**($0.63)**	($1.15)	($6.22)	$0.94	($0.74)	($0.69)	($0.86)	$0.80
Diluted earnings (loss) per common share	**($0.63)**	($1.15)	($6.22)	$0.94	($0.74)	($0.69)	($0.86)	$0.79

1 The Company implemented IFRS 16 on March 31, 2019 using the modified retrospective approach. As a result, the Company's fiscal 2021 and 2020 results reflect lease accounting under IFRS 16, while the prior quarters have not been restated. Refer to Note 4 of the consolidated financial statements in the Company's fiscal 2020 Annual Report for additional information.

Overview of Consolidated Balance Sheets

Assets

As at September 26, 2020, total assets decreased $161.4 million to $886.4 million, compared to $1,047.8 million as at September 28, 2019. The decrease was primarily driven by decreases in deferred tax assets, capital assets, inventories, and accounts receivable, partially offset by an increase in net cash and cash equivalents and short term investments. The balance of deferred tax assets was not recognized in the fourth quarter of fiscal 2020, due to the Company's operating loss recognized and uncertainty surrounding future profitability as a result of the COVID-19 pandemic, among other factors. This resulted in a decrease of $100.0 million in deferred tax assets compared to the second quarter last year. Capital assets decreased by $79.9 million, which primarily related to impairment charges recognized in the prior year. Inventories decreased by $46.2 million, a result of deliberate efforts by the Company to maximize its liquidity during the initial stages of the COVID-19 pandemic and the decision to strategically reduce unproductive inventory. Accounts receivables decreased $7.8 million, primarily as a result of the elimination of funding to Calendar Club following the fiscal 2020 sale by the Company of its equity investment therein. Net cash, cash equivalents and short term investments increased $70.4 million as a result of the Company's treasury response to COVID-19 and measures taken to preserve its cash.

On a fiscal year-to-date basis, total assets increased by $3.4 million to $886.4 million compared to $883.0 million as at March 28, 2020. The increase was driven by an increase in inventories and cash and cash equivalents, partially offset by decreases in capital assets and the market value of the Company's derivative portfolio. Inventories increased by $10.7 million which is consistent with the seasonality of the business, to support the anticipated demand during the upcoming holiday season. The increase in total assets was also a result of an increase in cash and cash equivalents of $17.0 million, for the reasons discussed above. Capital assets decreased by $27.6 million due to lease renewals and capital investments being outpaced by the impact of amortization in the first two quarters.

Liabilities

As at September 26, 2020, total liabilities increased $31.9 million to $854.2 million, compared to $822.3 million as at September 28, 2019. This was driven primarily by increases in accounts payable and accrued liabilities and deferred revenue. Accounts payable and accrued liabilities increased by $16.1 million primarily due to the suspension of normal rent payments during rent concession negotiations and timing differences associated with trade payables. Deferred revenue increased by $6.3 million, driven by *plum* PLUS membership sign ups since the national launch in the comparable period last year.

On a fiscal year-to-date basis, total liabilities increased by $55.2 million to $854.2 million, compared to $799.0 million as at March 28, 2020. The increase was driven by increases in accounts payable and accrued liabilities of $75.3 million, consistent with the seasonal growth in inventories leading up to the holiday season and suspension of normal rent payments, partially offset by a decrease of $19.2 million in lease liabilities resulting primarily from repayments of the Company's lease obligations outpacing lease renewals.

Equity

Total equity at September 26, 2020 decreased $193.2 million to $32.2 million, compared to $225.4 million as at September 28, 2019. The decrease in total equity was primarily driven by a change in retained deficit, partially offset by an increase in contributed surplus from share-based compensation grants. Retained deficit decreased $194.6 million over the last four quarters due to the net loss recognized in the prior year, which was largely driven by impairment losses and deferred tax expense from unrecognizing the Company's deferred tax asset balance in fiscal 2020.

On a fiscal year-to-date basis, total equity decreased $51.8 million to $32.2 million as at September 26, 2020, compared to $84.0 million as at March 28, 2020, primarily due to the year-to-date net loss recognized.

The weighted average number of common shares outstanding for the second quarter of fiscal 2021 was 27,662,024 compared to 27,496,588 for the same period last year. As at November 3, 2020, the number of outstanding common shares was 27,273,961 with a book value of $227.0 million.

Working Capital and Leverage

The Company's working capital position usually declines from the end of its fiscal year until the third fiscal quarter due to the seasonal nature of the business. The Company relies on cash and accounts payable to fund the business before generating a disproportionate amount of cash during the holiday season.

The Company reported working capital of $47.4 million as at September 26, 2020, compared to $54.6 million as at September 28, 2019 and $85.2 million as at March 28, 2020. The decrease in working capital compared to the same period last year was driven by the discussed decrease in inventories and increase in accounts payable and accrued liabilities, partially offset by the increase in cash and cash equivalents and short-term investments.

Overview of Consolidated Statements of Cash Flows

Cash and cash equivalents increased $27.0 million for the 13-week period ended September 26, 2020 compared to a decrease of $5.7 million in the same period last year. The increase in the current period was driven by cash flows generated from operating activities of $46.2 million, partially offset by cash flows used in financing activities of $16.1 million and cash flows used in investing activities of $3.8 million.

On a fiscal year-to-date basis, cash and cash equivalents increased $17.0 million, compared to an increase of $5.3 million in the same period last year. The change in cash flows in the period was driven by cash flows generated from operating activities of $54.3 million, partially offset by cash flows used in financing activities and investing activities of $31.8 million and $5.8 million, respectively.

Cash Flows From (Used for) Operating Activities

The Company generated cash flows of $46.2 million from operating activities in the 13-week period ended September 26, 2020 compared to using cash flows of $2.9 million in the same period last year, an increase of $49.1 million. This was primarily driven by $40.2 million of cash generated from working capital, compared to the $2.1 million used in the prior year. The increase in cash generated from working capital was primarily the result of the reduction of inventory on hand, the receipt of amounts filed under the CEWS program, as well as the elimination of funding activities to Calendar Club. The change in cash flows from operating activities was furthered by the improvement in adjusted EBITDA realized in the quarter.

On a fiscal year-to-date basis, the Company generated cash flows from operating activities of $54.3 million compared to using $20.0 million in the same period last year, an increase of $74.3 million. This was primarily a result of the increase in cash generated from working capital. The increase in cash generated from working capital was primarily the result of a reduction in inventory on hand, the deferral of normal rent payments and the elimination of funding activities to Calendar Club, as discussed.

Cash Flows From (Used for) Investing Activities

The Company used cash flows of $3.8 million for investing activities in the 13-week period ended September 26, 2020 compared to generating $13.8 million of cash flows in the same period last year, a change of $17.6 million. This was primarily driven by the maturity of $17.5 million of short-term investments in the prior year. In response to the global COVID-19 pandemic in the current year, the Company has implemented a protectionary treasury strategy, which resulted in the temporary discontinuation of its use of short-term investments.

On a fiscal year-to-date basis, the Company used cash flows of $5.8 million for investing activities compared to generating $58.3 million in the same period last year, a change of $64.1 million. The change was primarily driven by the discussed COVID-19 treasury strategy, partially offset by executing a smaller capital investment program compared to the prior year.

Cash was used for capital projects as follows:

(millions of Canadian dollars)	**13-week period ended September 26, 2020**	13-week period ended September 28, 2019	**26-week period ended September 26, 2020**	26-week period ended September 28, 2019
Construction, renovations, and equipment, net	**1.0**	1.1	**1.3**	3.6
Intangible assets (primarily application software and internal development costs)	**2.5**	2.4	**4.3**	4.9
Technology equipment	**0.5**	0.3	**0.7**	0.6
Total	**4.0**	3.8	**6.2**	9.1

Cash Flows Used for Financing Activities

The Company used cash flows of $16.1 million for financing activities in the 13-week period ended September 26, 2020 compared to using cash flows of $16.9 million in the same period last year, a change of $0.8 million. This was driven by lower repayments on the Company's IFRS 16 lease obligations.

On a fiscal year-to-date basis, the Company used cash flows for financing activities of $31.8 million, compared to $33.0 million used in the prior year, a change of $1.2 million. This change was driven by the reasons discussed above.

Liquidity and Capital Resources

The Company has a highly seasonal business that generates a significant portion of its revenue and cash flows during the holiday season. The Company has minimal accounts receivable and the majority of book products are purchased on trade terms with the right to return to suppliers at full credit. The Company's main sources of capital are cash flows generated from operations, cash and cash equivalents, and short-term investments. Cash flows from operating activities could be negatively impacted by decreased demand for the Company's product offerings, which could result from factors such as, but not limited to, adverse economic conditions resulting from the COVID-19 pandemic and associated changes in consumer preferences, by the impact of social distancing policies and general public health sentiment on retail store traffic, and the Company's ability to safely fulfill orders through its online distribution network.

Based on the Company's current business plan, liquidity position, cash flow forecast, and factors known to date, including the currently known impacts of COVID-19, it is expected that the Company's current cash position and future cash flows generated from operations will be sufficient to meet its working capital requirements for fiscal 2021. However, the Company's ability to fund future operations will depend on its operating performance, which could be affected by risks associated with the COVID-19 pandemic, as discussed.

During the quarter ended September 26, 2020, the Company entered into a $25 million related party revolving line of credit to enhance its liquidity. The Company can seek to raise additional funding should a significant risk to liquidity arise, as it currently has no outstanding debt financing, and can reduce capital spending if necessary. However, the COVID-19 pandemic creates a number of additional risks to obtaining such funding, such as the ability to access capital at a reasonable cost. Also, a long-term decline in capital expenditures may negatively impact the Company's revenue and profit growth.

For additional discussion surrounding risks and uncertainties related to COVID-19, refer to the "Risks and Uncertainties" section in the Company's fiscal 2020 Annual Report.

Accounting Policies

Amendment to IFRS 16 *Leases* – COVID-19-Related Rent Concessions

On May 28, 2020, the International Accounting Standards Board ("IASB") issued an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession that is being offered as a direct response to the economic impacts of COVID-19 is a lease modification, which would have capitalized the benefit received. The Company is applying the practical expedient in the current period and will account for any eligible change in lease payments resulting from a COVID-19-related rent concession in profit or loss in the period the deal is executed.

Accounting Standards Implemented in Fiscal 2020

IFRS 16 *Leases*

Effective in the first quarter of fiscal 2020, the Company adopted IFRS 16, which introduces a single lessee accounting model, eliminating the distinction between operating and finance leases. IFRS 16 was effective for annual reporting periods beginning on or after January 1, 2019 and superseded IAS 17.

The Company adopted the standard on March 31, 2019, applying the requirements using the modified retrospective transition method, with the cumulative effect recognized in retained deficit. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets and lease liabilities for substantially all operating leases where the Company is a lessee.

During the course of the Company's financial statement close process for the year ended March 28, 2020, accounting errors were identified in the assessment of the modified retrospective application of the day one right-of-use assets ("ROU assets") performed in connection with the adoption of IFRS 16 as at March 31, 2019. The net effect of these errors resulted in the following impacts to the September 28, 2019 consolidated balance sheet: an overstatement of the ROU asset of $19.0 million, an overstatement of $24.4 million to long-term lease liabilities, an overstatement of $1.4 million to deferred tax assets and an understatement of $4.0 million to retained deficit.

Additionally, there was an error with the classification between short-term and long-term lease liabilities of $23.0 million as a result of implementing an amortization approach rather than the present value of lease payments due within twelve months of the reporting date.

Correction of these errors has a non-cash impact on ROU assets, deferred tax asset balance, short and long-term lease liabilities and opening retained deficit balance, and will result in lower depreciation of the ROU assets going forward.

Critical Accounting Judgments and Estimates

The discussion and analysis of Indigo's operations and financial condition are based upon the unaudited interim condensed consolidated financial statements which have been prepared in accordance with IAS 34. The preparation of these unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to undertake a number of judgments and estimates about the recognition and measurement of assets, liabilities, revenues, and expenses. These judgments and estimates are based on management's historical experience and other assumptions which the Company believes to be reasonable under the circumstances, acknowledging that the extent to which the impacts of the COVID-19 pandemic affect the judgments and estimates described herein depend on future developments, which are highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these unaudited interim condensed consolidated financial statements, including but not limited to impairment of assets. Actual results may differ from the judgments and estimates made by management, and actual results will seldom equal estimates.

Material judgments and estimates are made with respect to: revenue recognition from unredeemed gift cards ("gift card breakage"); revenue from unredeemed *plum* points ("*plum* breakage"), *plum* PLUS membership fees ("*plum* PLUS revenue"); fair value of *plum* points; inventory shrinkage; reserves for slow-moving or damaged products and products that have been permanently marked down; vendor settlements; fair value of share-based instruments and number of equity instruments expected to vest; identification of cash generating units ("CGUs"), indicators of impairment and expected future cash flows from CGUs; depreciation and amortization periods; lease recognition and measurement; and recognition and valuation of deferred tax assets; among others.

The Company evaluates its judgments and estimates on an ongoing basis and methods used to calculate critical accounting estimates are consistent with prior periods, except as noted. The significant accounting policies and significant judgments and estimates of the Company are described in notes 3 and 4 of the consolidated financial statements contained in the Company's fiscal 2020 Annual Report.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported on a timely basis to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), so that appropriate decisions can be made by them regarding public disclosure.

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," the CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of such disclosure controls and procedures.

Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation. Additionally, management is necessarily required to use judgment in evaluating controls and procedures.

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings," the CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of such internal controls over financial reporting using the framework established in the Internal Control – Integrated Framework ("COSO Framework") published in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Controls over Financial Reporting

Management has also evaluated whether there were changes in the Company's internal controls over financial reporting that occurred during the period beginning on June 28, 2020 and ended on September 26, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company has determined that no material changes in internal controls over financial reporting have occurred in this period.

Cautionary Statement Regarding Forward-Looking Statements

The above discussion includes forward-looking statements. All statements other than statements of historical facts included in this discussion that address activities, events, or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience, analysis, and its perception of historical trends, current conditions, and expected future developments as well as other factors it believes are appropriate in the circumstances, acknowledging that the extent to which the impacts of the COVID-19 pandemic affect the factors described herein depend on future developments, which are highly uncertain and cannot be predicted. However, whether actual results and developments will conform to the expectations and predictions of the Company is subject to a number of risks and uncertainties, including the general economic, market, or business conditions; competitive actions by other companies; changes in laws or regulations; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this discussion are qualified by these cautionary statements and there can be no assurance that results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

Non-IFRS Financial Measures

The Company prepares its unaudited interim condensed consolidated financial statements in accordance with IFRS. To provide additional insight into the business, the Company has also provided non-IFRS data, including adjusted EBITDA, in the discussion and analysis section above. Such measures are specific to Indigo and have no standardized meaning prescribed by IFRS. Therefore, such measures may not be comparable to similar measures presented by other companies.

The Company believes Adjusted EBITDA is a useful measure of operating performance as it provides a relevant picture of operating results in that it excludes certain effects of financing and investing activities by removing the effects of interest (excluding those related to lease liabilities), depreciation and amortization expenses (excluding those related to the Company's right-of-use assets), impairment, asset disposals, share of earnings (loss) from equity investments and income taxes. As retail occupancy leases represent a material component of the Company's cost structure and are managed with its operating costs, an adjustment was made for lease-related expenses in the calculation of Adjusted EBITDA. As a result, IFRS 16 right-of-use asset depreciation and associated lease finance costs are reflected in the key metric. This represents a change in calculation methodology from the prior period, and all prior period numbers have been consistently stated.

Reconciliations between adjusted EBITDA and loss before income taxes (the most comparable IFRS measure) were included earlier in this report.

The Company typically believes that investors would find comparable store sales and total comparable sales useful in assessing the performance of the business. However, due to the temporary store closures and store traffic restrictions associated with COVID-19, the Company believes total comparable sales and comparable store sales are not currently representative of the underlying trends of the business, and as a result, these metrics have not been reflected in this MD&A.

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NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements.

Heather Reisman
Chair and Chief Executive Officer

Craig Loudon
Chief Financial Officer and
Executive Vice President, Supply Chain

Dated as of the 3rd day of November, 2020.

Consolidated Balance Sheets

(Unaudited)

(thousands of Canadian dollars)	**As at September 26, 2020**	As at September 28, 2019	As at March 28, 2020
ASSETS			
Current			
Cash and cash equivalents (note 5)	**137,521**	46,615	120,473
Short-term investments (note 5)	**–**	20,500	–
Accounts receivable	**12,022**	19,809	7,640
Inventories (note 6)	**252,470**	298,690	241,812
Prepaid expenses	**9,243**	7,489	6,062
Income taxes receivable	**138**	640	138
Derivative assets (note 7)	**148**	123	3,794
Other assets	**1,768**	949	2,320
Total current assets	**413,310**	394,815	382,239
Loan receivable	**446**	–	446
Property, plant, and equipment, net	**84,195**	117,375	91,215
Right-of-use assets, net	**363,846**	401,928	382,146
Intangible assets, net	**22,277**	30,866	24,571
Equity investment, net	**2,353**	2,773	2,353
Deferred tax assets	**–**	100,004	–
Total assets	**886,427**	1,047,761	882,970
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	**239,337**	222,968	164,294
Unredeemed gift card liability	**46,550**	42,987	51,673
Provisions	**2,170**	–	2,034
Deferred revenue	**14,428**	8,148	10,682
Short-term lease liabilities (note 8)	**63,376**	65,959	68,402
Derivative liabilities (note 7)	**25**	199	–
Total current liabilities	**365,886**	340,261	297,085
Long-term accrued liabilities	**1,494**	1,761	1,196
Long-term provisions	**724**	46	469
Long-term lease liabilities (note 8)	**486,089**	480,277	500,215
Total liabilities	**854,193**	822,345	798,965
Equity			
Share capital (note 9)	**226,986**	226,986	226,986
Contributed surplus (note 10)	**13,576**	12,039	12,822
Retained deficit	**(207,924)**	(13,328)	(158,801)
Accumulated other comprehensive income (loss) (note 7)	**(404)**	(281)	2,998
Total equity	**32,234**	225,416	84,005
Total liabilities and equity	**886,427**	1,047,761	882,970

See accompanying notes

On behalf of the Board:

Heather Reisman

Heather Reisman, Director

Anne Marie O'Donovan, Director

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(thousands of Canadian dollars, except per share data)	**13-week period ended September 26, 2020**	13-week period ended September 28, 2019	**26-week period ended September 26, 2020**	26-week period ended September 28, 2019
Revenue (note 11)	**205,279**	203,364	**340,360**	395,920
Cost of sales	**(125,889)**	(118,565)	**(222,833)**	(227,247)
Gross profit	**79,390**	84,799	**117,527**	168,673
Operating, selling, and other expenses (note 11)	**(90,649)**	(106,022)	**(154,105)**	(209,593)
Operating loss	**(11,259)**	(21,223)	**(36,578)**	(40,920)
Net interest expense (note 8)	**(6,261)**	(5,846)	**(12,545)**	(11,270)
Share of loss from equity investments	**–**	(815)	**–**	(1,588)
Loss before income taxes	**(17,520)**	(27,884)	**(49,123)**	(53,778)
Income tax recovery	**–**	7,429	**–**	14,253
Net loss	**(17,520)**	(20,455)	**(49,123)**	(39,525)
Other comprehensive income (loss) (note 7)				
Items that are or may be reclassified subsequently to net loss:				
Net change in fair value of cash flow hedges [net of taxes of 0 and 0; 2019 – (275) and 92]	**(1,503)**	753	**(2,412)**	(251)
Reclassification of net realized (gain) loss [net of taxes of 0 and 0; 2019 – 48 and 215]	**5**	(133)	**(1,258)**	(588)
Realized gain on discontinued cash flow hedges [net of taxes of 0 and 0; 2019 – 0 and 0]	**268**	–	**268**	–
Other comprehensive income (loss)	**(1,230)**	620	**(3,402)**	(839)
Total comprehensive loss	**(18,750)**	(19,835)	**(52,525)**	(40,364)
Net loss per common share (note 12)				
Basic	**($0.63)**	($0.74)	**($1.78)**	($1.44)
Diluted	**($0.63)**	($0.74)	**($1.78)**	($1.44)

See accompanying notes

Consolidated Statements of Changes in Equity

(Unaudited)

(thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, March 30, 2019	225,531	12,716	131,311	558	370,116
Adjustment on adoption of IFRS 16 *Leases*	–	–	(105,114)	–	(105,114)
Balance, March 31, 2019	225,531	12,716	26,197	558	265,002
Net loss for the period	–	–	(39,525)	–	(39,525)
Directors' deferred stock units converted (note 9)	1,455	(1,455)	–	–	–
Share-based compensation (note 10)	–	621	–	–	621
Directors' compensation (note 10)	–	157	–	–	157
Other comprehensive loss (note 7)	–	–	–	(839)	(839)
Balance, September 28, 2019	226,986	12,039	(13,328)	(281)	225,416
Balance, March 28, 2020	**226,986**	**12,822**	**(158,801)**	**2,998**	**84,005**
Net loss for the period	**–**	**–**	**(49,123)**	**–**	**(49,123)**
Share-based compensation (note 10)	**–**	**606**	**–**	**–**	**606**
Directors' compensation (note 10)	**–**	**148**	**–**	**–**	**148**
Other comprehensive loss (note 7)	**–**	**–**	**–**	**(3,402)**	**(3,402)**
Balance, September 26, 2020	**226,986**	**13,576**	**(207,924)**	**(404)**	**32,234**

See accompanying notes

Consolidated Statements of Cash Flows

(Unaudited)

(thousands of Canadian dollars)	**13-week period ended September 26, 2020**	13-week period ended September 28, 2019	**26-week period ended September 26, 2020**	26-week period ended September 28, 2019
OPERATING ACTIVITIES				
Net loss	**(17,520)**	(20,455)	**(49,123)**	(39,525)
Adjustments to reconcile net loss to cash flows from (used for) operating activities				
Depreciation of property, plant, and equipment	**4,300**	5,891	**8,891**	11,824
Depreciation of right-of-use assets	**10,893**	10,189	**21,545**	20,022
Amortization of intangible assets	**3,323**	3,312	**6,531**	6,578
Loss on disposal of capital assets	**–**	490	**247**	951
Share-based compensation (note 10)	**306**	373	**606**	621
Directors' compensation (note 10)	**73**	73	**148**	157
Deferred income tax recovery	**–**	(7,429)	**–**	(14,253)
Rent concessions	**(1,268)**	–	**(3,679)**	–
Other	**(371)**	102	**(113)**	356
Net change in non-cash working capital balances related to operations (note 13)	**40,221**	(2,078)	**56,687**	(19,531)
Interest expense (note 8)	**6,455**	6,324	**12,953**	12,401
Interest income	**(194)**	(520)	**(408)**	(1,173)
Share of loss from equity investments	**–**	815	**–**	1,588
Cash flows from (used for) operating activities	**46,218**	(2,913)	**54,285**	(19,984)
INVESTING ACTIVITIES				
Net purchases of property, plant, and equipment	**(1,487)**	(1,383)	**(1,985)**	(4,232)
Addition of intangible assets	**(2,545)**	(2,443)	**(4,250)**	(4,925)
Change in short-term investments	**–**	17,500	**–**	66,650
Interest received	**194**	173	**408**	826
Cash flows from (used for) investing activities	**(3,838)**	13,847	**(5,827)**	58,319
FINANCING ACTIVITIES				
Repayment of principal on lease liabilities (note 8)	**(9,606)**	(10,602)	**(18,838)**	(20,615)
Interest paid (note 8)	**(6,455)**	(6,325)	**(12,953)**	(12,402)
Cash flows used for financing activities	**(16,061)**	(16,927)	**(31,791)**	(33,017)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**639**	264	**381**	7
Net increase (decrease) in cash and cash equivalents during the period	**26,958**	(5,729)	**17,048**	5,325
Cash and cash equivalents, beginning of period	**110,563**	52,344	**120,473**	41,290
Cash and cash equivalents, end of period	**137,521**	46,615	**137,521**	46,615

See accompanying notes

Notes to Consolidated Financial Statements

September 26, 2020
(Unaudited)

1. CORPORATE INFORMATION

Indigo Books & Music Inc. (the "Company" or "Indigo") is a corporation domiciled and incorporated under the laws of the Province of Ontario in Canada. The Company's registered office is located at 620 King Street West, Suite 400, Toronto, Ontario, M5V 1M6, Canada. The unaudited interim condensed consolidated financial statements of the Company comprise the Company and its wholly-owned subsidiaries, Indigo Design Studio, Inc., Indigo Cultural Department Store Inc. ("Indigo U.S."), and YYZ Holdings Inc. ("YYZ"), along with its equity investment in Unplug Meditation, LLC ("Unplug"). The Company is the ultimate parent of the consolidated organization.

2. BASIS OF PREPARATION

Statement of Compliance

These unaudited interim condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting." The same accounting policies and methods of computation as those used in the preparation of the fiscal 2020 Annual Report were followed in the preparation of these unaudited interim condensed consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's fiscal 2020 Annual Report.

The unaudited interim condensed consolidated financial statements for the 13 and 26-week periods ended September 26, 2020 (including comparatives) were approved by the Board of Directors on November 3, 2020.

COVID-19 Pandemic

Commencing from the declaration of COVID-19 as a pandemic, to the release of these statements, the Company has been responding to the repercussions of the global crisis on its business, operations and performance. The impact of the outbreak on the financial results of the Company will depend on future developments, including the duration and spread of the outbreak and its impact on the overall economy and related advisories and restrictions.

In response to the COVID-19 pandemic, the Company announced the temporary closure of its retail locations on March 17, 2020 and made the difficult decision to temporarily lay-off 5,200 of its retail employees. Commencing May 19, 2020, as permitted by federal and provincial regulations, the Company began the phased re-opening of its retail stores. As of November 3, 2020, all previously closed retail stores have been re-opened and the Company recalled substantially all of its retail employees.

The Company has also leveraged applicable government business support programs for COVID-19, including the Canada Emergency Wage Subsidy ("CEWS"), and will continue to do so subject to eligibility.

The Company's operations were significantly impacted by the COVID-19 pandemic during the first two quarters of fiscal 2021.

Significant Judgments and Estimates

The preparation of these unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to undertake a number of judgments and estimates about the recognition and measurement of assets, liabilities, revenues, and expenses. These judgments and estimates are based on management's historical experience and other assumptions which the Company believes to be reasonable, acknowledging that the extent to which the impacts of the COVID-19 pandemic affect the judgments and estimates described herein depend on future developments, which are highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these unaudited interim condensed consolidated financial statements, including but not limited to impairment of assets. Actual results may differ from the judgments and estimates made by management, and actual results will seldom equal estimates.

Material judgments and estimates are made with respect to: revenue recognition from unredeemed gift cards ("gift card breakage"); revenue from unredeemed *plum* points ("*plum* breakage"), *plum* PLUS membership fees ("*plum* PLUS revenue"); fair value of *plum* points; inventory shrinkage; reserves for slow-moving or damaged products and products that have been permanently marked down; vendor settlements; fair value of share-based instruments and number of equity instruments expected to vest; identification of cash generating units ("CGUs"), indicators of impairment and expected future cash flows from CGUs; depreciation and amortization periods; lease recognition and measurement; and recognition and valuation of deferred tax assets; among others.

The temporary retail closures as a result of COVID-19 and the associated revenue decrease during the 13-week period ended June 27, 2020 were considered to be an indicator of impairment during the first quarter of fiscal 2021. The Company performed a recoverability assessment for its capital assets as at that reporting date and determined that that there was no impairment.

3. CHANGES IN ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared using the accounting policies as outlined in note 4 of the fiscal 2020 Annual Report. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Changes to significant accounting policies are described below.

New Accounting Pronouncements

Amendment to IFRS 16 *Leases* ("IFRS 16") – COVID-19-Related Rent Concessions

On May 28, 2020, the IASB issued an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession that is being offered as a direct response to the economic impacts of COVID-19 is a lease modification, which would have capitalized the benefit received. The Company is applying the practical expedient in the current period and will account for any eligible change in lease payments resulting from a COVID-19-related rent concession in profit or loss in the period the deal is executed.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

In January 2020, IASB issued Classification of Liabilities as Current or Non-Current, which amends IAS 1 – Presentation of Financial Statements. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

Accounting Standards Implemented in Fiscal 2020

IFRS 16 *Leases*

Effective in the first quarter of fiscal 2020, the Company adopted IFRS 16, which introduces a single lessee accounting model, eliminating the distinction between operating and finance leases. IFRS 16 was effective for annual reporting periods beginning on or after January 1, 2019 and superseded IAS 17.

The Company adopted the standard on March 31, 2019, applying the requirements using the modified retrospective transition method, with the cumulative effect recognized in retained deficit. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets and lease liabilities for substantially all operating leases where the Company is a lessee.

During the course of the Company's financial statement close process for the year ended March 28, 2020, accounting errors were identified in the assessment of the modified retrospective application of the day one right-of-use assets ("ROU assets") performed in connection with the adoption of IFRS 16 as at March 31, 2019. The net effect of these errors resulted in the following impacts to the September 28, 2019 consolidated balance sheet: an overstatement of the ROU asset of $19.0 million, an overstatement of $24.4 million to long-term lease liabilities, an overstatement of $1.4 million to deferred tax assets and an understatement of $4.0 million to retained deficit.

Additionally, there was an error with the classification between short-term and long-term lease liabilities of $23.0 million as a result of implementing an amortization approach rather than the present value of lease payments due within twelve months of the reporting date.

Correction of these errors had a non-cash impact on the ROU asset, deferred tax asset balance, short and long-term lease liabilities and opening retained deficit balance, and will result in lower depreciation of the ROU assets going forward.

4. SEASONALITY OF OPERATIONS

The business of Indigo historically follows a seasonal pattern, with sales of merchandise being highest in the third fiscal quarter due to consumer holiday buying patterns. As a result, a disproportionate portion of total annual revenue is typically earned in the third fiscal quarter. Therefore, the results of operations for the 13 and 26-week periods ended September 26, 2020 and September 28, 2019 are not indicative of the results of other periods.

For fiscal 2021, revenue and net earnings (losses) may not follow historic patterns of seasonality discussed above, due to the impact of the COVID-19 pandemic.

5. CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS

Cash and cash equivalents consist of the following:

(thousands of Canadian dollars)	**As at September 26, 2020**	As at September 28, 2019	As at March 28, 2020
Cash	**137,353**	45,268	48,955
Restricted cash	**140**	1,212	1,212
Cash equivalents	**28**	135	70,306
Cash and cash equivalents	**137,521**	46,615	120,473

Restricted cash represents cash pledged as collateral for letter of credit obligations issued to support the Company's purchases of offshore merchandise as well as certain deposits related to its utilities contracts.

As at September 26, 2020, the Company held no short-term investments (September 28, 2019 – $20.5 million; March 28, 2020 – no short-term investments). Short-term investments consist of guaranteed investment securities with an original maturity date greater than 90 days and remaining term to maturity of less than or equal to 365 days from the date of acquisition. These investments are non-redeemable until the maturity date, and therefore they are classified separately from cash and cash equivalents.

6. INVENTORIES

The cost of inventories recognized as an expense during the 13 and 26-week periods ended September 26, 2020 were $120.7 million and $202.9 million, respectively (2019: 13 weeks – $116.1 million; 26 weeks – $224.7 million). Inventories consist of the landed cost of goods sold and exclude inventory shrink and damage reserve, and all vendor support programs. The amount of inventory write-downs as a result of net realizable value lower than cost during the 13 and 26-week periods ended September 26, 2020 were $3.7 million and $4.6 million, respectively (2019: 13 weeks – $3.7 million; 26 weeks – $5.4 million). The amount of inventory with net realizable value equal to cost was $3.1 million as at September 26, 2020 (September 28, 2019 – $4.5 million).

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments, such as foreign exchange forward contracts, to manage the currency fluctuation risk associated with forecasted U.S. dollar payments, primarily for general merchandise inventory purchases. These contracts have been designated as cash flow hedges for accounting purposes. There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). Furthermore, the Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange forward contracts are identical to the hedged risk components.

The fair values of derivative financial instruments are determined based on observable market information as well as valuations determined by external valuators with experience in financial markets.

During the 13 and 26-week periods ended September 26, 2020, the Company entered into contracts with total notional amounts of C$40.4 million and C$47.2 million, respectively, to purchase U.S. dollar / Canadian dollar currency pair forwards (2019: 13 weeks – C$25.0 million; 26 weeks – C$57.8 million). As at September 26, 2020, the Company had remaining contracts in place representing total notional amounts of C$64.0 million (September 28, 2019 – C$74.3 million) at an average forward rate of 1.34 (September 28, 2019 – 1.32). These contracts extend over a period not exceeding 12 months.

The total fair value of the contracts as at September 26, 2020 resulted in the recognition of a derivative asset of $0.1 million (September 28, 2019 – $0.1 million; March 28, 2020 – $3.8 million), and a derivative liability below $0.1 million (September 28, 2019 – $0.2 million; March 28, 2020 – no derivative liability).

During the 13-week period ended September 26, 2020, the Company terminated derivative instruments based on the heightened credit risk of one of its counterparties during the COVID-19 pandemic; consequently, hedge accounting was discontinued and a gain of $0.3 million as at that date was deferred in other comprehensive income. This gain will be recognized in earnings concurrently with the related hedged transactions in a future period. There were no other forecast transactions for which hedge accounting had been used in the previous period, but which were no longer expected to occur, or hedging relationships discontinued and restarted during the 13 and 26-week periods ended September 26, 2020 and September 28, 2019.

During the 13 and 26-week periods ended September 26, 2020, the Company had net losses (net of taxes) from the change in fair value of outstanding cash flow hedges of $1.5 million and $2.4 million, respectively (2019: 13 weeks – net gain (net of taxes) of $0.8 million; 26 weeks – net loss (net of taxes) of $0.3 million). During the same respective periods, the Company reclassified nominal net losses and net gains (net of taxes) of $1.3 million from settled contracts out of other comprehensive income to inventory and expenses (2019: 13 weeks – net gains (net of taxes) of $0.1 million; 26 weeks – net gains (net of taxes) of $0.6 million).

This resulted in an other comprehensive loss of $1.2 million and $3.4 million for the 13 and 26-week periods ended September 26, 2020 (2019: 13 weeks – other comprehensive income of $0.6 million; 26 weeks – other comprehensive loss of $0.8 million).

Potential causes of mismatch between the hedging instrument and hedged item which would generate ineffectiveness include changes in credit risk, a timing mismatch between the maturity of the instrument and the future transaction date, and/or the hedged transaction does not occur. Reclassified amounts resulting from hedge ineffectiveness and realized foreign exchange amounts as a result of derivative financial instruments were immaterial for the 13-week period ended September 26, 2020, and totaled $0.3 million and $0.4 million year-to-date, respectively. These amounts were immaterial for the 13 and 26-week periods ended September 28, 2019.

8. LEASE LIABILITY

The following table reconciles the change in lease liabilities:

(thousands of Canadian dollars)	**13-week period ended September 26, 2020**	13-week period ended September 28, 2019	**26-week period ended September 26, 2020**	26-week period ended September 28, 2019
Balance, beginning of period	**557,961**	537,443	**568,617**	533,367
Lease renewals included in the scope of IFRS 16	**2,378**	19,395	**3,365**	33,485
Accretion of lease liabilities	**6,455**	6,325	**12,953**	12,402
Repayment of interest and principle on lease liabilities	**(16,061)**	(16,927)	**(31,791)**	(33,017)
Rent concessions	**(1,268)**	–	**(3,679)**	–
Balance, end of period	**549,465**	546,236	**549,465**	546,236

For the 13 and 26-week periods ended September 26, 2020, the Company has applied the practical expedient offered under the amendment to IFRS 16 for COVID-19 to all rent concessions that met the criteria. The Company recognized $1.3 million and $3.7 million in these respective periods in its Consolidated Statements of Loss and Comprehensive Loss to reflect the changes in lease payments that arose from COVID-19-related rent concessions.

9. SHARE CAPITAL

Share capital consists of the following:

	26-week period ended September 26, 2020		26-week period ended September 28, 2019		52-week period ended March 28, 2020	
	Number of shares	**Amount C$ (thousands)**	Number of shares	Amount C$ (thousands)	Number of shares	Amount C$ (thousands)
Balance, beginning of period	**27,273,961**	**226,986**	27,136,386	225,531	27,136,386	225,531
Issued during the period						
Directors' deferred stock units converted	–	–	137,575	1,455	137,575	1,455
Balance, end of period	**27,273,961**	**226,986**	27,273,961	226,986	27,273,961	226,986

10. SHARE-BASED COMPENSATION

As at September 26, 2020, 2,638,550 stock options were outstanding with exercise prices ranging from $1.00 to $18.40. Of these outstanding stock options, 1,241,425 were exercisable at a weighted average exercise price of $13.47. As at September 28, 2019, there were 2,384,113 stock options outstanding of which 1,036,088 were exercisable.

The Company uses the fair value method of accounting for stock options, which estimates the fair value of the stock options granted on the date of grant, net of estimated forfeitures, and expenses this value over the vesting period. During the 13 and 26-week periods ended September 26, 2020, the pre-forfeiture value of the options were nil due to no options being granted, and $0.3 million, respectively (2019: 13 weeks – $1.0 million; 26 weeks – $1.3 million).

The fair value of the employee stock options is estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions during the periods presented:

	13-week period ended September 26, 2020	13-week period ended September 28, 2019
Black-Scholes option pricing assumptions		
Risk-free interest rate	**0.3%**	1.3%
Expected volatility	**62.4%**	33.2%
Expected time until exercise	**2.5 years**	2.5 years
Expected dividend yield	**–**	–
Other assumptions		
Forfeiture rate	**26.0%**	26.7%

Directors' Compensation

The Company has established a Directors' Deferred Stock Unit Plan ("DSU Plan"). Under the DSU Plan, Directors annually elect whether to receive their annual retainer fees and other Board-related compensation in the form of deferred stock units ("DSUs") or receive up to 50% of this compensation in cash. All Directors' compensation during the 13 and 26-week periods ended September 26, 2020 was in the form of DSUs (2019 – all DSUs).

The number of shares reserved for issuance under this plan is 500,000. During the 13 and 26-week periods ended September 26, 2020, the Company issued 35,025 DSUs with a value of $0.1 million and 124,311 DSUs with a value of $0.1 million, respectively (2019: 13 weeks – 12,947 DSUs with a value of $0.1 million; 26 weeks – 23,651 DSUs with a value of $0.2 million). The number of DSUs to be issued to each Director is based on a set fee schedule. The grant date fair value of the outstanding DSUs as at September 26, 2020 was $3.1 million (September 28, 2019 – $4.3 million) and was recorded in contributed surplus. The fair value of DSUs is equal to the traded price of the Company's common shares on the grant date.

11. SUPPLEMENTARY OPERATING INFORMATION

Set out below is the disaggregation of the Company's revenue from contracts with customers.

The following table summarizes net revenue by product line:

(thousands of Canadian dollars)	**13-week period ended September 26, 2020**	13-week period ended September 28, 2019	**26-week period ended September 26, 2020**	26-week period ended September 28, 2019
Print[1,4]	**124,448**	122,703	**210,551**	239,213
General merchandise[2,4]	**75,415**	76,215	**121,693**	149,105
Other[3]	**5,416**	4,446	**8,116**	7,603
Total	**205,279**	203,364	**340,360**	395,920

1 Includes books, magazines, newspapers, eReaders, and related shipping revenue.

2 Includes lifestyle, paper, toys, electronics, and related shipping revenue.

3 Includes cafés, irewards, gift card breakage, *plum* breakage, *plum* PLUS revenue, corporate sales, and Rakuten Kobo Inc. ("Kobo") revenue share.

4 Certain comparative information relating to eReaders has been reclassified to conform to the current year's presentation.

The following table summarizes net revenue by channel:

(thousands of Canadian dollars)	**13-week period ended September 26, 2020**	13-week period ended September 28, 2019	**26-week period ended September 26, 2020**	26-week period ended September 28, 2019
Superstores	**118,237**	143,077	**155,875**	278,586
Small format stores	**18,578**	26,342	**23,007**	51,476
Online (including store kiosks)	**63,048**	29,499	**153,362**	58,255
Other[1]	**5,416**	4,446	**8,116**	7,603
Total	**205,279**	203,364	**340,360**	395,920

1 Includes cafés, irewards, gift card breakage, *plum* breakage, *plum* PLUS revenue, corporate sales, and Kobo revenue share.

Supplemental operating and administrative expenses information:

(thousands of Canadian dollars)	**13-week period ended September 26, 2020**	13-week period ended September 28, 2019	**26-week period ended September 26, 2020**	26-week period ended September 28, 2019
Wages, salaries, and bonuses	**38,765**	46,455	**55,315**	91,469
Short-term benefits expense	**3,590**	4,797	**7,660**	10,432
Termination benefits expense	**839**	1,054	**2,411**	2,944
Retirement benefits expense	**451**	447	**868**	892
Share-based compensation	**306**	373	**606**	621
Total employee benefits expense	**43,951**	53,126	**66,860**	106,358

The Company has recognized payroll subsidies from the CEWS program of $2.9 million and $19.6 million in the respective 13 and 26-week periods ended September 26, 2020. These subsidies were recorded as a reduction in the associated eligible salaries and wage expenses recognized in cost of operations and selling, general and administrative expenses. Of the amount recognized, $0.7 million remains outstanding in accounts receivable as at September 26, 2020.

Termination benefits arise when the Company terminates certain employment agreements.

12. LOSS PER SHARE

Loss per share is calculated based on the weighted average number of shares outstanding during the period. The Company's stock options were anti-dilutive as the Company reported a loss and, therefore, were not included in the September 26, 2020 and September 28, 2019 diluted loss per share calculations.

13. STATEMENTS OF CASH FLOWS

Supplemental cash flow information:

(thousands of Canadian dollars)	**13-week period ended September 26, 2020**	13-week period ended September 28, 2019	**26-week period ended September 26, 2020**	26-week period ended September 28, 2019
Accounts receivable	**12,849**	(7,484)	**(4,382)**	(9,266)
Inventories	**(34,346)**	(56,822)	**(10,658)**	(46,149)
Prepaid expenses	**(2,496)**	163	**(3,181)**	(1,687)
Income taxes recoverable	**–**	(67)	**–**	(157)
Other assets	**504**	(78)	**552**	(96)
Accounts payable and accrued liabilities (current and long-term) and other	**64,751**	67,966	**75,342**	43,114
Unredeemed gift card liability	**(4,770)**	(5,807)	**(5,123)**	(5,742)
Provisions (current and long-term)	**19**	(200)	**391**	(60)
Deferred revenue	**3,710**	251	**3,746**	512
Net change in non-cash working capital balances	**40,221**	(2,078)	**56,687**	(19,531)

14. RELATED PARTY TRANSACTIONS

The Company's related parties include its key management personnel, shareholders, defined contribution retirement plan, equity investments in associates, and subsidiaries. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with Key Management Personnel

Key management of the Company includes members of the Board of Directors as well as members of the Executive Committee. Key management personnel remuneration includes the following:

(thousands of Canadian dollars)	**13-week period ended September 26, 2020**	13-week period ended September 28, 2019	**26-week period ended September 26, 2020**	26-week period ended September 28, 2019
Wages, salaries, and bonus	**1,178**	1,619	**2,303**	3,195
Short-term benefits expense	**24**	33	**48**	68
Termination benefits expense	**–**	–	**–**	793
Retirement benefits expense	**16**	16	**32**	36
Share-based compensation	**217**	514	**466**	609
Directors' compensation	**73**	73	**148**	157
Total remuneration	**1,508**	2,255	**2,997**	4,858

Transactions with Shareholders

During the second quarter of fiscal 2021, the Company purchased goods and services from companies in which Mr. Gerald W. Schwartz, who is the controlling shareholder of Indigo, holds a controlling or significant interest. During the 13 and 26-week periods ended September 26, 2020, the Company paid below \$0.1 million and \$0.1 million, respectively for these transactions (2019: 13 weeks – \$0.4 million; 26 weeks – \$0.7 million). As at September 26, 2020, Indigo had a nominal amount payable to these companies under standard payment terms (September 28, 2019 – no outstanding payable). In prior periods, an amount of restricted cash has been pledged as collateral for letter of credit obligations issued to support the Company's purchases of merchandise from these companies, however there was no amount pledged as at September 26, 2020 (September 28, 2019 – \$1.0 million restricted cash). All transactions were measured at fair market value and were in the normal course of business, under normal commercial terms, for both Indigo and the related companies.

During the second quarter of fiscal 2021, the Company entered into a secured revolving credit facility of \$25 million from a company controlled by Mr. Gerald W. Schwartz. The non-interest bearing facility has a maturity date of February 1, 2021, and was issued on favourable commercial terms. The purpose of this credit facility is to allow the Company to manage the seasonal nature of cash flows in the most effective manner. As at September 26, 2020, there were no advances or repayments under this facility.

Transactions with Defined Contribution Retirement Plan

The Company's transactions with the defined contribution retirement plan include contributions paid to the retirement plan as disclosed in note 11 "Supplementary Operating Information". The Company has not entered into other transactions with the retirement plan.

Transactions with Associates

The Company had immaterial transactions with Unplug during the 13 and 26-week periods ended September 26, 2020, and the comparable periods in the prior year.

On October 22, 2019, the Company sold its equity investment in Calendar Club of Canada Limited Partnership ("Calendar Club") and Calendar Club of Canada Ltd. (the general partner of the partnership) to Paris Southern Lights Inc., (a minority partner in the partnership). Prior to the transaction, the Company had loaned cash to Calendar Club for working capital requirements. In the 13 and 26-week periods ended September 28, 2019, Indigo loaned $5.2 million and $6.6 million, respectively, to Calendar Club. This amount was repaid in the prior year, and no further amounts have since been loaned by the Company.

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