

Indigo Q1 Revenue Up 1.6%

TORONTO, ONT - July 30, 2009 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book retailer, reported a 1.6% increase in revenue for its first quarter ending June 27, 2009.

Revenue for the quarter was \$193.6 million, up \$3.0 million from the same quarter last year. On a comparable store basis, Indigo and Chapters superstores posted 1.4% growth, while Coles and Indigo Spirit small format stores were up 0.8%. Sales from Indigo's online channel, chapters.indigo.ca, decreased 9.1% to \$19.1 million following the elimination of certain non profitable business.

Net loss for the quarter was \$2.3 million compared to a \$1.2 million loss last year.

Commenting on the quarter's results, CEO Heather Reisman said, "Given the challenging economic environment we believe these results highlight the resilience of our brands. In addition, the slight drop in bottom line results reflects our increased operating investment this year in both Pistachio and Shortcovers."

The Company also announced today that its Board of Directors has declared the previously announced regular quarterly cash dividend of \$0.10 per outstanding common share to be paid to shareholders of record as of the close of business on August 14, 2009, with a payment date of August 31, 2009.

During the quarter the Company opened one new superstore. Residents of Surrey, British Columbia now enjoy an award winning booklover's haven in their market. Milton, Ontario and Edmonton, Alberta will host the launch of the next Indigo stores in the summer of 2009.

Indigo's newest banners include Shortcovers and Pistachio. Shortcovers, launched in February 2009, is a web-based digital download service that can be accessed via computer and many popular mobile devices, including iPhone, Blackberry, Palm Pre and other handheld devices people already own. Pistachio, an eco-friendly paper, gift, and apothecary retailer and wholesaler, is positioned in the marketplace as "everyday products that are good for you and good for the planet."

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 publicly traded Canadian company listed on the Toronto Stock Exchange (TSX:IDG). As the largest book retailer in the country, Indigo operates in all provinces under different banners including Indigo Books & Music; Indigo Books, Gifts, Kids; IndigoSpirit, Chapters, The World's Biggest Bookstore, and Coles. The online division, www.chapters.indigo.ca, features books, toys, music and DVDs, and hosts the award winning Indigo Online Community. In 2008, Indigo launched Pistachio, an eco-aware lifestyle store featuring stationery, gifts and home décor, and apothecary.

Chapters and Indigo are rated as the number one and number two retailers in Canada by the Kubas Major Market Retail Report, and have occupied the list since 2000.

In 2004, Indigo founded the Indigo Love of Reading Foundation, a registered charity that provides new books and education materials to high-needs Canadian elementary schools, to address the literacy crisis in Canada. Visit loveofreading.org for more information.

To learn more about Indigo, please visit the About Our Company section of www.chapters.indigo.ca.

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Consolidated Balance Sheets (Unaudited)

<i>(thousands of dollars)</i>	As at June 27, 2009	As at June 28, 2008	As at March 28, 2009
ASSETS			
Current			
Cash and cash equivalents	69,528	57,052	92,169
Accounts receivable	7,910	7,389	9,890
Inventories	208,208	197,188	221,767
Income taxes recoverable	-	21	-
Prepaid expenses	5,631	5,250	5,118
Future tax assets	6,717	6,745	6,181
Total current assets	297,994	273,645	335,125
Property, plant and equipment	70,597	56,923	72,137
Future tax assets	36,422	43,647	36,422
Intangible assets	17,612	10,223	16,299
Goodwill	27,523	27,523	27,523
Total assets	450,148	411,961	487,506
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	197,859	187,126	233,353
Deferred revenue	12,434	10,832	11,612
Dividends payable	2,453	-	-
Income taxes payable	344	-	344
Current portion of long-term debt	2,538	2,618	2,734
Total current liabilities	215,628	200,576	248,043
Long-term accrued liabilities	6,123	6,736	6,301
Long-term debt	1,868	2,847	2,272
Total liabilities	223,619	210,159	256,616
Shareholders' equity			
Share capital	196,508	198,424	196,471
Contributed surplus	4,044	2,867	3,685
Retained earnings	25,977	511	30,734
Total shareholders' equity	226,529	201,802	230,890
Total liabilities and shareholders' equity	450,148	411,961	487,506

Consolidated Statements of Earnings (Loss)
(Unaudited)

	13-week period ended June 27, 2009	13-week period ended June 28, 2008
<i>(thousands of dollars, except per share data)</i>		
Revenues	193,551	190,602
Cost of sales, operations, selling and administration	189,592	185,398
	3,959	5,204
Amortization of property, plant and equipment	4,912	5,800
Amortization of intangible assets	1,841	1,311
	6,753	7,111
Loss before the undernoted items	(2,794)	(1,907)
Interest on long-term debt and financing charges	57	108
Interest income on cash and cash equivalents	(11)	(393)
Loss before income taxes	(2,840)	(1,622)
Income tax recovery	(536)	(397)
Net loss for the period	(2,304)	(1,225)
Net loss per common share		
Basic	\$ (0.09)	\$ (0.05)
Diluted	\$ (0.09)	\$ (0.05)
Weighted average number of common shares outstanding	24,527	24,833

Consolidated Statements of Cash Flows (Unaudited)

<i>(thousands of dollars)</i>	13-week period ended June 27, 2009	13-week period ended June 28, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(2,304)	(1,225)
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment	4,912	5,800
Stock-based compensation	243	233
Directors' compensation	125	105
Future tax assets	(536)	(397)
Loss on disposal of property, plant and equipment	8	13
Amortization of intangible assets	1,841	1,311
Net change in non-cash working capital balances related to operations		
Accounts receivable	1,980	1,607
Inventories	13,559	9,071
Prepaid expenses	(513)	(321)
Deferred revenue	822	482
Accounts payable and accrued liabilities	(35,672)	(7,010)
Cash flows from (used in) operating activities	(15,535)	9,669
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,238)	(4,114)
Addition of intangible assets	(3,154)	(1,774)
Cash flows used in investing activities	(6,392)	(5,888)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(742)	(1,597)
Proceeds from share issuances	28	99
Repurchase of common shares	-	(1,164)
Cash flows used in financing activities	(714)	(2,662)
Net increase (decrease) in cash and cash equivalents during the period	(22,641)	1,119
Cash and cash equivalents, beginning of period	92,169	55,933
Cash and cash equivalents, end of period	69,528	57,052