

!ndigo

June 2009

A roller coaster car filled with people is shown on a white track, curving upwards against a clear blue sky. The car is red and black, and the track is white. The scene is captured from a low angle, emphasizing the height and curvature of the ride.

Year in Review

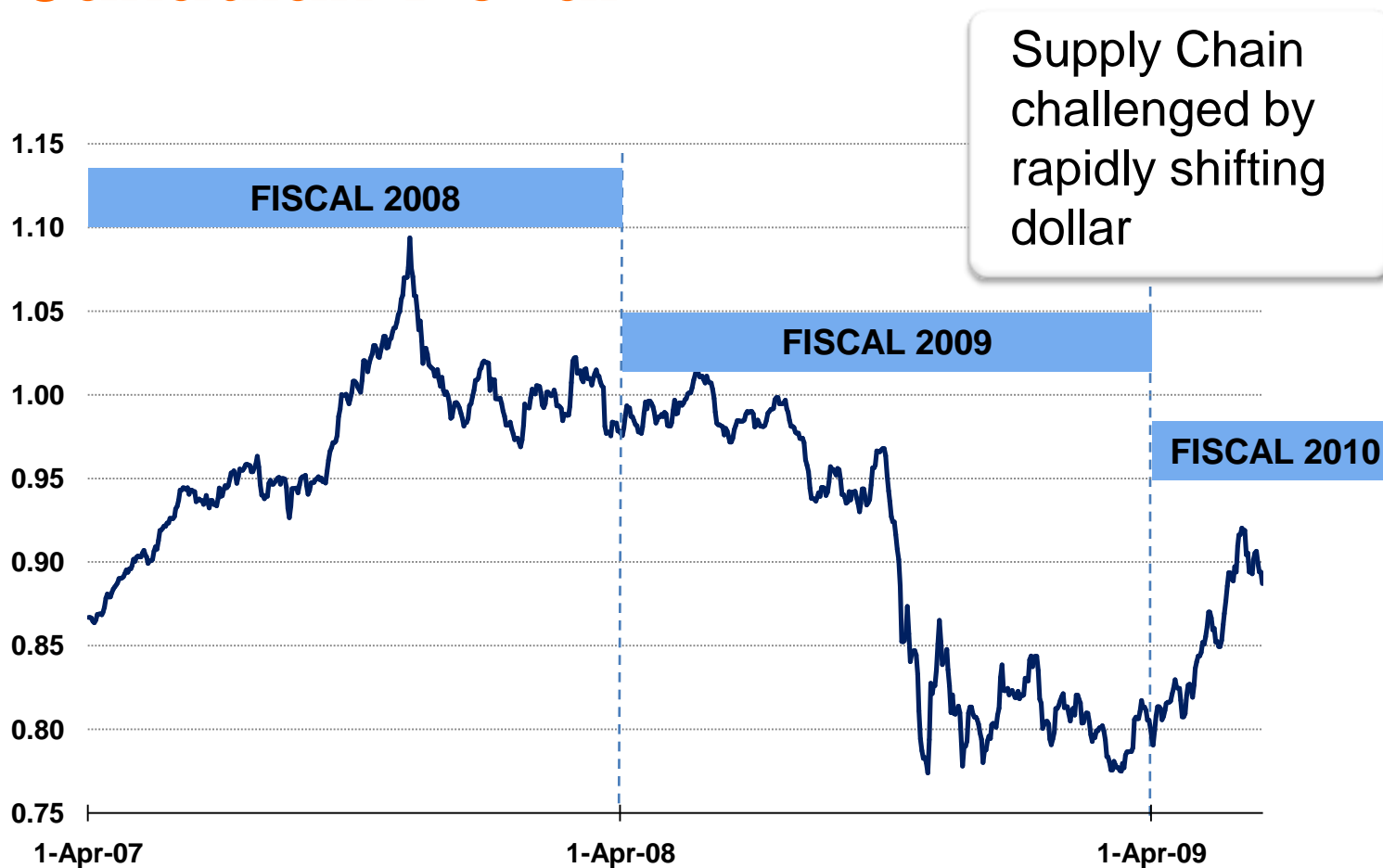
A Strong Year... in a Turbulent Economy

- Solid growth in both revenue and pre-tax earnings
- Kids business on fire
- Five new Indigo superstores opened
- A busy year on the technology front
- Launch of Pistachio and Shortcovers

Notable Achievements

- #1 National Retailer in Canada (Kubas Consultants)
- Retail Council of Canada award for Social Responsibility
- “Best-in-class” employee engagement in annual Hewitt survey

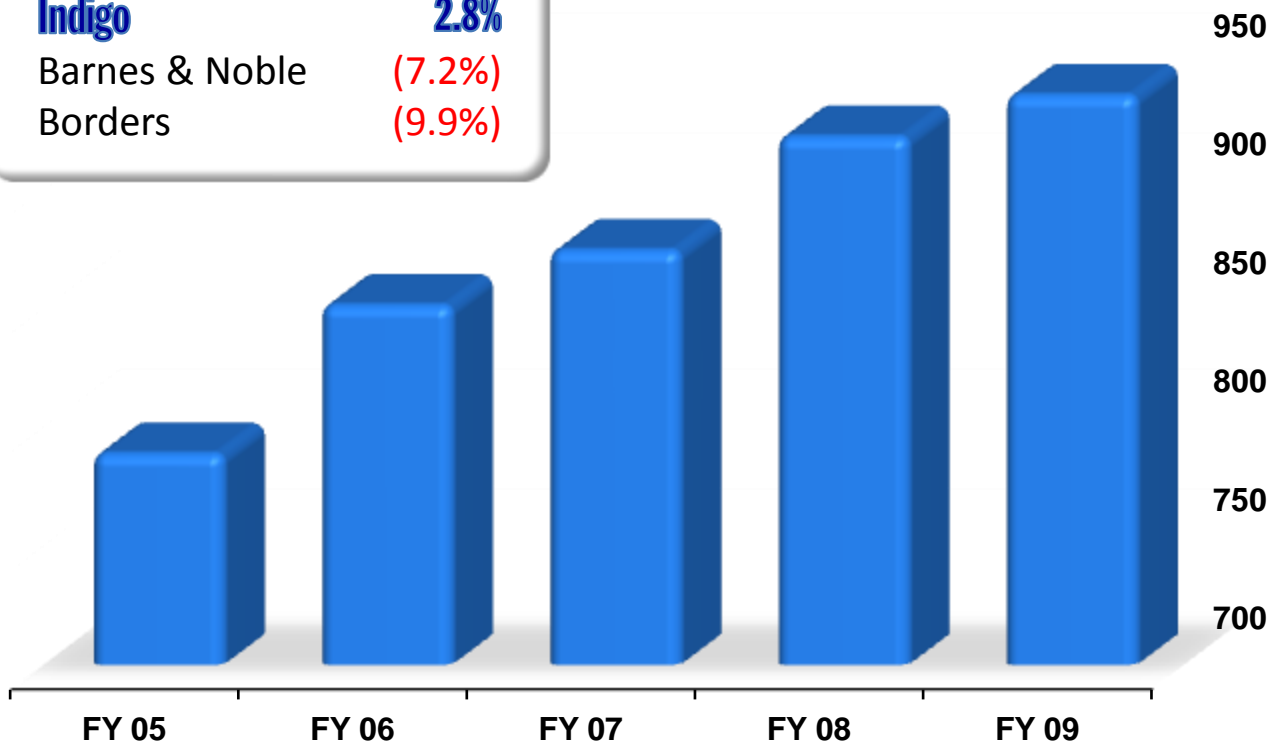
Canadian Dollar



Net Revenue

Industry-leading same store sales growth

Indigo	2.8%
Barnes & Noble	(7.2%)
Borders	(9.9%)

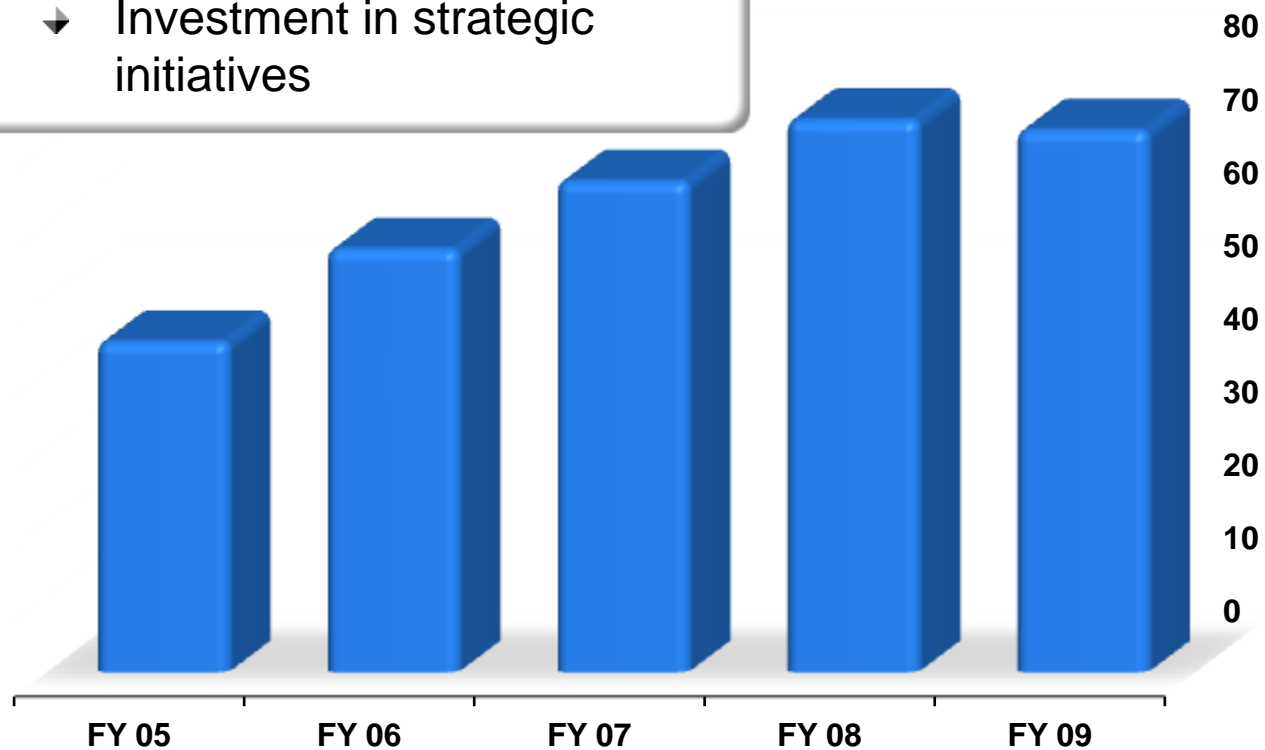


Year in Review

EBITDA

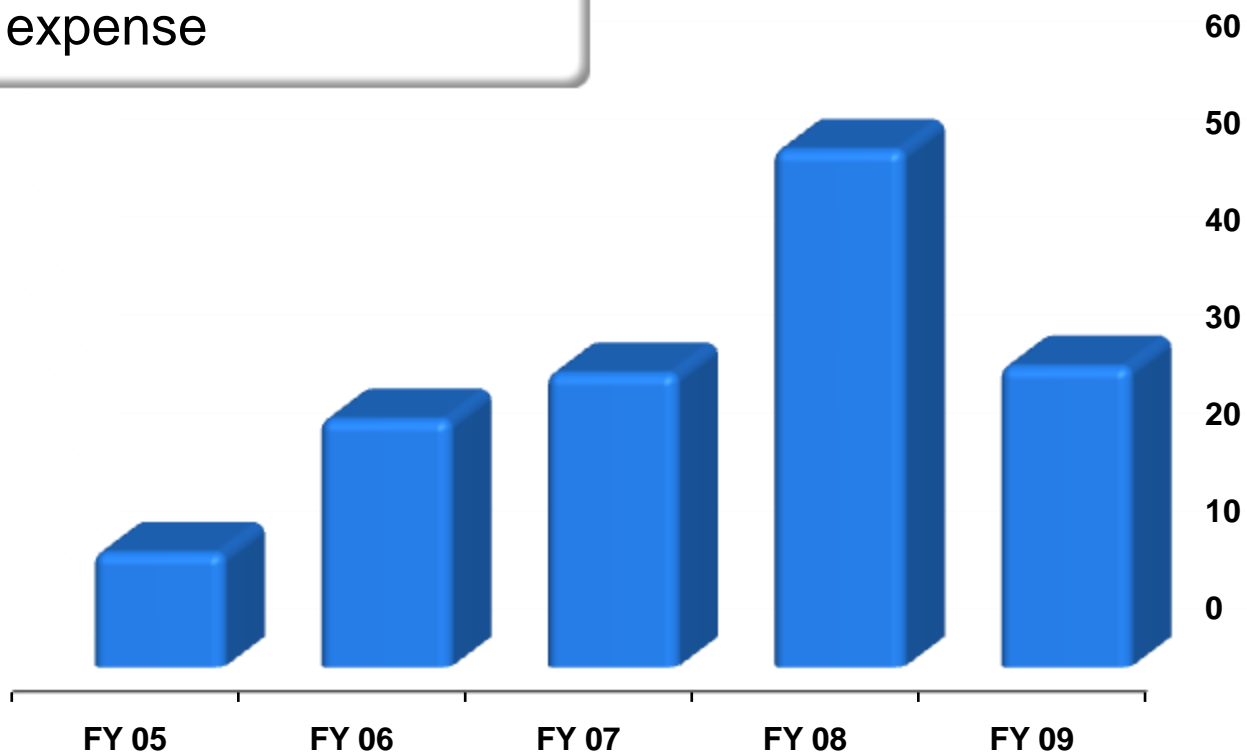
EBITDA down slightly

- Foreign exchange impact
- Investment in strategic initiatives



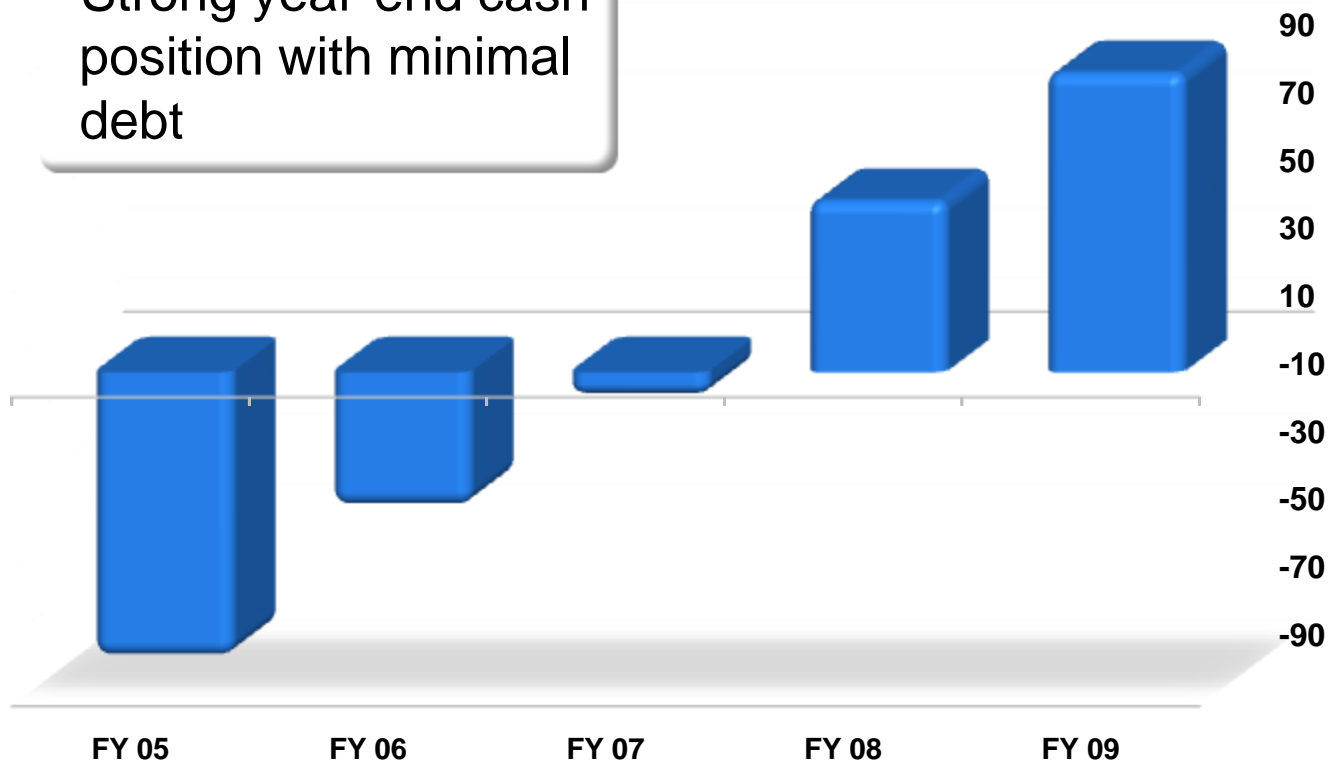
Net Earnings

Net earnings down due to accounting tax expense



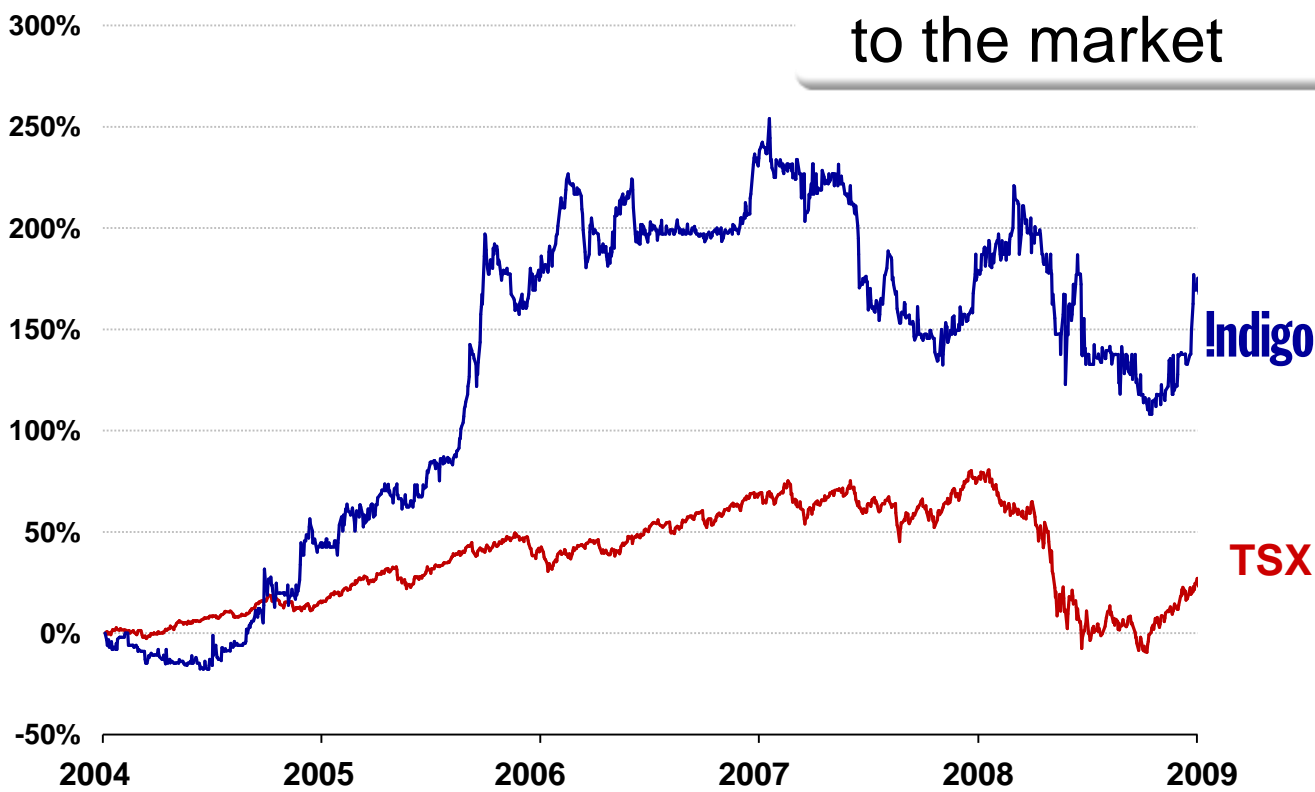
Net Cash Position

Strong year-end cash position with minimal debt



Indigo Share Price

Strong 5-year performance relative to the market



Financial Summary

- ▶ Solid balance sheet
- ▶ Industry leading performance
- ▶ No shortage of ideas!!

LOOKING FORWARD

FISCAL 2010 & BEYOND

The Challenges We Face


- The Economy
- The Dollar
- Digitization

Our Strategic Focus

- Re-imagine the Indigo/Chapters Experience
- Simplify Core Processes
- Achieve Best-In-Class Employee Engagement
- Refine & Grow Pistachio Concept
- Launch & Grow Shortcovers Digital Offering

New Superstores

- 5 opened, 6 more on the way
- Award-winning design
- A bookstore first, but features our expanded Lifestyle, Kids and Toy sections

The image shows the exterior of an Indigo store during the "blue hour" of twilight. The building's facade is a deep, dark blue. On the right side, the word "Indigo" is written in a large, white, sans-serif font. Below it, the tagline "Books · Gifts · Life" is displayed in a smaller, white, sans-serif font. To the left, a glass-enclosed entrance is visible, with a red frame around the glass. Inside the entrance, bookshelves and a colorful display are visible. A few people are walking on the sidewalk in front of the store. The sky is a clear, pale blue, and the overall lighting is soft and ambient.

Indigo
Books · Gifts · Life



Indigo

Livres Cadeaux Mode de vie

Nos nouveautés

Plus littéraires

Choix des lecteurs

CHEZ SOI

BIEN-ÊTRE

Jeunesse & Enfants

Jeunesse & Enfants

Jeunesse & Enfants

Jeunesse & Enfants

Jeunesse & Enfants

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Kids and Toys

- A destination for the family
- Included in all new superstores
- Incorporated into existing store renovation plans
- Goal – largest specialty toy seller in Canada

Kids and Toys



Re-Imagine

Kids and Toys



Re-Imagine

Kids and Toys

Re-Imagine



Kids and Toys



Re-Imagine

Lifestyle

- ◆ Further expanded gift and paper offerings including proprietary product
- ◆ Includes selected eco-products from our Pistachio line

Lifestyle



Re-Imagine



Lifestyle

New Kiosks

- A hit with our staff and customers
- New 'iPhone-like' touch screen
- Improved in-store search and find
- Real-time information on hot books and topics in the media
- Simplified purchase with slide card



Indigo green



- Becoming more environmentally responsible...
- Leading the industry to increasing amounts of recycled paper
- Improving our packaging
- Auditing our store practices and carbon footprint

Focus on the Customer

- Constant drive to improve our in-store and online experience
- Completed major upgrades to our customer database in fiscal 2009
- Launching more customized & relevant recommendations for customers in fiscal 2010
- Planning exciting changes to our irewards loyalty program for fiscal 2011



And more ideas being explored...



Personal Photo

Teen Scream



Pass
it On

Arts & Crafts



Supply Chain

- ✦ Major upgrades planned for our distribution centre:
 - Improve service to our retail stores and online customers
 - Lower unit processing cost
 - Increase capacity to handle both book and lifestyle products

Best-In-Class!

- Ongoing initiative to achieve and maintain world-class levels of employee engagement
- Reached “best-in-class” status for our Head Office and Distribution Centre teams!

Refine and Grow Pistachio

- Good for you, good for the planet
- Environmentally friendly selection of paper, gift and apothecary products for everyday use
- Two test stores open; learnings will be applied to new stores once the market improves
- Product carried in Indigo/Chapters stores and Barnes & Noble
- Launching eco-friendly back-to-school program
- Winner of The 2009 Mohawk Windpower Partnership Award

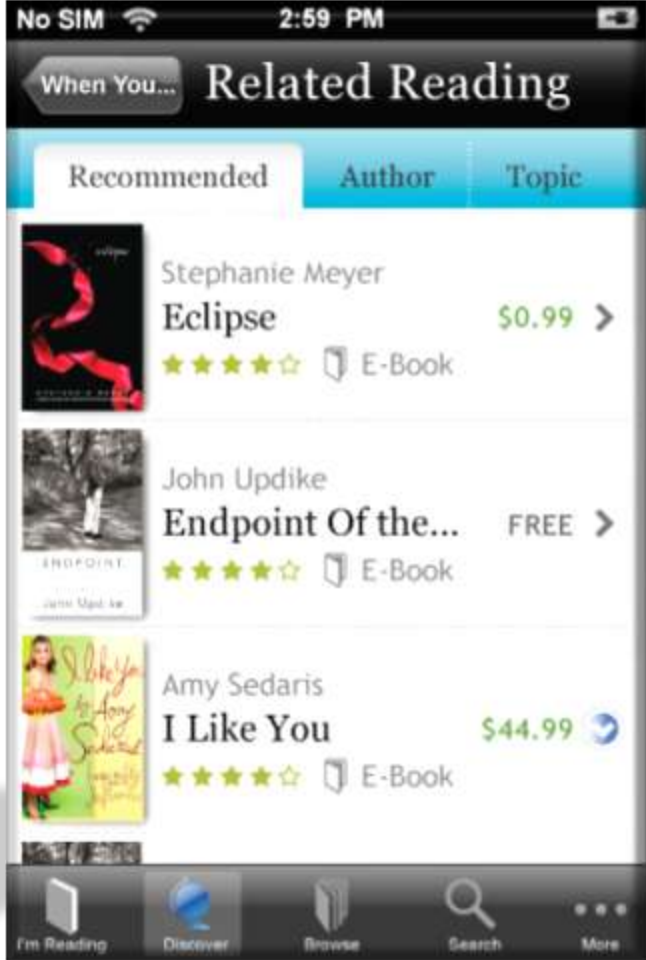
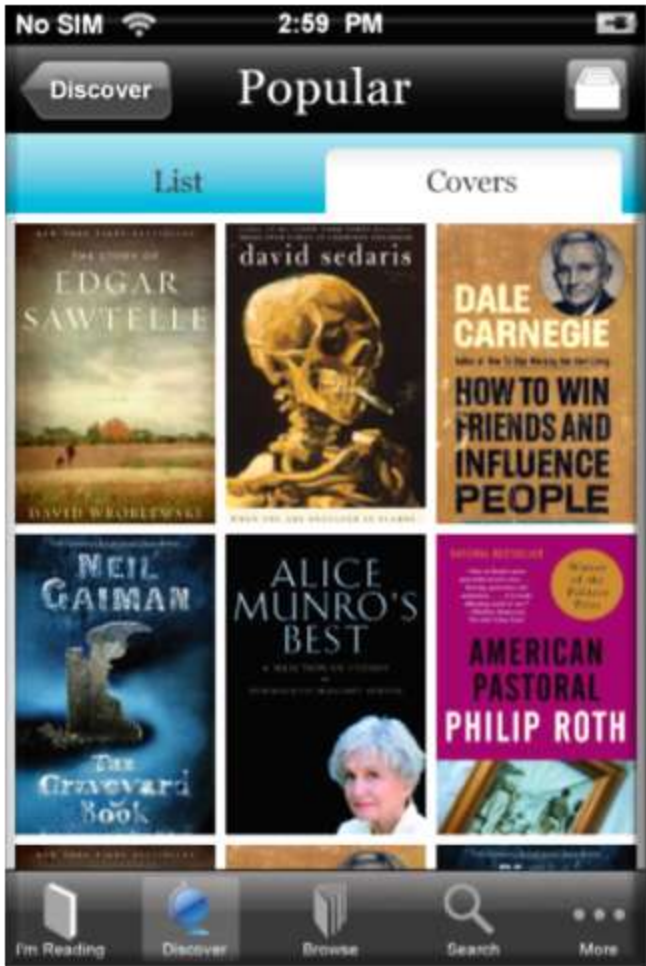


shortcovers

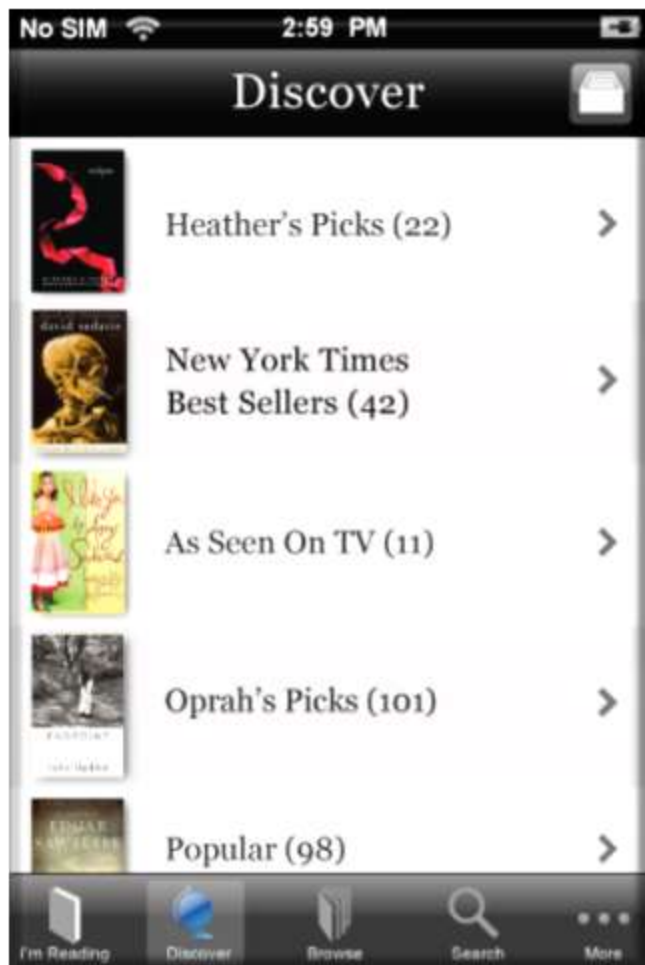


- Launched Shortcovers, global digital reading service
- Fully device-agnostic e-reader
- Available on Blackberry, Apple, Android and the new Palm-Pre
- Target – worldwide leader for emerging broad range of 3G devices

short covers



shortcovers



Giving Back

- ✦ **\$7.5 million committed to date to more than 60 schools across Canada**
- ✦ **It makes a real and measurable difference...**
- ✦ **We are beginning to influence provincial funding**

