Indigo Q2 Revenue Up 3.8%

Digital and Lifestyle Businesses Grow Rapidly

TORONTO, ONT – November 9, 2010 -- Indigo Books & Music Inc. (TSX: IDG), Canada's largest book, gift and specialty toy retailer reported a 3.8% growth in revenue for its second quarter ending October 2, 2010.

Revenue for the quarter was $214.8 million, up $7.8 million from last year. On a comparable store basis, Indigo and Chapters superstores posted a 0.7% decline in revenue, while small format stores were down 4.8%.

Commenting on the results, CEO Heather Reisman said, "We are pleased with our top line revenue growth, particularly in our rapidly growing digital business. Consumers have responded very favourably to our Kobo eReader, launched in the middle of our first quarter, and are showing even greater response to the new Wi-Fi model launched this past month."

Ms. Reisman noted, "Our core retail book business experienced a challenging quarter against a very strong line up of titles in the same period last year. Our gift and toy businesses continued to show significant growth and reinforced our decision to expand these categories meaningfully in a majority of stores moving forward."

Net loss for the quarter was $1.7 million compared to a net profit of $2.2 million last year. Ms. Reisman noted, "The increased loss was expected as we continue to invest in the growth and development of our digital initiatives and the re-development of our stores to accommodate growth in our gift and toy businesses".

The Board of Directors today also approved a quarterly dividend of 11 cents per common share to be paid on December 14th, 2010, to all shareholders of record as of November 30th, 2010.

During the quarter, Kobo, the global eReading service of which Indigo owns 59%, announced plans for its application to be preloaded on both the Samsung Galaxy and the BlackBerry® PlayBook™ tablets. They also announced their 3rd Quarter launch of the new Kobo Wireless eReader which adds Wi-Fi connectivity, upgraded hardware with faster performance, longer battery life, a sharper eInk screen and easy access to the Kobo store hosting more than 2.2 million books. Shortly after the close of the quarter, Kobo announced the addition of dozens of newspaper and magazines to the assortment including *The Globe and Mail, The New York Times, The Wall Street Journal, and Harvard Business Review.* Kobo will continue to expand its newspaper and magazine offering. Kobo also announced that it will now be selling in 2,500 Walmart locations throughout the United States, expanding on its current availability at Canadian Walmart stores.

Given the continued growth of Kobo's business, Kobo is seeking to raise additional financing by way of a private placement to cover working capital needs. The amount to be raised, the financial terms, and the timing of the financing will be determined by Kobo in consultation with its financial advisors.

Also in the second quarter, Indigo launched expanded toy sections in six stores nationally, with the Company poised to become the largest specialty toy retailer in Canada in time for the holiday period. Indigo also hosted the first “Teen Read Awards”, a three month national online and in-store celebration of young adult fiction, where fans cast over 300 thousand votes to select and honour their favourite books.

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 on a 52-week basis.

About Indigo Books & Music Inc.

Indigo is a publicly traded Canadian company listed on the Toronto Stock Exchange (TSX:IDG). As the largest book, gift and specialty toy 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, eBooks, toys, music and DVDs, and hosts the award winning Indigo Online Community. In 2008, Indigo launched Pistachio, an eco-aware lifestyle store. In 2009, Indigo spun off their digital eReading division to launch KOBO Inc. – a leading destination for eReading.

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. To date the Foundation has contributed $9 mm to schools in need.

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)

(thousands of dollars)	**As at October 2, 2010**	As at September 26, 2009	As at April 3, 2010
ASSETS			
Current			
Cash and cash equivalents	**59,350**	78,589	103,489
Restricted cash	**2,472**	466	409
Accounts receivable	**10,535**	8,470	8,455
Inventories	**267,316**	234,190	224,406
Income taxes recoverable	**899**	866	899
Prepaid expenses	**22,152**	6,577	6,771
Future tax assets	**6,578**	5,885	6,615
Total current assets	**369,302**	335,043	351,044
Property, plant and equipment	**85,580**	79,672	77,478
Intangible assets	**26,781**	18,393	23,794
Future tax assets	**40,894**	36,422	40,894
Goodwill	**26,632**	27,523	26,632
Total assets	**549,189**	497,053	519,842
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	**263,314**	247,273	229,920
Deferred revenue	**23,619**	12,537	12,882
Current portion of long-term debt	**1,392**	2,408	1,863
Total current liabilities	**288,325**	262,218	244,665
Long-term accrued liabilities	**6,962**	6,296	8,203
Long-term debt	**2,347**	1,827	1,174
Total liabilities	**297,634**	270,341	254,042
Non-controlling interest	**3,738**	-	6,831
Shareholders' equity			
Share capital	**199,906**	196,638	198,635
Contributed surplus	**4,992**	4,351	4,670
Retained earnings	**42,919**	25,723	55,664
Total shareholders' equity	**247,817**	226,712	258,969
Total liabilities and shareholders' equity	**549,189**	497,053	519,842

Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)
(Unaudited)

(thousands of dollars, except per share data)	**13-week period ended October 2, 2010**	13-week period ended September 26, 2009	**26-week period ended October 2, 2010**	26-week period ended September 26, 2009
Revenues	**214,764**	206,990	**419,050**	400,541
Cost of sales, operations, selling and administration	**212,040**	197,075	**417,054**	386,667
	2,724	9,915	**1,996**	13,874
Depreciation of property, plant and equipment	**4,465**	4,918	**8,970**	9,830
Amortization of intangible assets	**2,518**	2,124	**4,930**	3,965
	6,983	7,042	**13,900**	13,795
Earnings (loss) before the undernoted items	**(4,259)**	2,873	**(11,904)**	79
Interest on long-term debt and financing charges	**10**	61	**43**	118
Interest income on cash and cash equivalents	**(104)**	(125)	**(184)**	(136)
Earnings (loss) before income taxes and non-controlling interest	**(4,165)**	2,937	**(11,763)**	97
Income tax expense	**458**	737	**37**	201
Earnings (loss) before non-controlling interest	**(4,623)**	2,200	**(11,800)**	(104)
Non-controlling interest	**(2,814)**	-	**(4,683)**	-
Net earnings (loss) and comprehensive earnings (loss) for the period	**(1,809)**	2,200	**(7,117)**	(104)
Net earnings (loss) per common share				
Basic	**$(0.07)**	$0.09	**$(0.29)**	$(0.00)
Diluted	**$(0.07)**	$0.09	**$(0.29)**	$(0.00)

Consolidated Statements of Cash Flows
(Unaudited)

(thousands of dollars)	**13-week period ended October 2, 2010**	13-week period ended September 26, 2009	**26-week period ended October 2, 2010**	26-week period ended September 26, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings (loss)	**(1,809)**	2,200	**(7,117)**	(104)
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	**4,465**	4,918	**8,970**	9,830
Amortization of intangible assets	**2,518**	2,124	**4,930**	3,965
Stock-based compensation	**131**	268	**306**	511
Directors’ stock-based compensation	**204**	68	**316**	193
Future tax assets	**458**	832	**37**	296
Loss on disposal of capital assets	**2**	165	**69**	173
Non-controlling interest	**(2,814)**	-	**(4,683)**	-
Other	**1,449**	(70)	**523**	35
Net change in non-cash working capital balances related to operations				
Accounts receivable	**292**	(560)	**(2,080)**	1,420
Inventories	**(43,480)**	(25,982)	**(42,910)**	(12,423)
Prepaid expenses	**(16,204)**	(946)	**(15,381)**	(1,459)
Income taxes recoverable	**-**	(1,210)	**-**	(1,210)
Deferred revenue	**8,770**	103	**10,737**	925
Accounts payable and accrued liabilities	**40,017**	49,587	**32,153**	13,915
Cash flows used in operating activities	**(6,001)**	31,497	**(14,130)**	16,067
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in restricted cash	**(1,276)**	(103)	**(2,063)**	(98)
Purchase of property, plant and equipment	**(10,535)**	(13,567)	**(14,812)**	(16,805)
Addition of intangible assets	**(4,438)**	(2,905)	**(7,917)**	(6,059)
Cash flows used in investing activities	**(16,249)**	(16,575)	**(24,792)**	(22,962)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	**(961)**	(762)	**(1,627)**	(1,504)
Proceeds from share issuances	**1,107**	101	**1,181**	129
Repurchase of common shares	**(74)**	-	**(387)**	-
Issuance of equity securities by subsidiary to non-controlling interest	**1,190**	-	**1,190**	-
Dividends paid	**(2,729)**	(4,907)	**(5,451)**	(4,907)
Cash flows used in financing activities	**(1,467)**	(5,568)	**(5,094)**	(6,282)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(1,247)**	70	**(123)**	(35)
Net increase (decrease) in cash and cash equivalents during the period	**(24,964)**	9,424	**(44,139)**	(13,212)
Cash and cash equivalents, beginning of period	**84,314**	69,165	**103,489**	91,801
Cash and cash equivalents, end of period	**59,350**	78,589	**59,350**	78,589