



**DOLLARAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Third Quarter Ended October 30, 2011**

**December 7, 2011**

*The following management's discussion and analysis ("MD&A") dated December 7, 2011 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of Dollarama Inc. (together with its consolidated subsidiaries, referred to as "Dollarama", the "Corporation", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Corporation's financial results for the third quarter ended October 30, 2011. This MD&A should be read in conjunction with (i) the Corporation's unaudited condensed interim consolidated financial statements and notes for the third quarter ended October 30, 2011 and (ii) the Corporation's annual audited consolidated financial statements and notes and its annual MD&A for Fiscal 2011 (as hereinafter defined). All financial information has been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada as set out in the Handbook of the Canadian Institute of Chartered Accountants - Part 1 ("CICA Handbook"). The CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and requires publicly accountable enterprises to apply IFRS effective for years beginning on or after January 1, 2011, and to provide comparative figures for their prior fiscal year. Accordingly, the Corporation commenced reporting on this basis in its unaudited condensed interim consolidated financial statements for the first quarter ended May 1, 2011 and, for comparison purposes, all figures relating to the third quarter and nine-month period ended October 31, 2010 have been restated to reflect the Corporation's adoption of IFRS, effective from January 31, 2011.*

*Our functional and reporting currency is the Canadian dollar.*

*All references to "Fiscal 2010" are to the Corporation's fiscal year ended January 31, 2010, to "Fiscal 2011" are to the Corporation's fiscal year ended January 30, 2011 and to "Fiscal 2012" are to the Corporation's fiscal year ending January 29, 2012.*

**Forward-Looking Statements**

Certain statements in this MD&A about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the general development of the business and to the liquidity position of the Corporation. Forward-looking statements are based on information currently available to us and on estimates and assumptions made by us regarding, among other things, general economic conditions and the competitive environment within the retail industry in Canada, in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without

limitation, the following factors, which are discussed in greater detail in the "Risks and Uncertainties" section of this MD&A and of the Corporation's annual MD&A for Fiscal 2011 (which is available on SEDAR at [www.sedar.com](http://www.sedar.com)): future increases in operating and merchandise costs, inability to sustain assortment and replenishment of our merchandise, increase in the cost or a disruption in the flow of imported goods, disruption of distribution infrastructure, inventory shrinkage, inability to renew store, warehouse, distribution center and head office leases on favourable terms, inability to increase our warehouse and distribution center capacity in a timely manner, seasonality, market acceptance of our private brands, failure to protect trademarks and other proprietary rights, fluctuation in the value of the Canadian dollar in relation to the U.S. dollar, potential losses associated with using derivative financial instruments, level of indebtedness and inability to generate sufficient cash to service our debt, interest rate risk associated with variable rate indebtedness, competition in the retail industry, current economic conditions, failure to attract and retain qualified employees, departure of senior executives, disruption in information technology systems, unsuccessful execution of our growth strategy, holding company structure, adverse weather, natural disasters and geo-political events, unexpected costs associated with our current insurance program, litigation, product liability claims and product recalls, and environmental and regulatory compliance.

These factors are not intended to represent a complete list of the factors that could affect us; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Corporation's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of December 7, 2011 and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

#### **GAAP and Non-GAAP Measures**

This MD&A makes reference to EBITDA, a non-GAAP measure. This non-GAAP measure is not recognized under GAAP and does not have a standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to any similar measure presented by other companies. Rather, this measure is provided as additional information to complement other GAAP measures by providing further understanding of the Corporation's results of operations from management's perspective. We use EBITDA to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP measures, including EBITDA, in the evaluation of issuers. Our management also uses EBITDA in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets and to assess our ability to meet our future debt service, capital expenditure and working capital requirements. We refer the reader to the section entitled "Selected Consolidated Financial Information" of this MD&A for the definition and reconciliation of EBITDA to operating income, the most directly comparable GAAP measure.

We believe that the presentation of EBITDA is appropriate. However, EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of our results as reported under GAAP. Because of these limitations, we primarily rely on our results as reported in accordance with GAAP and use EBITDA only as a supplement. In addition, because other companies may calculate EBITDA differently than we do, it may not be comparable to similarly-titled measures reported by other companies.

## Overview

### *Our Business*

The Corporation indirectly owns, through its subsidiaries, all of the equity interests in Dollarama L.P. and Dollarama Corporation, which together operate the Dollarama business.

We are the leading operator of dollar stores in Canada, with 690 Dollarama stores in operation as of October 30, 2011, more than five times the number of stores as our next largest dollar store competitor in Canada. We are the only operator with a significant national presence and are continuing to expand in all Canadian provinces. Our stores average approximately 9,910 square feet and offer a targeted mix of merchandise at compelling values, including private label and nationally branded products. We offer a broad range of quality consumer products and general merchandise for everyday use, in addition to seasonal products. Our quality merchandise is sold in individual or multiple units at select fixed price points up to \$2.00. All of our stores are corporate-managed, providing a consistent shopping experience, and nearly all are located in high-traffic areas such as strip malls and shopping centers in various locations, including metropolitan areas, mid-sized cities and small towns.

Our strategy is to grow sales, net earnings and cash flow by building upon our position as the leading Canadian operator of dollar stores, and to offer a compelling value proposition on a wide variety of everyday merchandise to a broad base of customers. We continually strive to maintain and improve the efficiency of our operations.

### *Key Items in the Third Quarter Ended October 30, 2011*

Compared to the third quarter ended October 31, 2010:

- Third quarter sales increased by 12.5%;
- Comparable store sales grew 5.1%;
- Gross margin improved to 37.0% of sales from 36.2% of sales;
- EBITDA<sup>(1)</sup> grew 21.3% to \$72.1 million, or 18.0% of sales;
- Operating income grew 21.8% to \$63.4 million, or 15.8% of sales; and
- Diluted net earnings per share increased by 31.0%, from \$0.42 to \$0.55.

In addition, during the third quarter ended October 30, 2011:

- 10 new stores were opened, for a total of 38 net new stores opened since the beginning of Fiscal 2012; and
- The syndicated senior secured credit facility (the “**Credit Facility**”) was amended on more favourable terms as a result of Dollarama’s improving leverage profile.

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<sup>(1)</sup> We refer the reader to the notes in the section entitled “Selected Consolidated Financial Information” of this MD&A for the definition and reconciliation of EBITDA to operating income, the most directly comparable GAAP measure.

## **Factors Affecting Our Results of Operations**

### ***Sales***

We recognize sales at the time the customer tenders payment for and takes possession of the merchandise. All sales are final. Our sales consist mainly of comparable store sales and new store sales. Comparable store sales is a measure of the percentage increase or decrease of the sales of stores open for at least 13 complete fiscal months relative to the same period in the prior year. We include sales from expanded stores and relocated stores in comparable store sales.

The primary drivers of comparable store sales performance are changes in number of transactions and average transaction size. To increase comparable store sales, we focus on offering a wide selection of high-quality merchandise at attractive values in well designed, consistent and convenient store formats.

We have historically experienced limited seasonal fluctuations in sales and expect this trend to continue. We generated 28.8% of Fiscal 2011 sales during the fourth quarter due to the Christmas selling season.

### ***Cost of Sales***

Our cost of sales consist mainly of merchandise inventory and transportation costs (which are variable and proportional to our sales volume), store occupancy costs, and warehouse and distribution center operating costs. We record vendor rebates consisting of volume purchase rebates, when earned. The rebates are recorded as a reduction of inventory purchases at cost, which has the effect of reducing cost of sales.

Although cost increases can negatively impact our business, our multiple price point product offering provides some flexibility to react to cost increases on a timely basis. We have historically reduced our cost of sales by shifting more of our sourcing to low-cost foreign suppliers. For Fiscal 2011, direct overseas sourcing accounted for 54% of our purchases compared to 53% for Fiscal 2010. While we still source a majority of our overseas products from China, we have been steadily increasing our purchases from other overseas suppliers in the last two fiscal years, including goods sourced directly from Germany, Indonesia, Italy, Thailand and Turkey. As a result, our cost of sales is impacted by the fluctuation of foreign currencies against the Canadian dollar. In particular, we purchase a majority of our imported merchandise from suppliers in China using U.S. dollars. Therefore, our cost of sales is impacted by the fluctuation of the Chinese renminbi against the U.S. dollar and the fluctuation of the U.S. dollar against the Canadian dollar.

While we enter into foreign exchange forward contracts to hedge a significant portion of our exposure to fluctuations in the value of the U.S. dollar and the euro against the Canadian dollar, we do not hedge our exposure to fluctuations in the value of the Chinese renminbi against the U.S. dollar.

Shipping and transportation costs are also a significant component of our cost of sales. When fuel costs increase, shipping and transportation costs increase because the carriers generally pass on such cost increases to the users. Because of the high volatility of fuel costs, it is difficult to forecast the fuel surcharges we may incur from our contract carriers as compared to past quarters.

Our occupancy costs are largely driven by our base rent expense. We believe that we are generally able to negotiate leases at attractive market rates due to the increased consumer traffic which our stores usually generate in strip malls and shopping centers. We typically enter into leases with base terms of ten years and options to renew for one or more periods of five years each.

### *General, Administrative and Store Operating Expenses*

Our general, administrative and store operating expenses (“**SG&A**”) consist of store labour, which is primarily variable and proportional to store sales volume, as well as store maintenance costs, salaries and related benefits of corporate and field management team members, administrative office expenses, professional fees, and other related expenses, all of which are primarily fixed. Although our average hourly wage rate is higher than the minimum wage, an increase in the mandated minimum wage could significantly increase our payroll costs unless we realize offsetting productivity gains and cost reductions. We expect our administrative costs to increase as we build our infrastructure to effectively meet the needs generated by the growth of the Corporation.

### *Economic or Industry-Wide Factors Affecting the Corporation*

We operate in the value retail industry, which is highly competitive with respect to price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. We compete with other dollar stores, variety and discount stores, and mass merchants operating in Canada. These other retail companies operate stores in many of the areas where we operate and many of them engage in extensive advertising and marketing efforts. Additionally, we compete with a number of companies for prime retail site locations, as well as in attracting and retaining quality employees. We expect continuing pressure resulting from a number of factors including, but not limited to: merchandise costs, instability in the global economy, consumer debt levels and buying patterns, economic conditions, interest rates, market volatility, customer preferences, unemployment, labour costs, inflation, currency exchange fluctuations, fuel prices, utilities costs, weather patterns, catastrophic events, competitive pressures and insurance costs. Depending on economic conditions, consumer spending could decline because of economic pressures, including unemployment. Reductions in consumer confidence and spending could have an adverse effect on our sales. A factor affecting both the consumer and business is oil prices. Ongoing tension in the Middle East and North Africa could result in higher oil prices with a consequent dampening effect on consumer spending and higher transportation costs for business.

## Selected Consolidated Financial Information

The following tables set out selected financial information for the periods indicated. The selected consolidated financial information set out below as of October 30, 2011 and October 31, 2010 has been derived from our unaudited condensed interim consolidated financial statements and related notes.

<i>(dollars in thousands, except per share amounts and number of shares)</i>	13-Week Period Ended		39-Week Period Ended	
	Oct. 30, 2011	Oct. 31, 2010	Oct. 30, 2011	Oct. 31, 2010
<b>Earnings Data</b>				
Sales.....	\$ 400,347	\$ 355,742	\$ 1,134,121	\$ 1,011,202
Cost of sales.....	252,270	227,130	720,180	654,404
Gross profit.....	148,077	128,612	413,941	356,798
Expenses:				
General, administrative and store operating expenses.....	75,990	69,172	218,826	198,055
Amortization and depreciation.....	8,667	7,351	24,615	21,045
Total expenses.....	84,657	76,523	243,441	219,100
Operating income.....	63,420	52,089	170,500	137,698
Net financial costs.....	3,444	7,336	13,503	28,636
Earnings before income taxes.....	59,976	44,753	156,997	109,062
Provision for income taxes.....	18,184	13,409	47,130	34,269
Net earnings.....	\$ 41,792	\$ 31,344	\$ 109,867	\$ 74,793
Basic net earnings per common share.....	\$ 0.57	\$ 0.43	\$ 1.49	\$ 1.02
Diluted net earnings per common share.....	\$ 0.55	\$ 0.42	\$ 1.45	\$ 0.99
Weighted average number of common shares outstanding during the period:				
Basic (in thousands).....	73,713	73,169	73,665	73,073
Diluted (in thousands).....	75,533	75,429	75,537	75,349
<b>Other Data</b>				
Year-over-year sales growth.....	12.5%	13.7%	12.2%	13.7%
Comparable store sales growth <sup>(1)</sup> .....	5.1%	8.0%	4.4%	8.1%
Gross margin <sup>(2)</sup> .....	37.0%	36.2%	36.5%	35.3%
SG&A as a % of sales <sup>(2)</sup> .....	19.0%	19.4%	19.3%	19.6%
EBITDA <sup>(3)</sup> .....	\$ 72,087	\$ 59,440	\$ 195,115	\$ 158,743
Operating margin <sup>(2)</sup> .....	15.8%	14.6%	15.0%	13.6%
Capital expenditures.....	\$ 12,201	\$ 12,410	\$ 35,634	\$ 29,850
Number of stores <sup>(4)</sup> .....	690	639	690	639
Average store size (gross square feet) <sup>(4)</sup> .....	9,910	9,843	9,910	9,843

<i>(dollars in thousands)</i>	As of	
	Oct. 30, 2011	Jan. 30, 2011
<b>Balance Sheet Data</b>		
Cash and cash equivalents.....	\$ 19,534	\$ 53,129
Merchandise inventories.....	305,181	258,905
Property and equipment.....	164,635	152,081
Total assets.....	1,335,341	1,311,131
Total debt <sup>(5)</sup> .....	278,522	366,875
Net debt <sup>(6)</sup> .....	258,988	313,746

- (1) Comparable store sales means sales of stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior year.
- (2) Gross margin represents gross profit divided by sales. SG&A as a % of sales represents general, administrative and store operating expenses divided by sales. Operating margin represents operating income divided by sales.
- (3) In this report, EBITDA is referred to as the "Non-GAAP measure". "EBITDA" represents operating income plus amortization and depreciation.

<i>(dollars in thousands)</i>	13-Week Period Ended		39-Week Period Ended	
	Oct. 30, 2011	Oct. 31, 2010	Oct. 30, 2011	Oct. 31, 2010
<b>A reconciliation of operating income to EBITDA is included below:</b>				
Operating income.....	\$ 63,420	\$ 52,089	\$ 170,500	\$ 137,698
Add: Amortization and depreciation.....	8,667	7,351	24,615	21,045
<b>EBITDA.....</b>	<b>\$ 72,087</b>	<b>\$ 59,440</b>	<b>\$ 195,115</b>	<b>\$ 158,743</b>
<i>EBITDA margin.....</i>	<i>18.0%</i>	<i>16.7%</i>	<i>17.2%</i>	<i>15.7%</i>

**A reconciliation of EBITDA to cash flows from operating activities is included below:**

EBITDA.....	\$ 72,087	\$ 59,440	\$ 195,115	\$ 158,743
Interest expense on long-term debt (net of amortization of debt issue costs and capitalized interest).....	(3,147)	(5,449)	(11,555)	(19,908)
Cash foreign exchange gain (loss) on derivative financial instruments and long-term debt <sup>(a)</sup> .....	2,069	4,554	(647)	(755)
Current income taxes.....	(15,241)	(12,751)	(39,433)	(31,994)
Repayment of finance lease principal.....	(510)	—	(510)	—
Repayment of capitalized interest on long-term debt.....	—	—	—	(28,074)
Deemed interest on repayment of long-term debt.....	(63)	(1,577)	(1,364)	(19,358)
Deferred lease inducements.....	433	819	2,324	2,016
Deferred tenant allowances and leasing costs.....	550	987	2,225	3,113
Amortization of deferred tenant allowances and leasing costs.....	(516)	(429)	(1,583)	(1,199)
Stock-based compensation.....	186	273	607	827
Other.....	(23)	12	(51)	10
	55,825	45,879	145,128	63,421
Change in non-cash working capital components.....	(41,291)	(10,818)	(50,047)	(27,286)
<b>Net cash generated from operating activities.....</b>	<b>\$ 14,534</b>	<b>\$ 35,061</b>	<b>\$ 95,081</b>	<b>\$ 36,135</b>

(a) Represents the cash portion of the foreign exchange gain (loss) on long-term debt and excess of receipts (disbursements) over amounts recognized on derivative financial instruments.

- (4) At the end of the period.
- (5) Total debt is comprised of current portion of long-term debt, and long-term debt before debt issue costs and discounts.
- (6) Net debt is defined as total debt (see note 5) minus cash and cash equivalents.

## Results of Operations

### *Analysis of Results for the Third Quarter Ended October 30, 2011*

The following section provides an overview of our financial performance during the third quarter ended October 30, 2011 compared to the third quarter ended October 31, 2010.

#### *Sales*

Sales increased by 12.5%, from \$355.7 million for the third quarter ended October 31, 2010 to \$400.3 million for the third quarter ended October 30, 2011. The increase was mainly driven by the opening of 51 net new stores since the end of the third quarter ended October 31, 2010 and by comparable store sales growth of 5.1% over the third quarter ended October 31, 2010. Comparable store sales growth consisted of a 5.2% increase in transaction size, marginally offset by a 0.1% decrease in the number of transactions.

In the third quarter ended October 30, 2011, 49% of our sales were from products priced higher than \$1 compared to 40% in the third quarter ended October 31, 2010, and 48% in the second quarter ended July 31, 2011. Product sales at price points above \$1 have progressed as a proportion of overall sales every quarter since we introduced the multiple price point strategy almost three years ago.

#### *Gross Margin*

Gross margin increased to 37.0% of sales in the third quarter ended October 30, 2011, compared to 36.2% of sales in the third quarter ended October 31, 2010, driven mainly by improved product margins and a lower shrink provision, partially offset by higher transportation costs as a percentage of sales.

#### *General, Administrative and Store Operating Expenses*

SG&A expenses in the third quarter ended October 30, 2011 decreased to 19.0% of sales, compared to 19.4% of sales in the corresponding period of the previous fiscal year, due primarily to store labour productivity improvements and to the scaling effects of certain fixed costs over the higher sales volume this year. SG&A expenses in the third quarter ended October 30, 2011 stood at \$76.0 million, a 9.9% increase over \$69.2 million in the corresponding period of the previous fiscal year. The increase is due primarily to the opening of 51 net new stores since the end of the third quarter ended October 31, 2010.

#### *Amortization and Depreciation*

Amortization and depreciation expense increased by \$1.3 million, from \$7.4 million for the third quarter ended October 31, 2010 to \$8.7 million for the third quarter ended October 30, 2011 due mainly to new store openings.

#### *Net Financial Costs*

Net financial costs decreased by \$3.9 million, from \$7.3 million for the third quarter ended October 31, 2010 to \$3.4 million for the third quarter ended October 30, 2011. This decrease is attributable to a lower debt level and a lower interest rate on the long-term debt as well as to lower amortization of debt issue costs and discounts compared to the corresponding period of the previous fiscal year.

### *Provision for Income Taxes*

Provision for income taxes increased by \$4.8 million, from \$13.4 million for the third quarter ended October 31, 2010 to \$18.2 million for the third quarter ended October 30, 2011, due mainly to increased profitability. Our effective tax rate for the third quarter ended October 30, 2011 was 30.3%, compared to 30.0% for the third quarter ended October 31, 2010.

### *Net Earnings*

For the third quarter ended October 30, 2011, net earnings increased to \$41.8 million, or \$0.55 per diluted share, compared to \$31.3 million, or \$0.42 per diluted share, for the third quarter of the previous fiscal year. The increase in net earnings was driven by an increase in operating income combined with a decrease in net financial costs, and was partially offset by income taxes.

### ***Analysis of Results for the Nine-Month Period Ended October 30, 2011***

The following section provides an overview of our financial performance during the nine-month period ended October 30, 2011 compared to the nine-month period ended October 31, 2010.

### *Sales*

Sales increased by 12.2%, from \$1,011.2 million for the nine-month period ended October 31, 2010 to \$1,134.1 million for the nine-month period ended October 30, 2011. The increase was mainly driven by the opening of 51 net new stores since the end of the nine-month period ended October 31, 2010 and by comparable store sales growth of 4.4% over the nine-month period ended October 31, 2010. Comparable store sales growth consisted of a 5.6% increase in transaction size, offset in part by a 1.1% decrease in the number of transactions.

### *Gross Margin*

Gross margin increased to 36.5% of sales in the nine-month period ended October 30, 2011, compared to 35.3% of sales in the nine-month period ended October 31, 2010, driven mainly by improved product margins and a lower shrink provision, partially offset by higher transportation costs as a percentage of sales.

### *General, Administrative and Store Operating Expenses*

SG&A expenses in the nine-month period ended October 30, 2011 decreased to 19.3% of sales, compared to 19.6% of sales in the corresponding period of the previous fiscal year, due primarily to store labour productivity improvements and to the scaling effects of certain fixed costs over the higher sales volume this year. SG&A expenses in the nine-month period ended October 30, 2011 stood at \$218.8 million, a 10.5% increase over \$198.1 million in the nine-month period ended October 31, 2010. The increase is due primarily to the opening of 51 net new stores since the end of the nine-month period ended October 31, 2010.

### *Amortization and Depreciation*

Amortization and depreciation expense increased by \$3.6 million, from \$21.0 million for the nine-month period ended October 31, 2010 to \$24.6 million for the nine-month period ended October 30, 2011, due mainly to new store openings.

### *Net Financial Costs*

Net financial costs decreased by \$15.1 million, from \$28.6 million for the nine-month period ended October 31, 2010 to \$13.5 million for the nine-month period ended October 30, 2011. This decrease is not only attributable to a lower debt level and a lower interest rate on the long-term debt, but also to the fact that net financial costs for the nine-month period ended October 31, 2010 included a write-off of debt issue costs of \$5.7 million and debt repayment premium and expenses of \$2.2 million, resulting from the repayment of the previous senior secured credit facility (the “**Old Credit Facility**”) and the redemption of the senior floating rate deferred interest notes (the “**Deferred Interest Notes**”) in the second quarter ended August 1, 2010.

### *Provision for Income Taxes*

Provision for income taxes increased by \$12.8 million from \$34.3 million for the nine-month period ended October 31, 2010 to \$47.1 million for the nine-month period ended October 30, 2011 due mainly to increased profitability. Our effective tax rate for the nine-month period ended October 30, 2011 was 30.0%, compared to 31.4% for the nine-month period ended October 31, 2010. The effective tax rate was higher in the nine-month period ended October 31, 2010 due mainly to the one-time tax impact of the repayment of the debt and the settlement of derivatives.

### *Net Earnings*

For the nine-month period ended October 30, 2011, net earnings increased to \$109.9 million, or \$1.45 per diluted share, compared to \$74.8 million, or \$0.99 per diluted share, for the nine-month period of the previous fiscal year. The increase in net earnings was driven by an increase in operating income combined with a decrease in net financial costs, and was partially offset by income taxes.

## Summary of Consolidated Quarterly Results

(dollars in thousands)	Fiscal 2012			Fiscal 2011			Fiscal 2010	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Statements of Earnings Data<sup>(1)</sup>:</b>	<b>IFRS</b>							<b>Canadian GAAP</b>
Sales.....	\$ 400,347	\$ 387,474	\$ 346,300	\$ 408,712	\$ 355,742	\$ 343,530	\$ 311,930	\$ 364,100
Cost of sales.....	252,270	245,330	222,580	252,578	227,130	222,360	204,914	221,652
General, administrative and store operating expenses.....	75,990	74,634	68,202	80,897	69,172	67,091	61,792	74,902
Amortization and depreciation.....	8,667	8,084	7,864	7,463	7,351	6,980	6,714	6,576
Total expenses.....	<u>336,927</u>	<u>328,048</u>	<u>298,646</u>	<u>340,938</u>	<u>303,653</u>	<u>296,431</u>	<u>273,420</u>	<u>303,130</u>
Operating income.....	63,420	59,426	47,654	67,774	52,089	47,099	38,510	60,970
Other expenses:								
Net financial costs.....	<u>3,444</u>	<u>5,662</u>	<u>4,397</u>	<u>5,824</u>	<u>7,336</u>	<u>14,751</u>	<u>6,549</u>	<u>12,788</u>
Earnings before income taxes.....	59,976	53,764	43,257	61,950	44,753	32,348	31,961	48,182
Provision for income taxes.....	<u>18,184</u>	<u>16,112</u>	<u>12,834</u>	<u>19,916</u>	<u>13,409</u>	<u>11,371</u>	<u>9,489</u>	<u>14,172</u>
Net earnings .....	<u>\$ 41,792</u>	<u>\$ 37,652</u>	<u>\$ 30,423</u>	<u>\$ 42,034</u>	<u>\$ 31,344</u>	<u>\$ 20,977</u>	<u>\$ 22,472</u>	<u>\$ 34,010</u>
Net earnings per common share:								
Basic.....	\$ 0.57	\$ 0.51	\$ 0.41	\$ 0.57	\$ 0.43	\$ 0.29	\$ 0.31	\$ 0.47
Diluted.....	\$ 0.55	\$ 0.50	\$ 0.40	\$ 0.56	\$ 0.42	\$ 0.28	\$ 0.30	\$ 0.45

(1) Unaudited interim condensed consolidated financial statements were prepared in accordance with IFRS, except for those relating to Fiscal 2010 which were prepared in accordance with previous Canadian GAAP.

## Liquidity and Capital Resources

### Cash Flows

#### Operating Activities

Cash flows from operating activities generated \$14.5 million in the third quarter ended October 30, 2011, compared to \$35.1 million in the third quarter ended October 31, 2010. The \$20.5 million decrease can be mainly explained by greater non-cash working capital requirements in the third quarter ended October 30, 2011 than in the corresponding period of the previous fiscal year, only partially offset by net earnings growth. The increase in non-cash working capital requirements was mainly due to a greater increase in inventory in the third quarter ended October 30, 2011, compared to the third quarter ended October 31, 2010. This incremental increase in inventory is mainly the result of a temporary adjustment made to accommodate longer lead times in China, and of the evolution of our price point mix, with items priced above \$1 representing a greater proportion of the mix from quarter to quarter.

Cash flows from operating activities generated \$95.1 million in the nine-month period ended October 30, 2011, compared to \$36.1 million in the nine-month period ended October 31, 2010. The \$58.9 million increase can be mainly explained by net earnings growth, on one hand, and by the one-time outflow associated with the repayment of the capitalized interest on the Deferred Interest Notes and the deemed interest on the repayment of long-term debt in the second quarter ended August 1, 2010, on the other hand, only slightly offset by greater non-cash working capital requirements in the nine-month period ended October 30, 2011. The increase in non-cash working capital requirements was mainly due to a greater increase in inventory in the nine-month period ended October 30, 2011, compared to the

increase recorded in the nine-month period ended October 31, 2010, attributable to the same two factors described above.

#### *Investing Activities*

Cash flows used by investing activities during the third quarter and nine-month period ended October 30, 2011 totalled \$12.1 million and \$35.4 million, respectively, compared to \$12.4 million and \$84.0 million for the third quarter and nine-month period ended October 31, 2010, respectively.

Cash flows used by investing activities in the nine-month period ended October 31, 2010 included the settlement of our outstanding swap agreements following the repayment of the Old Credit Facility and the redemption of the Deferred Interest Notes, which resulted in a net cash outflow of \$54.3 million.

Purchases of property and equipment decreased by \$0.2 million in the third quarter ended October 30, 2011 compared to the third quarter ended October 31, 2010, due mainly to a smaller number of new store openings. Purchases of property and equipment increased by \$5.8 million in the nine-month period ended October 30, 2011, compared to the corresponding period of the previous fiscal year, due mainly to an incremental increase in operational technology projects.

#### *Financing Activities*

Cash flows used by financing activities totaled \$10.2 million in the third quarter ended October 30, 2011, compared to \$94.5 million in the third quarter ended October 31, 2010.

During the third quarter ended October 30, 2011, the Corporation made a \$6.6 million quarterly dividend payment and a \$3.5 million scheduled quarterly principal repayment under the Credit Facility, net of \$0.1 million of deemed interest (classified under cash flows from operating activities). Cash flows used for financing activities during the third quarter ended October 31, 2010 included a \$90.0 million principal prepayment and a \$6.6 million scheduled principal repayment on the Credit Facility, net of the balance of \$1.6 million classified as deemed interest.

Cash flows used by financing activities in the nine-month period ended October 30, 2011 totaled \$93.3 million (which amount includes the \$80.0 million principal prepayment under the Credit Facility made during the second quarter ended July 31, 2011), compared to cash flows generated from financing activities of \$2.0 million in the nine-month period ended October 31, 2010.

During the nine-month period ended October 31, 2010, the Corporation received proceeds from the Credit Facility of \$525.0 million, repaid the term loan B of the Old Credit Facility, redeemed the Deferred Interest Notes and repaid a portion of the Credit Facility, net of the balance classified as capitalized interest on long term debt and as deemed interest incurred. We also incurred \$8.0 million of debt issue costs associated with the Credit Facility.

#### *Capital Resources*

The Corporation has historically generated sufficient cash flows from operating activities to fund its planned growth strategy and debt service requirements. Further, as of October 30, 2011, the Corporation had \$19.5 million of cash and cash equivalents on hand and \$74.1 million available under the revolving credit facility of its Credit Facility, which provides further flexibility to meet any unanticipated cash requirements.

Our ability to make scheduled payments of principal, or to pay the interest on, or to refinance our indebtedness, or to fund planned capital expenditures will depend on our future performance, which to a

certain extent, is subject to general economic, financial, competitive, legislative, regulatory, or other factors that are beyond our control. Based upon the current level of our operations, we believe that cash flows from operations, together with borrowings available under the Credit Facility, will be adequate to meet our future liquidity needs. Our assumptions with respect to future liquidity needs may not be correct and funds available to us from the sources described above may not be sufficient to enable us to service our indebtedness, or cover any shortfall in funding for any unanticipated expenses.

### *Credit Facility*

On June 10, 2010, Dollarama Group L.P. ("**Group L.P.**"), a wholly-owned subsidiary of the Corporation, entered into an agreement providing for the Credit Facility, an all-Canadian \$600 million syndicated senior secured credit facility consisting of: (i) a \$75.0 million revolving credit facility, and (ii) a \$525.0 million term loan facility maturing in June 2014. In addition, Group L.P. may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request additional term loan tranches or increases to the revolving loan commitments by an aggregate amount of up to \$75.0 million.

On October 5, 2011, the Corporation and its lenders entered into the first amending agreement to the Credit Facility, resulting in a new pricing grid with improved applicable rates, a revised amortization schedule for the repayment of the term loan and a new maturity date of June 10, 2015 for the revolving credit facility. At Dollarama's current leverage level, the Credit Facility accrues interest at BA + 175 bps compared to BA + 225 bps prior to the amendment.

As of October 30, 2011, there was an aggregate of \$278.5 million outstanding under the Credit Facility.

The Credit Facility contains restrictive covenants that, subject to certain exceptions, limit the ability of Group L.P. and its restricted subsidiaries to, among other things: make investments and loans, incur, assume, or permit to exist additional indebtedness, guarantees, or liens, engage in mergers, acquisitions, asset sales or sale-leaseback transactions, declare dividends, make payments on, or redeem or repurchase equity interests, alter the nature of the business, engage in certain transactions with affiliates, enter into agreements limiting subsidiary distributions, and prepay, redeem, or repurchase certain indebtedness. The Credit Facility requires Group L.P. to comply, on a quarterly basis, with the following financial covenants: a minimum interest coverage ratio test and a maximum lease-adjusted leverage ratio test. As of October 30, 2011, Group L.P. was in compliance with all of its financial covenants.

The Credit Facility is guaranteed by Dollarama Holdings L.P., Dollarama Group GP Inc. and all of Group L.P.'s existing and future restricted subsidiaries (collectively, the "**Credit Parties**"), and is secured by hypothecs and security interests in substantially all of the existing and future assets of the Credit Parties, as well as a pledge of existing and future intercompany notes and a pledge of Dollarama Group GP Inc.'s and Group L.P.'s capital stock and partnership units, as applicable, as well as the capital stock and partnership units, as applicable, of each of their subsidiaries.

### *Capital Expenditures*

Capital expenditures for the third quarter ended October 30, 2011 totaled \$12.2 million, offset by tenant allowances of \$0.6 million, compared to \$12.4 million, offset by tenant allowances of \$1.0 million, for the third quarter ended October 31, 2010. The decrease in capital expenditures was due mainly to a smaller number of new store openings during the third quarter ended October 30, 2011.

## Contractual Obligations and Commercial Commitments

The following tables summarize our material contractual obligations (in thousands of dollars) as of October 30, 2011, including off-balance sheet arrangements and commitments:

<i>(dollars in thousands)</i>	<u>Total</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Thereafter</u>
<b>Contractual obligations</b>							
<i>Lease financing:</i>							
Operating lease obligations <sup>(1)</sup> .....	\$ 621,747	\$ 89,118	\$ 84,249	\$ 78,831	\$ 72,132	\$ 63,109	\$ 234,308
<i>Long-term borrowings:</i>							
Credit Facility.....	278,522	14,102	14,102	250,318	—	—	—
Mandatory interest payments <sup>(2)</sup> .....	20,794	8,256	7,984	4,554	—	—	—
Finance lease obligation.....	1,286	589	641	56	—	—	—
Interest on finance lease obligation.....	120	86	34	—	—	—	—
<b>Contractual obligations.....</b>	<b><u>\$ 922,470</u></b>	<b><u>\$ 112,152</u></b>	<b><u>\$ 107,010</u></b>	<b><u>\$ 333,759</u></b>	<b><u>\$ 72,132</u></b>	<b><u>\$ 63,109</u></b>	<b><u>\$ 234,308</u></b>
<b>Commitments</b>							
Letters of credit and surety bonds.....	\$ 908	\$ 908	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Commitments.....</b>	<b><u>\$ 908</u></b>	<b><u>\$ 908</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>
<b>Total contractual obligations and commitments.....</b>	<b><u>\$ 923,378</u></b>	<b><u>\$ 113,060</u></b>	<b><u>\$ 107,010</u></b>	<b><u>\$ 333,759</u></b>	<b><u>\$ 72,132</u></b>	<b><u>\$ 63,109</u></b>	<b><u>\$ 234,308</u></b>

(1) Represent the basic annual rent, exclusive of the contingent rentals, common area maintenance, real estate taxes and other charges paid to landlords which, all together, represent approximately 40% of our total lease expenses.

(2) Based on the assumed interest rates on the amounts due under the Credit Facility.

## Financial Instruments

The Corporation uses derivative financial instruments such as foreign exchange forward contracts and, more recently, cumulative forward contracts to mitigate the risk associated with fluctuations in the U.S. dollar and the euro relative to the Canadian dollar. These derivative financial instruments are used for risk management purposes and, except for cumulative forward contracts, are designated as hedges of forecasted purchases of merchandise.

Currency hedging entails a risk of illiquidity and, to the extent that the U.S. dollar or the euro depreciates against the Canadian dollar, the risk of using hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Corporation if management's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

The Corporation documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions.

Derivative financial instruments are recorded at fair value, determined using market prices.

In the nine-month period ended October 30, 2011, there was no material change to the nature of risks arising from foreign exchange forward contracts and related risk management. The Corporation started using cumulative forward contracts as of October 14, 2011 but no change was made to the methodology used to determine the fair value of derivative financial instruments.

For a complete description of the derivative financial instruments of the Corporation, please refer to Note 5 to the Corporation's unaudited condensed interim consolidated financial statements for the third quarter ended October 30, 2011.

## **Transactions with Related Parties**

### ***Real Property Leases***

We currently lease 18 stores, four warehouses, our distribution center and head office from entities controlled by Larry Rossy, pursuant to long-term lease agreements. Rental expenses associated with these related-party leases are established at market terms and represented an aggregate amount of approximately \$2.9 million for the third quarter ended October 30, 2011.

### **Off-Balance Sheet Arrangements**

Other than our operating lease obligations, letters of credit and surety bonds described under the heading "*Contractual Obligations and Commercial Commitments*", we have no off-balance sheet arrangements.

### **Critical Accounting Policies and Estimates**

In preparing our financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the period. We evaluate our estimates on an ongoing basis, based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

### ***Valuation of Merchandise Inventories***

The valuation of store merchandise inventories is determined by the retail inventory method valued at the lower of cost (weighted average) and net realizable value. Under the retail inventory method, merchandise inventories are converted to a cost basis by applying an average cost to selling ratio. Merchandise inventories that are at the distribution centre or warehouses and inventories that are in transit from suppliers are stated at the lower of cost and net realizable value, determined on a weighted average cost basis. Merchandise inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its markdown reserve based on the consideration of a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, historical markdown statistics and future merchandising plans. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends. Historically, the Corporation has not experienced significant differences in its estimates of markdowns compared with actual results.

### ***Property and Equipment***

Property and equipment are carried at cost. Property and equipment are amortized over the estimated useful lives of the respective assets using the straight-line method: store and warehouse equipment at eight to ten years, computer equipment, computer software and vehicles at five years, and leasehold improvements at the terms of the leases. Property and equipment are reviewed for an indication of impairment at each consolidated statement of financial position date.

### ***Impairment of Goodwill and Trade Name***

Goodwill and trade name are not subject to amortization and are tested for impairment annually or more frequently if events or circumstances indicate that the assets might be impaired. Impairment is identified by comparing the recoverable amount of the cash-generating unit (“CGU”) or group of CGUs to its carrying value. To the extent the group of CGUs’ carrying amount exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of comprehensive income.

The recoverable amount of the group of CGUs is based on the fair value less cost to sell. The fair value less cost to sell is the amount for which the CGU could be exchanged between knowledgeable willing parties in an arm’s-length transaction, less cost to sell. Management undertakes an assessment of relevant market data, which is the market capitalization of the Corporation. Changes in the selling prices and direct costs are based on past experience and expectations of future changes in the market.

As of January 30, 2011 and February 1, 2010, impairment review were performed by comparing the carrying value of goodwill and trade name with the recoverable amount of the group of CGUs to which goodwill and the trade name have been allocated. Management determined that there had been no impairment.

### ***Impairment of Assets with Definite Useful Lives***

Assets are reviewed for an indication of impairment at each consolidated statement of financial position date. If an indication of impairment exists, the asset’s recoverable amount is estimated. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, and current historical or projected losses that demonstrate continuing losses. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less cost to sell and value in use. For purposes of impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

As of January 30, 2011 and February 1, 2010, reviews of indicators were performed. Management determined that there had been no impairment.

### ***Fair Value of Financial Instruments and Hedging***

The fair value of financial instruments is based on current interest rates, foreign exchange rates, credit risk, market value and current pricing of financial instruments with similar terms. Unless otherwise disclosed, the carrying value of the financial instruments, especially those with current maturities such as cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities, approximates their fair value.

When hedge accounting is used, formal documentation is set up about relationships between hedging instruments and hedged items, as well as risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to specific assets and liabilities on the consolidated statement of financial position or to specific firm commitments or forecast transactions. As part of the Corporation’s hedge accounting, an assessment is made to determine whether the derivatives that arose as hedging instruments are effective in offsetting changes in cash flows of hedge items.

### *Income Taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### *Operating Leases*

We recognize rental expense and inducements received from landlords on a straight-line basis over the term of the leases. Any difference between the calculated expense and the amounts actually paid is reflected as deferred lease inducements on our balance sheet.

### **Recent Accounting Pronouncements**

#### *Transition to International Financial Reporting Standards*

Effective January 1, 2011, IFRS became Canadian GAAP for publicly accountable enterprises. As a result, our unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and "First Time Adoption of International Financial Reporting Standards" ("**IFRS 1**") using accounting policies consistent with IFRS as issued by the IASB and interpretations of the International Financial Reporting Standards Interpretations Committee ("**IFRS IC**").

We have developed and executed a changeover plan in order to begin reporting in accordance with IFRS from January 31, 2011. The changeover plan included a scoping and diagnostic phase, a impact analysis, evaluation and design phase, and the implementation and review phase, each of which sets out activities to be performed over the life of the project, resulting in the Corporation's first interim reporting under IFRS for the first quarter ended May 1, 2011. The implementation phase continues in the third quarter ended October 30, 2011 and will culminate in the preparation of our financial reporting under IFRS for the fiscal year ending January 29, 2012.

Activities in this respect include continuing to execute business process and internal control changes, testing internal controls impacted by our IFRS changeover in connection with our Fiscal 2012 annual internal controls program, monitoring accounting and regulatory developments and evaluating impacts on our financial reporting, and continuing to fulfill presentation and reporting requirements.

As required by IFRS 1, IFRS accounting policies have been applied in the preparation of an opening IFRS consolidated statement of financial position as at February 1, 2010 and, for comparison purposes, all figures relating to the third quarter and nine-month period ended October 31, 2010 have been restated to reflect the Corporation's adoption of IFRS.

The Corporation provided information on its transition in its Fiscal 2011 MD&A. The assessments and impacts discussion in the Fiscal 2011 MD&A remain largely unchanged. Moreover, the Corporation has provided a detailed explanation of the impacts of this transition in Note 3 of the Corporation's unaudited condensed interim consolidated financial statements for the first quarter ended May 1, 2011. The note describes individual impacts and changes of accounting policies resulting from the adoption of IFRS as well as the Corporation's election under IFRS 1 and includes reconciliations of the Corporation's equity from Canadian GAAP to IFRS. As a result of the adoption of IFRS, there were no material changes required to the Corporation's statement of comprehensive income. At the transition date, a one-time

adjustment was required to recognize an additional deferred tax liability of \$7.0 million through retained earnings in the statement of financial position. The transition from Canadian GAAP to IFRS had no significant impact on comprehensive income, or cash flows generated by the Corporation. Note 3 to the Corporation's unaudited condensed interim consolidated financial statements for the third quarter ended October 30, 2011 describes the impacts of the transition for the comparative period ended October 31, 2010.

### *Future Accounting Changes*

The following standards and amendments to existing standards have been published and are mandatory for the Corporation's accounting periods beginning on February 4, 2013. The Corporation has not decided to proceed with the early adoption of any of the following standards and amendments.

- In November 2009, the IASB issued IFRS 9, "Financial Instruments" ("**IFRS 9**"). It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in International Accounting Standards 39, "Financial Instruments: Recognition and Measurement" ("**IAS 39**"), with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income and dividends, to the extent that they do not clearly represent a return on investment, they are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010, and they largely carry forward existing requirements in IAS 39, except that in the new requirements, fair value changes due to credit risk for liabilities designated at fair value through profit or loss must be recorded in other comprehensive income. The Corporation has not yet assessed the impact of the standard.
- In May 2011, the IASB issued the following new standards which have not yet been adopted by the Corporation:
  - IFRS 10, "Consolidated Financial Statements" ("**IFRS 10**") requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee ("**SIC**") - 12, "Consolidation - Special Purpose Entities", and parts of IAS 27, "Consolidated and Separate Financial Statements".
  - IFRS 11, "Joint Arrangements" ("**IFRS 11**") requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities - Non-Monetary Contributions by Venturers".

- IFRS 12, “Disclosure of Interests in Other Entities” (“**IFRS 12**”) establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interest in other entities.
- IFRS 13, “Fair Value Measurement” (“**IFRS 13**”) is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an assets, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.
- In addition to the new standards above, amendments to existing standards include the following:
  - IAS 27, “Separate Financial Statements” addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements.
  - IAS 28, “Investments in Associates and Joint Ventures” has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.
  - IAS 1, “Presentation of Financial Statements” has been amended to change the disclosure of items presented in other comprehensive income.

## **Risks and Uncertainties**

Monitoring and improving its operations are constant concerns at the Corporation. In view of this, understanding and managing risks are important parts of the Corporation’s strategic planning process. The Board of Directors requires that the Corporation’s senior management identify and properly manage the principal risks related to the Corporation’s business operations.

The major risks and uncertainties that could materially affect the Corporation’s future business results are described in the Corporation’s annual MD&A for Fiscal 2011, available on SEDAR at [www.sedar.com](http://www.sedar.com), and are divided into the following categories:

- risks related to our business operations;
- financial risks;
- market risks;
- human resources risks;
- technology risks;
- strategy and corporate structure risks;
- business continuity risks; and
- legal and regulatory risks.

Risks and uncertainties have not materially changed in the nine-month period ended October 30, 2011. The Corporation manages these risks on an ongoing basis and has put in place certain guidelines with the goal of managing these in order to lessen their financial impact, and the Corporation maintains cost-effective, comprehensive insurance coverage against most insurable events. The Corporation also gathers and analyzes economic and competitive data on a regular basis and senior management takes these findings into consideration when making strategic and operational decisions. Despite these guidelines and initiatives, the Corporation cannot provide assurances that any such efforts will be successful.

### **Controls and Procedures**

There were no changes in our internal control over financial reporting that occurred during the period beginning on August 1, 2011 and ended on October 30, 2011 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

### **Dividends**

On December 7, 2011, the Corporation announced that its Board of Directors approved a quarterly dividend for holders of its common shares of \$0.09 per common share. The Corporation's quarterly dividend will be paid on February 1, 2012 to shareholders of record at the close of business on January 5, 2012. This dividend is designated as an "eligible dividend" for Canadian tax purposes.

### **Outstanding Share Data**

The Corporation's outstanding share capital is comprised of common shares. An unlimited number of common shares is authorized and, as at December 5, 2011, there were 73,721,520 common shares issued and outstanding. In addition, there were 2,304,021 options, each exercisable for one common share, issued and outstanding as at December 5, 2011. Assuming exercise of all outstanding options, there would have been 76,025,541 common shares issued and outstanding on a fully diluted basis as at December 5, 2011.

### **Additional Information**

Additional information relating to the Corporation, including the Corporation's current Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).