Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week periods ended May 5, 2019 and April 29, 2018

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

Dollarama Inc.

Consolidated Interim Statement of Financial Position as at
(Unaudited, expressed in thousands of Canadian dollars)

	Note	May 5, 2019 $	February 3, 2019 $ Restated (1)	January 29, 2018 $ Restated (1)
Assets				
Current assets				
Cash		55,298	50,371	54,844
Accounts receivable		34,389	35,843	11,502
Prepaid expenses		17,819	15,560	7,166
Prepaid income taxes		9,630	-	-
Inventories		577,480	581,241	490,927
Derivative financial instruments	7	16,007	5,505	286
		710,623	688,520	564,725
Non-current assets				
Property, plant and equipment		597,274	586,027	490,988
Right-of-use assets	5	1,231,857	1,208,461	1,142,495
Intangible assets		149,481	148,879	143,046
Goodwill		727,782	727,782	727,782
Total assets		3,417,017	3,359,669	3,069,036
Liabilities and shareholders' deficit				
Current liabilities				
Accounts payable and accrued liabilities		188,946	230,981	227,244
Dividend payable		13,848	12,650	12,180
Derivative financial instruments	7	-	872	39,491
Income taxes payable		-	34,602	35,720
Current portion of long-term debt	8	316,237	7,383	405,192
Current portion of lease liabilities	5	171,706	156,746	140,691
		690,737	443,234	860,518
Non-current liabilities				
Non-current portion of long-term debt	8	1,571,508	1,890,845	1,260,459
Non-current portion of lease liabilities	5	1,265,971	1,246,074	1,196,375
Deferred income taxes		107,801	96,900	83,442
Total liabilities		3,636,017	3,677,053	3,400,794
Commitments	9			
Shareholders' deficit				
Share capital	10	409,805	408,179	415,787
Contributed surplus	10	33,585	32,450	27,699
Deficit		(675,538)	(765,202)	(742,821)
Accumulated other comprehensive income (loss)		13,148	7,189	(32,423)
Total shareholders' deficit		(219,000)	(317,384)	(331,758)
Total liabilities and shareholders' deficit		3,417,017	3,359,669	3,069,036

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 4 to these condensed interim consolidated financial statements. Comparative figures have been restated.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Dollarama Inc.

Consolidated Interim Statement of Changes in Shareholders' Deficit

For the 13-week periods ended

(Unaudited, expressed in thousands of Canadian dollars, except share amounts)

	Note	Number of common shares [(2)]	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Restated balance – February 3, 2019 [(1)]	10	314,685,277	408,179	32,450	(765,202)	7,189	(317,384)
Net earnings		-	-	-	103,512	-	103,512
Other comprehensive income		-	-	-	-	12,006	12,006
Total comprehensive income		-	-	-	103,512	12,006	115,518
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(6,047)	(6,047)
Dividends declared		-	-	-	(13,848)	-	(13,848)
Share-based compensation	10	-	-	1,415	-	-	1,415
Issuance of common shares	10	55,700	1,346	-	-	-	1,346
Reclassification for the exercise of share options	10	-	280	(280)	-	-	-
Balance – May 5, 2019		314,740,977	409,805	33,585	(675,538)	13,148	(219,000)
Restated balance – January 28, 2018 [(1)]	10	327,977,577	415,787	27,699	(742,821)	(32,423)	(331,758)
Restated net earnings	4	-	-	-	101,537	-	101,537
Other comprehensive income		-	-	-	-	20,727	20,727
Restated total comprehensive income		-	-	-	101,537	20,727	122,264
Transfer of realized cash flow hedge losses to inventory		-	-	-	-	8,646	8,646
Dividends declared		-	-	-	(13,109)	-	(13,109)
Repurchase and cancellation of common shares	10	(283,500)	(368)	-	(14,176)	-	(14,544)
Share-based compensation	10	-	-	1,640	-	-	1,640
Issuance of common shares	10	33,000	791	-	-	-	791
Reclassification for the exercise of share options	10	-	162	(162)	-	-	-
Restated balance – April 29, 2018		327,727,077	416,372	29,177	(668,569)	(3,050)	(226,070)

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 4 to these condensed interim consolidated financial statements. Comparative figures have been restated.

(2) Numbers of common shares as at January 28, 2018 and April 29, 2018, including changes in the share capital between these dates, reflect the retrospective application of the Share Split (defined under Note 10).

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Dollarama Inc.

Consolidated Interim Statement of Net Earnings and Comprehensive Income

For the 13-week periods ended

(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	May 5, 2019 $	April 29, 2018 $ Restated [1]
Sales		828,036	756,069
Cost of sales	14	479,145	424,985
Gross profit		348,891	331,084
General, administrative and store operating expenses		122,123	113,147
Depreciation and amortization	14	58,199	55,446
Operating income		168,569	162,491
Net financing costs	14	25,558	22,440
Earnings before income taxes		143,011	140,051
Income taxes	11	39,499	38,514
Net earnings		103,512	101,537
Other comprehensive income			
Items to be reclassified subsequently to net earnings			
Unrealized gain on derivative financial instruments not subject to basis adjustments		-	169
Reclassification of losses (gains) on derivative financial instruments not subject to basis adjustments		(95)	22
Items that will not be reclassified subsequently to net earnings			
Unrealized gain on derivative financial instruments subject to basis adjustments		16,523	28,289
Income tax expense relating to components of other comprehensive income		(4,422)	(7,753)
Total other comprehensive income, net of income taxes		12,006	20,727
Total comprehensive income		115,518	122,264
Earnings per common share			
Basic net earnings per common share *(restated)* [2]	12	$0.33	$0.31
Diluted net earnings per common share *(restated)* [2]	12	$0.33	$0.31
Weighted average number of common shares outstanding (*thousands*) *(restated)* [2]	12	314,701	327,909
Weighted average number of diluted common shares outstanding (*thousands*) *(restated)* [2]	12	317,863	332,403

[1] The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 4 to these condensed interim consolidated financial statements. Comparative figures have been restated.

[2] Numbers of common shares and amounts per common share as at April 29, 2018 reflect the retrospective application of the Share Split (defined under Note 10).

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Dollarama Inc.

Consolidated Interim Statement of Cash Flows

For the 13-week periods ended

(Unaudited, expressed in thousands of Canadian dollars)

	Note	May 5, 2019 $	April 29, 2018 $ Restated [1]
Operating activities			
Net earnings		103,512	101,537
Adjustments to reconcile net earnings to net cash generated from operating activities:			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	14	58,199	55,446
Amortization of debt issue costs		547	560
Recognition of gains and losses on bond lock and bond forward contracts	7	(95)	22
Transfer of realized cash flow hedge losses to inventory	7	-	8,646
Share-based compensation	10	1,415	1,640
Financing costs on long-term debt		8,971	8,981
Deferred income taxes		5,580	4,459
Gain on disposal of assets		(504)	(445)
		177,625	180,846
Changes in non-cash working capital components	15	(83,311)	(121,325)
Net cash generated from operating activities		94,314	59,521
Investing activities			
Additions to property, plant and equipment		(26,523)	(59,042)
Additions to intangible assets		(4,157)	(5,232)
Proceeds from disposal of property, plant and equipment		351	69
Net cash used in investing activities		(30,329)	(64,205)
Financing activities			
Proceeds from long-term debt issued (Series 3 Floating Rate Notes)	8	-	300,000
Repayments of Credit Facility	8	(20,000)	(191,000)
Payment of debt issue costs		-	(1,114)
Principal elements of lease liabilities		(27,754)	(32,406)
Issuance of common shares	10	1,346	791
Dividends paid		(12,650)	(12,180)
Repurchase and cancellation of common shares	10	-	(23,686)
Net cash (used in) from financing activities		(59,058)	40,405
Increase in cash		4,927	35,721
Cash – beginning of period		50,371	54,844
Cash – end of period		55,298	90,565

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 4 to these condensed interim consolidated financial statements. Comparative figures have been restated.

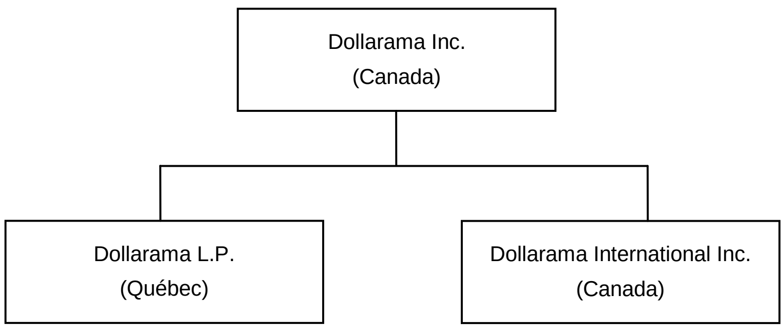
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004, under the Canada Business Corporations Act. The Corporation operates dollar stores in Canada that sell all items for $4.00 or less. As at May 5, 2019, the Corporation maintains retail operations in every Canadian province. The Corporation’s corporate headquarters, distribution centre and warehouses are located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DOL” and is incorporated and domiciled in Canada.

The Corporation’s head office and registered office is located at 5805 Royalmount Avenue, Montreal, Quebec, H4P 0A1.

As at May 5, 2019, the significant entities within the legal structure of the Corporation are as follows:



Dollarama L.P. operates the chain of stores and performs related logistical and administrative support activities.

Dollarama International Inc. sells merchandise and renders services to customers outside of Canada, the Corporation’s country of domicile. For the 13-week periods ended May 5, 2019 and April 29, 2018, sales from Dollarama International Inc. represented approximately 1% of the Corporation’s total consolidated sales.

2 Basis of preparation

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issue on June 13, 2019.

The number of common shares in these unaudited condensed interim consolidated financial statements, as at January 28, 2018 and April 29, 2018, including changes in the share capital between these two dates, reflect the retrospective application of the Share Split (see Note 10).

2 Basis of preparation (cont'd)

The Corporation prepares its condensed interim consolidated financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended February 3, 2019 ("Fiscal 2019"), which have been prepared in accordance with IFRS as issued by the IASB. In management's opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

With the exception of IFRS 16, "Leases", which has been adopted by the Corporation on February 4, 2019 using the full retrospective approach with restatement of comparative information, the accounting policies of the Corporation have been applied consistently to all periods in these condensed interim consolidated financial statements. For a summary of the significant accounting policies related to IFRS 16 and for additional information on the adoption of IFRS 16, refer to Note 3 and Note 4 below.

3 Summary of significant accounting policies

Except as described below, these unaudited condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in Note 3 to the Fiscal 2019 audited consolidated financial statements.

Under IFRS 16, the Corporation assesses whether a contract is or contains a lease, at the inception of the contract. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and some leases of low-value assets. For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Corporation's incremental borrowing rate, unless the implicit interest rate in the lease can be readily determined.

Lease payments included in the measurement of the lease liability comprise of:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, which are initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the condensed interim consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3 Summary of significant accounting policies (cont'd)

The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using the same discount rate used in initially setting up the liability (unless the lease payments' change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability nor the right-of-use assets. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Cost of sales" or "General, administrative and store operating expenses" in the condensed consolidated interim statement of net earnings.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and to instead account for any lease and associated non-lease components as a single arrangement. The Corporation has elected to use the practical expedient, and treats the different components identified in a lease as a single lease component.

4 Adoption of IFRS 16 – Leases

In January of 2016, the IASB issued IFRS 16, “Leases”, which replaces IAS 17, “Leases”. For the Corporation, the new standard is effective for fiscal years beginning on February 4, 2019. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Corporation had significant contractual obligations in the form of operating leases under IAS 17, there has been a material increase to both assets and liabilities upon adoption of IFRS 16, and changes in the timing of recognition of expenses associated with lease arrangements.

IFRS 16 has been applied to these unaudited condensed interim consolidated financial statements using the full retrospective approach and the Corporation has therefore restated comparative information for the fiscal year ended February 3, 2019, as if IFRS 16 had always been in effect.

The Corporation has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and International Financial Reporting Interpretations Committee “IFRIC” 4, “Determining Whether an Agreement Contains a Lease”, will continue to be applied to those leases entered into or modified before February 4, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the Corporation has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after February 4, 2019. The definition in IFRS 16 has not changed the scope of contracts that meet the definition of a lease for the Corporation.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

4 Adoption of IFRS 16 – Leases (cont'd)

Financial impact on initial application of IFRS 16

The tables below show the amount of adjustments of each consolidated financial statement line item affected by the application of IFRS 16 for the current and prior periods.

i. Consolidated Statement of Financial Position

	January 29, 2018		
	Impact of changes in accounting policies		
	As previously reported under IAS 17	Impact	As reported under IFRS 16
	$	$	$
Current assets			
Accounts receivable	15,263	(3,761)	11,502
Prepaid expenses	8,649	(1,483)	7,166
Other current assets	546,057	-	546,057
	569,969	(5,244)	564,725
Non-current assets			
Property, plant and equipment	490,988	-	490,988
Right-of-use assets	-	1,142,495	1,142,495
Intangible assets	145,600	(2,554)	143,046
Goodwill	727,782	-	727,782
	1,364,370	1,139,941	2,504,311
Total assets	1,934,339	1,134,697	3,069,036
Current liabilities			
Accounts payable and accrued liabilities	228,362	(1,118)	227,244
Current portion of lease liabilities	-	140,691	140,691
Other current liabilities	492,583	-	492,583
	720,945	139,573	860,518
Non-current liabilities			
Non-current portion of lease liabilities	-	1,196,375	1,196,375
Deferred rent and lease inducements	92,633	(92,633)	-
Deferred income taxes	112,660	(29,218)	83,442
Other non-current liabilities	1,260,459	-	1,260,459
Total liabilities	2,186,697	1,214,097	3,400,794
Shareholders' deficit			
Deficit	(663,421)	(79,400)	(742,821)
Other elements of shareholders' deficit	411,063	-	411,063
Total shareholders' deficit	(252,358)	(79,400)	(331,758)
Total liabilities and shareholders' deficit	1,934,339	1,134,697	3,069,036

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

4 Adoption of IFRS 16 – Leases (cont'd)

i. Consolidated Statement of Financial Position (cont'd)

	February 3, 2019		
	Impact of changes in accounting policies		
	As previously reported under IAS 17	Impact	As reported under IFRS 16
	$	$	$
Current assets			
Accounts receivable	42,206	(6,363)	35,843
Prepaid expenses	30,316	(14,756)	15,560
Other current assets	637,117	-	637,117
	709,639	(21,119)	688,520
Non-current assets			
Property, plant and equipment	589,513	(3,486)	586,027
Right-of-use assets	-	1,208,461	1,208,461
Intangible assets	150,961	(2,082)	148,879
Goodwill	727,782	-	727,782
	1,468,256	1,202,893	2,671,149
Total assets	2,177,895	1,181,774	3,359,669
Current liabilities			
Accounts payable and accrued liabilities	232,545	(1,564)	230,981
Current portion of lease liabilities	531	156,215	156,746
Other current liabilities	55,507	-	55,507
	288,583	154,651	443,234
Non-current liabilities			
Non-current portion of lease liabilities	3,278	1,242,796	1,246,074
Deferred rent and lease inducements	101,700	(101,700)	-
Deferred income taxes	127,585	(30,685)	96,900
Other non-current liabilities	1,890,845	-	1,890,845
Total liabilities	2,411,991	1,265,062	3,677,053
Shareholders' deficit			
Deficit	(681,914)	(83,288)	(765,202)
Other elements of shareholders' deficit	447,818	-	447,818
Total shareholders' deficit	(234,096)	(83,288)	(317,384)
Total liabilities and shareholders' deficit	2,177,895	1,181,774	3,359,669

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

4 Adoption of IFRS 16 – Leases (cont'd)

ii. Consolidated Interim Statement of Net Earnings

	April 29, 2018		
	Impact of changes in accounting policies		
	As previously reported under IAS 17 $	Impact $	As reported under IFRS 16 $
Sales	756,069	-	756,069
Cost of sales	471,417	(46,432)	424,985
Gross profit	284,652	46,432	331,084
General, administrative and store operating expenses	114,478	(1,331)	113,147
Depreciation and amortization	18,736	36,710	55,446
Operating income	151,438	11,053	162,491
Net financing costs	11,326	11,114	22,440
Earnings before income taxes	140,112	(61)	140,051
Income taxes	38,537	(23)	38,514
Net earnings	101,575	(38)	101,537

iii. Earnings per common share

	April 29, 2018		
	Impact of changes in accounting policies		
(per share amounts)	As previously reported under IAS 17 $	Impact $	As reported under IFRS 16 $
Basic net earnings per common share (1)	0.31	(0.00)	0.31
Diluted net earnings per common share (1)	0.31	(0.00)	0.31

(1) Amounts per common share as at April 29, 2018 reflect the retrospective application of the Share Split (defined under Note 10).

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

4 Adoption of IFRS 16 – Leases (cont'd)

iv. Consolidated Interim Statement of Cash Flows

	April 29, 2018		
	Impact of changes in accounting policies		
	As previously reported under IAS 17	Impact	As reported under IFRS 16
	$	$	$
Net earnings	101,575	(38)	101,537
Adjustments to reconcile net earnings to net cash generated from operating activities:			
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	18,736	36,710	55,446
Amortization of deferred tenant allowances	(1,378)	1,378	-
Amortization of deferred leasing costs	120	(120)	-
Deferred lease inducements	1,162	(1,162)	-
Deferred tenant allowances	663	(663)	-
Interest payment on finance lease	32	(32)	-
Deferred income taxes	4,482	(23)	4,459
Loss (gain) on disposal of assets	91	(536)	(445)
Other adjustments	19,849	-	19,849
	145,332	35,514	180,846
Changes in non-cash working capital components	(118,076)	(3,249)	(121,325)
Net cash from operating activities	27,256	32,265	59,521
Principal elements of lease liabilities	(141)	(32,265)	(32,406)
Other financing activities	72,811	-	72,811
Net cash from financing activities	72,670	(32,265)	40,405

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

5 Leases

As at May 5, 2019, the Corporation leases retail space for 1,235 stores. Information about leases for which the Corporation is a lessee is presented below.

i. Right-of-use assets

Additions to the right-of-use assets during the 13-week period ended May 5, 2019 amounted to $65,248 (April 29, 2018 – $32,139).

ii. Amounts recognized in the consolidated interim statement of net earnings

	May 5, 2019 $	**April 29, 2018 $**
Depreciation of right-of-use assets	39,958	36,929
Gain on lease remeasurements	(746)	(536)
Interest on lease liabilities	11,764	11,146
Variable lease expenses not included in the measurement of the lease liabilities	22,397	22,344
Expenses relating to short-term leases	3,818	3,287

iii. Amounts recognized in the consolidated interim statement of cash flows

	May 5, 2019 $	**April 29, 2018 $**
Lease payments cash outflows	76,862	72,346
Tenant incentives cash inflows	(10,716)	(2,880)
Total lease cash flows	66,146	69,466

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

5 Leases (cont'd)

The Corporation leases 1,235 stores, its head office, five warehouses and some equipment. The initial lease term of stores typically runs for a period of approximately 10 years. Many leases include one or more options to renew the lease for additional periods of 5 years each after the end of the initial term.

Some leases provide for additional lease payments that are based on changes in local price indices, or variable lease payments that are based on a percentage of sales that the Corporation makes at the leased store in the period. Some also require the Corporation to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

Fixed and variable lease payments for the 13-week periods ended May 5, 2019 and April 29, 2018 were as follows.

	May 5, 2019 $	**April 29, 2018 $**
Fixed payments (net of tenant incentives received)	39,518	43,552
Variable payments	22,810	22,627
	62,328	66,179

6 Critical accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions using judgment that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses during the reporting period. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

Except for estimates relating to the lease term as discussed below, these condensed interim consolidated financial statements were prepared using the same significant estimates and judgments as those made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty to the audited consolidated financial statements for Fiscal 2019 (refer to Note 5 of the Fiscal 2019 audited consolidated financial statements).

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods covered by termination options) are only included in the lease term if the lease is reasonably certain to be extended (or terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. IFRS 16 also introduces new estimates due to the incremental borrowing rate used for measurement of the lease liabilities.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

7 Derivative financial instruments

Fair value of financial instruments

The three levels of fair value hierarchy under which the Corporation's financial instruments are valued are the following:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

A summary of the aggregate contractual nominal value, weighted average contract rate or interest rate, statement of financial position location and estimated fair values of derivative financial instruments as at May 5, 2019 and February 3, 2019 is as follows:

	Contractual nominal value	Weighted average contract/ interest rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD/CAD	USD/CAD/ interest rate	Location	Significant other observable inputs (Level 2)	Recurring
	$			$	
As at May 5, 2019					
Hedging instruments					
USD Foreign exchange forward contracts	470,000	1.30	Current assets	16,007	Cash flow hedge
As at February 3, 2019					
Hedging instruments					
USD Foreign exchange forward contracts	385,000	1.30	Current assets	5,505	Cash flow hedge
USD Foreign exchange forward contracts	100,000	1.32	Current liabilities	(872)	Cash flow hedge
	485,000			4,633	

For the 13-week period ended May 5, 2019, accumulated fair value gains of $5,548 on foreign exchange forward contracts recorded in the carrying value of inventory were reclassified from inventory to the consolidated statement of net earnings and comprehensive income and recorded in the cost of sales.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

8 Long-term debt

Long-term debt outstanding consists of the following as at:

	May 5, 2019 $	February 3, 2019 $
Senior unsecured notes bearing interest at:		
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the “3.55% Fixed Rate Notes”)	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the “2.203% Fixed Rate Notes”)	250,000	250,000
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the “2.337% Fixed Rate Notes”, and collectively with the 3.55% Fixed Rate Notes and the 2.203% Fixed Rate Notes, the “Fixed Rate Notes”)	525,000	525,000
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 27 basis points payable quarterly, maturing February 1, 2021 (the “Series 3 Floating Rate Notes”)	300,000	300,000
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 59 basis points payable quarterly, maturing March 16, 2020 (the “Series 2 Floating Rate Notes”, and collectively with the Series 3 Floating Rate Notes, the “Floating Rate Notes”)	300,000	300,000
Unsecured revolving credit facility maturing September 29, 2023 (the “Credit Facility”)	5,000	25,000
Less: Unamortized debt issue costs	(8,492)	(9,155)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	16,237	7,383
	1,887,745	1,898,228
Current portion (includes Series 2 Floating Rate Notes, maturing March 16, 2020, and accrued interest on the Floating Rate Notes and Fixed Rate Notes)	(316,237)	(7,383)
	1,571,508	1,890,845

Fixed Rate Notes

As at May 5, 2019, the carrying value of the 3.55% Fixed Rate Notes was $504,730 (February 3, 2019 – $500,082). The fair value of the 3.55% Fixed Rate Notes as at May 5, 2019 was determined to be $513,035 valued as a level 2 in the fair value hierarchy (February 3, 2019 – $504,470). The 3.55% Fixed Rate Notes are due on November 6, 2023.

As at May 5, 2019, the carrying value of the 2.203% Fixed Rate Notes was $251,901 (February 3, 2019 – $250,477). The fair value of the 2.203% Fixed Rate Notes as at May 5, 2019 was determined to be $245,503 valued as a level 2 in the fair value hierarchy (February 3, 2019 – $241,543). The 2.203% Fixed Rate Notes are due on November 10, 2022.

As at May 5, 2019, the carrying value of the 2.337% Fixed Rate Notes was $527,421 (February 3, 2019 – $524,256). The fair value of the 2.337% Fixed Rate Notes as at May 5, 2019 was determined to be $522,664 valued as a level 2 in the fair value hierarchy (February 3, 2019 – $517,435). The 2.337% Fixed Rate Notes are due on July 22, 2021.

8 Long-term debt (cont'd)

Floating Rate Notes

As at May 5, 2019, the carrying value of the Series 3 Floating Rate Notes was $299,380 (February 3, 2019 – $299,287). The fair value of the Series 3 Floating Rate Notes as at May 5, 2019 was determined to be $298,806 valued as a level 2 in the fair value hierarchy (February 3, 2019 – $297,351). The Series 3 Floating Rate Notes are due on February 1, 2021.

As at May 5, 2019, the carrying value of the Series 2 Floating Rate Notes was $300,807 (February 3, 2019 – $300,707). The fair value of the Series 2 Floating Rate Notes as at May 5, 2019 was determined to be $300,567 valued as a level 2 in the fair value hierarchy (February 3, 2019 – $300,180). The Series 2 Floating Rate Notes are due on March 16, 2020.

Credit Facility

As at May 5, 2019, an amount of $5,000 was outstanding under the Credit Facility (February 3, 2019 – $25,000), as well as letters of credit issued for the purchase of inventories which amounted to $784 (February 3, 2019 – $5,633, which amount included a letter of guarantee required by the municipality in connection with the expansion of the distribution centre). As at May 5, 2019, the Corporation was in compliance with all of its financial covenants.

9 Commitments

As at May 5, 2019, the Corporation had commitments of approximately $9,494 (February 3, 2019 – $14,500) for the expansion of the distribution centre.

10 Shareholders' deficit

a) Share capital

Three-for-one share split

On June 19, 2018, shareholders of record as at the close of business on June 14, 2018 received two additional common shares for each common share held (the "Share Split"). Ex-distribution trading in the common shares on a split-adjusted basis commenced on June 20, 2018.

Normal course issuer bid

On June 7, 2018, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 16,386,351 common shares (retrospectively restated to reflect the Share Split), representing 5.0% of the common shares issued and outstanding as at the close of markets on June 6, 2018, during the 12-month period from June 20, 2018 to June 19, 2019 (the "2018-2019 NCIB").

On December 5, 2018, the Corporation received approval from the TSX to amend the 2018-2019 NCIB in order to increase the number of shares that may be repurchased thereunder from 16,386,351 to 30,095,056 common shares (representing 10.0% of the Corporation's public float as at June 6, 2018). The other terms of the 2018-2019 NCIB remain unchanged.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

10 Shareholders' deficit (cont'd)

During the 13-week period ended on May 5, 2019, there were no common shares repurchased for cancellation under the 2018-2019 NCIB. The total number of common shares repurchased for cancellation under the 2017-2018 NCIB during the 13-week period ended April 29, 2018 amounted to 283,500 common shares for a total cash consideration of $14,544. For the 13-week period ended April 29, 2018, the Corporation's share capital was reduced by $368 and the remaining $14,176 was accounted for as an increase in deficit.

b) Contributed surplus

Share-based compensation

During the 13-week period ended May 5, 2019, the Corporation recognized a share-based compensation expense of $1,415 (April 29, 2018 – $1,640).

Outstanding and exercisable share options for the 13-week periods ended on the dates indicated below are as follows:

	May 5, 2019		April 29, 2018 (1)	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding – beginning of period	7,249,600	22.07	7,288,650	19.59
Granted	565,500	38.17	555,000	51.25
Exercised	(55,700)	24.17	(33,000)	23.96
Forfeited	(53,400)	33.68	(25,800)	28.53
Outstanding – end of period	7,706,000	23.16	7,784,850	21.80
Exercisable – end of period	5,567,000	17.85	4,868,850	15.87

(1) Retrospectively restated to reflect the application of the Share Split.

Information relating to share options outstanding and exercisable as at May 5, 2019 is as follows:

	Share options outstanding			Share options exercisable		
Range of exercise prices	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)
$2.92 - $4.38	5	24,000	2.92	5	24,000	2.92
$4.39 - $6.59	23	48,000	5.36	23	48,000	5.36
$6.60 - $9.90	33	489,600	7.26	33	489,600	7.26
$9.91 - $13.66	48	1,733,800	12.14	48	1,733,800	12.14
$13.67 - $18.72	59	1,591,600	14.83	59	1,555,600	14.81
$18.73 - $23.68	71	931,500	23.68	71	703,500	23.68
$23.69 - $30.20	83	1,101,000	30.20	83	633,000	30.20
$30.21 - $37.36	95	693,000	37.36	95	271,800	37.36
$37.37 - $51.25	113	1,093,500	44.57	107	107,700	51.16
	70	7,706,000	23.16	60	5,567,000	17.85

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

10 Shareholders' deficit (cont'd)

The weighted average fair value of the share options granted during the 13-week periods ended on the dates indicated below was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	May 5, 2019	**April 29, 2018[1]**
Exercise price per share	$38.17	$51.25
Dividend yield	0.5%	0.3%
Risk-free interest rate	1.4%	2.0%
Expected life	6.2 years	6.2 years
Expected volatility	22.4%	21.0%
Weighted average fair value of share options estimated at the grant date	$9.08	$12.34

(1) Retrospectively restated to reflect the application of the Share Split.

The expected life is estimated using the average of the vesting period and the contractual life of the share options. Expected volatility is estimated based on weekly observations of the Corporation's publicly traded share price.

11 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the 13-week period ended May 5, 2019 was 27.0% (April 29, 2018 – 27.0%). The Corporation's effective income tax rate for the 13-week period ended May 5, 2019 was 27.6% (April 29, 2018 – 27.5%).

12 Earnings per common share

Diluted net earnings per common share for the 13-week periods ended on the dates indicated below were calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares as follows:

	May 5, 2019	**April 29, 2018 Restated [1] [2]**
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$103,512	$101,537
Weighted average number of common shares outstanding during the period *(thousands)*	314,701	327,909
Assumed share options exercised (*thousands*)	3,162	4,494
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	317,863	332,403
Diluted net earnings per common share	$0.33	$0.31

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 4. Comparative figures have been restated.

(2) Numbers of common shares and amounts per common share as at April 29, 2018 reflect the retrospective application of the Share Split (defined under Note 10).

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

12 Earnings per common share (cont'd)

As at May 5, 2019, 1,786,500 share options have an anti-dilutive effect since the average market price of the underlying shares was lower than the exercise price of those share options (April 29, 2018 – 555,000).

13 Related party transactions

As at May 5, 2019, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $59,062 (February 3, 2019 – $61,991).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $2,101 for the 13-week period ended May 5, 2019 (April 29, 2018 – $2,132, which amount includes charges related to the distribution centre until February 21, 2018, the date on which it was acquired by the Corporation).

These transactions were measured at fair value, being the amount of consideration established at market terms.

14 Expenses by nature included in the condensed interim consolidated statement of net earnings and comprehensive income

	May 5, 2019 $	April 29, 2018 $ Restated [1]
Cost of sales		
Cost of goods sold, labour, transport and other costs	446,856	394,403
Occupancy costs	32,289	30,582
Total cost of sales	479,145	424,985
Depreciation and amortization		
Depreciation of property, plant and equipment and right-of-use assets	54,641	52,241
Amortization of intangible assets	3,558	3,205
Total depreciation and amortization	58,199	55,446
Employee benefits	93,449	85,288
Net financing costs	25,558	22,440

[1] The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 4. Comparative figures have been restated.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

15 Changes in non-cash working capital

The changes in non-cash working capital components for the 13-week periods ended on the dates indicated below are as follows:

	May 5, 2019 $	**April 29, 2018 $ Restated (1)**
Accounts receivable	1,454	(3,061)
Prepaid expenses	(2,259)	(1,381)
Prepaid income taxes	(9,630)	(5,897)
Inventories	3,761	(22,520)
Accounts payable and accrued liabilities	(42,035)	(48,975)
Income taxes payable	(34,602)	(39,491)
	(83,311)	(121,325)
Cash paid for income taxes	78,151	79,391
Cash paid for interest	16,313	13,194

(1) The condensed interim consolidated financial statements reflect the adoption of IFRS 16 on February 4, 2019. For additional information on IFRS 16 adoption, refer to Note 4 to these condensed interim consolidated financial statements. Comparative figures have been restated.

Cash paid for income taxes and interest are cash flows used in operating activities.

16 Event after the reporting period

Quarterly cash dividend

On June 13, 2019, the Corporation announced that its board of directors had approved a quarterly cash dividend for holders of its common shares of $0.044 per common share. The Corporation's quarterly cash dividend will be paid on August 9, 2019 to shareholders of record at the close of business on July 12, 2019 and is designated as an "eligible dividend" for Canadian tax purposes.