

Dollarama Inc.

Condensed Interim Consolidated Financial
Statements

**For the 13-week and 26-week periods ended
August 4, 2019 and July 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	August 4, 2019 \$	February 3, 2019 \$ Restated ⁽¹⁾	January 29, 2018 \$ Restated ⁽¹⁾
Assets				
Current assets				
Cash		139,052	50,371	54,844
Accounts receivable		39,340	35,843	11,502
Prepaid expenses		17,367	15,560	7,166
Prepaid income taxes		3,306	-	-
Inventories		601,723	581,241	490,927
Derivative financial instruments	7	5,872	5,505	286
		<u>806,660</u>	<u>688,520</u>	<u>564,725</u>
Non-current assets				
Property, plant and equipment		607,282	586,027	490,988
Right-of-use assets	5	1,243,549	1,208,461	1,142,495
Intangible assets		150,559	148,879	143,046
Goodwill		727,782	727,782	727,782
		<u>3,535,832</u>	<u>3,359,669</u>	<u>3,069,036</u>
Liabilities and shareholders' deficit				
Current liabilities				
Accounts payable and accrued liabilities		198,509	230,981	227,244
Dividend payable		13,852	12,650	12,180
Derivative financial instruments	7	710	872	39,491
Income taxes payable		-	34,602	35,720
Current portion of long-term debt	8	307,291	7,383	405,192
Current portion of lease liabilities	5	160,446	156,746	140,691
		<u>680,808</u>	<u>443,234</u>	<u>860,518</u>
Non-current liabilities				
Non-current portion of long-term debt	8	1,566,809	1,890,845	1,260,459
Non-current portion of lease liabilities	5	1,289,777	1,246,074	1,196,375
Deferred income taxes		104,451	96,900	83,442
		<u>3,641,845</u>	<u>3,677,053</u>	<u>3,400,794</u>
Commitments				
	9			
Shareholders' deficit				
Share capital	10	416,520	408,179	415,787
Contributed surplus	10	33,586	32,450	27,699
Deficit	10	(561,303)	(765,202)	(742,821)
Accumulated other comprehensive income (loss)		5,184	7,189	(32,423)
		<u>(106,013)</u>	<u>(317,384)</u>	<u>(331,758)</u>
Total liabilities and shareholders' deficit		<u>3,535,832</u>	<u>3,359,669</u>	<u>3,069,036</u>

⁽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 26-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		-	-	-	246,695	-	246,695
Other comprehensive income		-	-	-	-	6,607	6,607
Total comprehensive income		-	-	-	246,695	6,607	253,302
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(8,612)	(8,612)
Dividends declared		-	-	-	(27,700)	-	(27,700)
Repurchase and cancellation of common shares	10	(314,223)	(409)	-	(15,096)	-	(15,505)
Share-based compensation	10	-	-	2,715	-	-	2,715
Issuance of common shares	10	430,100	7,171	-	-	-	7,171
Reclassification for the exercise of share options	10	-	1,579	(1,579)	-	-	-
Balance – August 4, 2019		314,801,154	416,520	33,586	(561,303)	5,184	(106,013)
Restated balance – January 28, 2018 ⁽¹⁾	10	327,977,577	415,787	27,699	(742,821)	(32,423)	(331,758)
Restated net earnings	4	-	-	-	241,887	-	241,887
Other comprehensive income		-	-	-	-	27,548	27,548
Restated total comprehensive income		-	-	-	241,887	27,548	269,435
IFRS 9 transition adjustment		-	-	-	-	8,646	8,646
Transfer of realized cash flow hedge losses to inventory		-	-	-	-	4,971	4,971
Dividends declared		-	-	-	(26,182)	-	(26,182)
Repurchase and cancellation of common shares	10	(1,347,341)	(1,716)	-	(68,255)	-	(69,971)
Share-based compensation	10	-	-	3,208	-	-	3,208
Issuance of common shares	10	196,350	3,582	-	-	-	3,582
Reclassification for the exercise of share options	10	-	744	(744)	-	-	-
Restated balance – July 29, 2018 ⁽¹⁾		326,826,586	418,397	30,163	(595,371)	8,742	(138,069)

⁽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⁾ The number of common shares as at January 28, 2018 reflects 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 and 26-week periods ended

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

	Note	13-week periods ended		26-week periods ended	
		August 4, 2019	July 29, 2018	August 4, 2019	July 29, 2018
		\$	\$ Restated ⁽¹⁾	\$	\$ Restated ⁽¹⁾
Sales		946,405	868,453	1,774,441	1,624,522
Cost of sales	14	533,162	477,950	1,012,307	902,935
Gross profit		413,243	390,503	762,134	721,587
General, administrative and store operating expenses		131,651	118,270	253,774	231,417
Depreciation and amortization	14	59,965	56,330	118,164	111,776
Operating income		221,627	215,903	390,196	378,394
Net financing costs	14	24,618	22,559	50,176	44,999
Earnings before income taxes		197,009	193,344	340,020	333,395
Income taxes	11	53,826	52,994	93,325	91,508
Net earnings		143,183	140,350	246,695	241,887
Other comprehensive income					
<i>Items to be reclassified subsequently to net earnings</i>					
Reclassification of losses on derivative financial instruments not subject to basis adjustments		(94)	744	(189)	935
<i>Items that will not be reclassified subsequently to net earnings</i>					
Unrealized gain (loss) on derivative financial instruments subject to basis adjustments		(7,335)	8,169	9,188	36,458
Income tax recovery (expense) relating to components of other comprehensive income		2,030	(2,092)	(2,392)	(9,845)
Total other comprehensive income (loss), net of income taxes		(5,399)	6,821	6,607	27,548
Total comprehensive income		137,784	147,171	253,302	269,435
Earnings per common share					
Basic net earnings per common share	12	\$0.45	\$0.43	\$0.78	\$0.74
Diluted net earnings per common share	12	\$0.45	\$0.42	\$0.78	\$0.73
Weighted average number of common shares outstanding (thousands)	12	314,757	327,314	314,729	327,612
Weighted average number of diluted common shares outstanding (thousands)	12	318,533	331,645	318,220	332,024

⁽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 Cash Flows

For the 13-week and 26-week periods ended

(Unaudited, expressed in thousands of Canadian dollars)

	Note	13-week periods ended		26-week periods ended	
		August 4, 2019 \$	July 29, 2018 \$ Restated ⁽¹⁾	August 4, 2019 \$	July 29, 2018 \$ Restated ⁽¹⁾
Operating activities					
Net earnings		143,183	140,350	246,695	241,887
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	59,965	56,330	118,164	111,776
Amortization of debt issue costs		562	572	1,109	1,132
Recognition of gains and losses on bond lock and bond forward contracts	7	(94)	23	(189)	45
Transfer of realized cash flow hedge losses to inventory	7	-	-	-	8,646
Share-based compensation	10	1,300	1,568	2,715	3,208
Financing costs on long-term debt		(8,947)	(7,556)	24	1,425
Deferred income taxes		(374)	(2,803)	5,206	1,656
Loss (gain) on disposal of assets		24	32	(480)	(413)
		<u>195,619</u>	<u>188,516</u>	<u>373,244</u>	<u>369,362</u>
Changes in non-cash working capital components	15	(12,855)	30,839	(96,166)	(90,486)
Net cash generated from operating activities		<u>182,764</u>	<u>219,355</u>	<u>277,078</u>	<u>278,876</u>
Investing activities					
Additions to property, plant and equipment		(25,209)	(22,140)	(51,732)	(81,182)
Additions to intangible assets		(5,153)	(4,694)	(9,310)	(9,926)
Proceeds from disposal of property, plant and equipment		181	173	532	242
Net cash used in investing activities		<u>(30,181)</u>	<u>(26,661)</u>	<u>(60,510)</u>	<u>(90,866)</u>
Financing activities					
Proceeds from long-term debt issued (Series 3 Floating Rate Notes)	8	-	-	-	300,000
Net repayments of Credit Facility	8	(5,000)	-	(25,000)	(191,000)
Payment of debt issue costs		(260)	(283)	(260)	(1,397)
Principal elements of lease liabilities		(40,041)	(35,528)	(67,795)	(67,934)
Issuance of common shares		5,825	2,791	7,171	3,582
Dividends paid		(13,848)	(13,109)	(26,498)	(25,289)
Repurchase and cancellation of common shares	10	(15,505)	(55,427)	(15,505)	(79,113)
Net cash used in financing activities		<u>(68,829)</u>	<u>(101,556)</u>	<u>(127,887)</u>	<u>(61,151)</u>
Increase in cash		<u>83,754</u>	<u>91,138</u>	<u>88,681</u>	<u>126,859</u>
Cash – beginning of period		<u>55,298</u>	<u>90,565</u>	<u>50,371</u>	<u>54,844</u>
Cash – end of period		<u>139,052</u>	<u>181,703</u>	<u>139,052</u>	<u>181,703</u>

⁽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.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 4, 2019

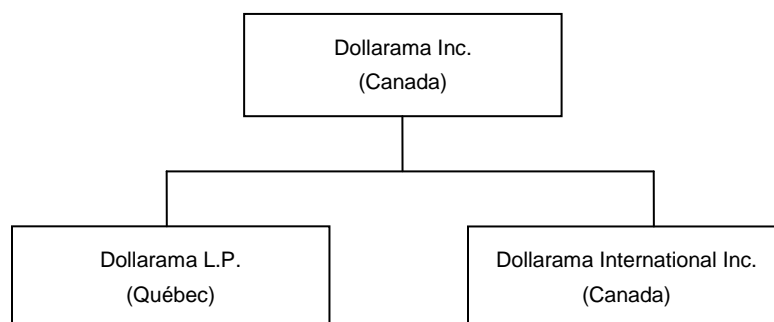
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

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 August 4, 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 and registered office is located at 5805 Royalmount Avenue, Montreal, Quebec, H4P 0A1.

As at August 4, 2019, the significant entities within the legal structure of the Corporation are as follows:



Dollarama L.P. operates the chain of stores in Canada 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 and 26-week periods ended August 4, 2019 and July 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 September 12, 2019.

The number of common shares in these unaudited condensed interim consolidated financial statements as at January 28, 2018 reflects the retrospective application of the Share Split (see Note 10).

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 4, 2019

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

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.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 4, 2019

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

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.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 4, 2019

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

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.

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 4, 2019

(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

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 4, 2019

(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

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 4, 2019

(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

	13-week period ended July 29, 2018			26-week period ended July 29, 2018		
	Impact of changes in accounting policies			Impact of changes in accounting policies		
	As previously reported under IAS 17	Impact	As reported under IFRS 16	As previously reported under IAS 17	Impact	As reported under IFRS 16
	\$	\$	\$	\$	\$	\$
Sales	868,453	-	868,453	1,624,522	-	1,624,522
Cost of sales	524,041	(46,091)	477,950	995,458	(92,523)	902,935
Gross profit	344,412	46,091	390,503	629,064	92,523	721,587
General, administrative and store operating expenses	118,577	(307)	118,270	233,055	(1,638)	231,417
Depreciation and amortization	19,130	37,200	56,330	37,866	73,910	111,776
Operating income	206,705	9,198	215,903	358,143	20,251	378,394
Net financing costs	11,409	11,150	22,559	22,735	22,264	44,999
Earnings before income taxes	195,296	(1,952)	193,344	335,408	(2,013)	333,395
Income taxes	53,524	(530)	52,994	92,061	(553)	91,508
Net earnings	141,772	(1,422)	140,350	243,347	(1,460)	241,887

iii. Earnings per common share

	13-week period ended July 29, 2018			26-week period ended July 29, 2018		
	Impact of changes in accounting policies			Impact of changes in accounting policies		
	As previously reported under IAS 17	Impact	As reported under IFRS 16	As previously reported under IAS 17	Impact	As reported under IFRS 16
(per share amounts)	\$	\$	\$	\$	\$	\$
Basic net earnings per common share	0.43	(0.00)	0.43	0.74	(0.00)	0.74
Diluted net earnings per common share	0.43	(0.01)	0.42	0.73	(0.00)	0.73

Dollarama Inc.

Notes to Condensed Interim Consolidated Financial Statements

August 4, 2019

(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

	13-week period ended July 29, 2018			26-week period ended July 29, 2018		
	Impact of changes in accounting policies			Impact of changes in accounting policies		
	As previously reported under IAS 17	Impact	As reported under IFRS 16	As previously reported under IAS 17	Impact	As reported under IFRS 16
	\$	\$	\$	\$	\$	\$
Net earnings	141,772	(1,422)	140,350	243,347	(1,460)	241,887
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	19,130	37,200	56,330	37,866	73,910	111,776
Amortization of deferred tenant allowances	(1,370)	1,370	-	(2,748)	2,748	-
Amortization of deferred leasing costs	118	(118)	-	238	(238)	-
Deferred lease inducements	1,047	(1,047)	-	2,209	(2,209)	-
Deferred tenant allowances	1,483	(1,483)	-	2,146	(2,146)	-
Interest payment on finance lease	29	(29)	-	61	(61)	-
Deferred income taxes	(2,273)	(530)	(2,803)	2,209	(553)	1,656
Loss (gain) on disposal of assets	32	-	32	123	(536)	(413)
Other adjustments	(5,393)	-	(5,393)	14,456	-	14,456
	154,575	33,941	188,516	299,907	69,455	369,362
Changes in non-cash working capital components	29,443	1,396	30,839	(88,633)	(1,853)	(90,486)
Net cash from operating activities	184,018	35,337	219,355	211,274	67,602	278,876
Principal elements of lease liabilities	(191)	(35,337)	(35,528)	(332)	(67,602)	(67,934)
Other financing activities	(66,028)	-	(66,028)	6,783	-	6,783
Net cash (used in) from financing activities	(66,219)	(35,337)	(101,556)	6,451	(67,602)	(61,151)

Dollarama Inc.

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

5 Leases

As at August 4, 2019, the Corporation operated 1,250 stores in Canada, including one owned store and 1,249 stores in leased retail space. 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 and 26-week periods ended August 4, 2019 amounted to \$52,579 and \$117,827, respectively (13-week and 26-week periods ended July 29, 2018 – \$49,007 and \$81,146, respectively).

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

	13-week periods ended		26-week periods ended	
	August 4, 2019	July 29, 2018	August 4, 2019	July 29, 2018
	\$	\$	\$	\$
Depreciation of right-of-use assets	40,906	37,857	80,865	74,786
Gain on lease remeasurements	(17)	-	(763)	(536)
Interest on lease liabilities	11,747	11,179	23,511	22,325
Variable lease expenses not included in the measurement of the lease liabilities	22,128	20,261	44,525	42,605
Expenses relating to short-term leases	3,303	3,867	7,121	7,154

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

	13-week periods ended		26-week periods ended	
	August 4, 2019	July 29, 2018	August 4, 2019	July 29, 2018
	\$	\$	\$	\$
Lease payments cash outflows	78,383	71,966	155,245	144,312
Tenant incentives cash inflows	(1,058)	(786)	(11,774)	(3,666)
Total lease cash flows	77,325	71,180	143,471	140,646

Dollarama Inc.

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5 Leases (cont'd)

The Corporation leases 1,249 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 and 26-week periods ended August 4, 2019 and July 29, 2018 were as follows:

	13-week periods ended		26-week periods ended	
	August 4, 2019	July 29, 2018	August 4, 2019	July 29, 2018
	\$	\$	\$	\$
Fixed payments (net of tenant incentives received)	51,758	46,707	91,276	90,259
Variable payments	22,264	20,606	45,074	43,233
	<u>74,022</u>	<u>67,313</u>	<u>136,350</u>	<u>133,492</u>

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.

Dollarama Inc.

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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 August 4, 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 August 4, 2019					
Hedging instruments					
USD Foreign exchange forward contracts	295,000	1.30	Current assets	5,872	Cash flow hedge
USD Foreign exchange forward contracts	192,000	1.32	Current liabilities	(710)	Cash flow hedge
	<u>487,000</u>			<u>5,162</u>	
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
	<u>485,000</u>			<u>4,633</u>	

For the 26-week period ended August 4, 2019, accumulated fair value gains of \$11,009 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.

Dollarama Inc.

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8 Long-term debt

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

	August 4, 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 27, 2024 (the "Credit Facility")	-	25,000
Less: Unamortized debt issue costs	(8,191)	(9,155)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	7,291	7,383
	<u>1,874,100</u>	<u>1,898,228</u>
Current portion (includes the Series 2 Floating Rate Notes maturing March 16, 2020 and accrued interest on the Floating Rate Notes and Fixed Rate Notes)	<u>(307,291)</u>	<u>(7,383)</u>
	<u>1,566,809</u>	<u>1,890,845</u>

Fixed Rate Notes

As at August 4, 2019, the carrying value of the 3.55% Fixed Rate Notes was \$500,454 (February 3, 2019 – \$500,082). The fair value of the 3.55% Fixed Rate Notes as at August 4, 2019 was determined to be \$521,400 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 August 4, 2019, the carrying value of the 2.203% Fixed Rate Notes was \$250,570 (February 3, 2019 – \$250,477). The fair value of the 2.203% Fixed Rate Notes as at August 4, 2019 was determined to be \$249,268 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 August 4, 2019, the carrying value of the 2.337% Fixed Rate Notes was \$524,470 (February 3, 2019 – \$524,256). The fair value of the 2.337% Fixed Rate Notes as at August 4, 2019 was determined to be \$526,622 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.

Dollarama Inc.

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8 Long-term debt (cont'd)

Floating Rate Notes

As at August 4, 2019, the carrying value of the Series 3 Floating Rate Notes was \$299,448 (February 3, 2019 – \$299,287). The fair value of the Series 3 Floating Rate Notes as at August 4, 2019 was determined to be \$299,607 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 August 4, 2019, the carrying value of the Series 2 Floating Rate Notes was \$300,825 (February 3, 2019 – \$300,707). The fair value of the Series 2 Floating Rate Notes as at August 4, 2019 was determined to be \$300,693 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

On June 14, 2019, the Corporation and the lenders entered into an amending agreement to the Second Amended and Restated Credit Agreement (the "Credit Agreement") pursuant to which, among other things, the term of each facility was extended by one year so that the term now ends, for Facility A, on September 27, 2024, and for Facility B and Facility C, on September 29, 2021. The other changes pertained to the coming into effect of IFRS 16 and the adjustment of certain thresholds and ratios to reflect market terms.

As at August 4, 2019, there was no amount outstanding under the Credit Facility (February 3, 2019 – \$25,000), although there were letters of credit issued for the purchase of inventories which amounted to \$668 (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 August 4, 2019, the Corporation was in compliance with all of its financial covenants.

9 Commitments

As at August 4, 2019, the Corporation had commitments of approximately \$4,264 (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.

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10 Shareholders' deficit (cont'd)

a) Share capital (cont'd)

Normal course issuer bid

On July 3, 2019, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 15,737,468 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on July 2, 2019, during the 12-month period from July 5, 2019 to July 4, 2020 (the "2019-2020 NCIB").

The total number of common shares repurchased for cancellation under the 2019-2020 NCIB during the 13-week period ended August 4, 2019 amounted to 314,223 common shares (July 29, 2018 - 1,063,841 common shares under the normal course issuer bids then in effect), for a total cash consideration of \$15,505 (July 29, 2018 - \$55,427). For the 13-week period ended August 4, 2019, the Corporation's share capital was reduced by \$409 (July 29, 2018 - \$1,348) and the remaining \$15,096 (July 29, 2018 - \$54,079) was accounted for as an increase in deficit.

The total number of common shares repurchased for cancellation under the 2019-2020 NCIB and the normal course issuer bid in effect before that during the 26-week period ended August 4, 2019 amounted to 314,223 common shares (July 29, 2018 - 1,347,341 common shares under the normal course issuer bids then in effect), for a total cash consideration of \$15,505 (July 29, 2018 - \$69,971). For the 26-week period ended August 4, 2019, the Corporation's share capital was reduced by \$409 (July 29, 2018 - \$1,716) and the remaining \$15,096 (July 29, 2018 - \$68,255) was accounted for as an increase in deficit.

b) Contributed surplus

Share-based compensation

During the 13-week and 26-week periods ended August 4, 2019, the Corporation recognized a share-based compensation expense of \$1,300 and \$2,715, respectively (13-week and 26-week periods ended July 29, 2018 - \$1,568 and \$3,208, respectively).

Outstanding and exercisable share options for the 26-week periods ended on the dates indicated below are as follows:

	August 4, 2019		July 29, 2018	
	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	(430,100)	16.67	(196,350)	18.24
Forfeited	(88,800)	34.52	(59,100)	31.41
Outstanding – end of period	7,296,200	23.49	7,588,200	21.85
Exercisable – end of period	5,191,100	18.01	4,717,500	15.82

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10 Shareholders' deficit (cont'd)

b) Contributed surplus (cont'd)

Information relating to share options outstanding and exercisable as at August 4, 2019 is as follows:

Range of exercise prices	Share options outstanding			Share options exercisable		
	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 (\$)
\$4.39 - \$6.59	22	36,000	5.67	22	36,000	5.67
\$6.60 - \$9.90	30	471,600	7.26	30	471,600	7.26
\$9.91 - \$13.66	44	1,596,600	12.05	44	1,596,600	12.05
\$13.67 - \$18.72	56	1,479,200	14.83	56	1,443,200	14.81
\$18.73 - \$23.68	68	897,900	23.68	68	678,900	23.68
\$23.69 - \$30.20	80	1,065,000	30.20	80	603,000	30.20
\$30.21 - \$37.36	92	673,200	37.36	92	257,400	37.36
\$37.37 - \$51.25	110	1,076,700	44.56	104	104,400	51.25
	68	7,296,200	23.49	57	5,191,100	18.01

The weighted average fair value of the share options granted during the 26-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:

	August 4, 2019	July 29, 2018
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%	20.4%
Weighted average fair value of share options estimated at the grant date	\$9.08	\$12.34

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 and 26-week periods ended August 4, 2019 was 26.9% (July 29, 2018 – 27.0%). The Corporation's effective income tax rate for the 13-week and 26-week periods ended August 4, 2019 was 27.3% and 27.4%, respectively (July 29, 2018 – 27.4%).

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

12 Earnings per common share

Diluted net earnings per common share for the 13-week and 26-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:

	13-week periods ended		26-week periods ended	
	August 4, 2019	July 29, 2018 Restated ⁽¹⁾	August 4, 2019	July 29, 2018 Restated ⁽¹⁾
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	\$143,183	\$140,350	\$246,695	\$241,887
Weighted average number of common shares outstanding during the period (<i>thousands</i>)	314,757	327,314	314,729	327,612
Assumed share options exercised (<i>thousands</i>)	3,776	4,331	3,491	4,412
Weighted average number of common shares for diluted net earnings per common share (<i>thousands</i>)	318,533	331,645	318,220	332,024
Diluted net earnings per common share	\$0.45	\$0.42	\$0.78	\$0.73

⁽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.

As at August 4, 2019, 1,076,700 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 (July 29, 2018 – 547,500).

13 Related party transactions

As at August 4, 2019, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled \$56,723 (February 3, 2019 – \$61,991).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled \$1,734 and \$3,835 for the 13-week and 26-week periods ended August 4, 2019, respectively (13-week and 26-week periods ended July 29, 2018 – \$1,606 and \$3,739, respectively, the latter amount including 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 cost, which equals fair value, being the amount of consideration established at market terms.

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

	13-week periods ended		26-week periods ended	
	August 4, 2019 \$	July 29, 2018 \$ Restated ⁽¹⁾	August 4, 2019 \$	July 29, 2018 \$ Restated ⁽¹⁾
Cost of sales				
Cost of goods sold, labour, transport and other costs	501,438	448,150	948,294	842,633
Occupancy costs	31,724	29,800	64,013	60,302
Total cost of sales	533,162	477,950	1,012,307	902,935
Depreciation and amortization				
Depreciation of property, plant and equipment and right-of-use assets	55,894	53,032	110,535	105,273
Amortization of intangible assets	4,071	3,298	7,629	6,503
Total depreciation and amortization	59,965	56,330	118,164	111,776
Employee benefits	102,064	92,236	195,513	177,524
Net financing costs	24,618	22,559	50,176	44,999

⁽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.

15 Changes in non-cash working capital

The changes in non-cash working capital components for the 13-week and 26-week periods ended on the dates indicated below are as follows:

	13-week periods ended		26-week periods ended	
	August 4, 2019 \$	July 29, 2018 \$ Restated ⁽¹⁾	August 4, 2019 \$	July 29, 2018 \$ Restated ⁽¹⁾
Accounts receivable	(4,951)	(10,104)	(3,497)	(13,165)
Prepaid expenses	452	(83)	(1,807)	(1,464)
Prepaid income taxes	6,324	5,897	(3,306)	-
Inventories	(24,243)	(9,391)	(20,482)	(31,911)
Accounts payable and accrued liabilities	9,563	38,991	(32,472)	(9,984)
Income taxes payable	-	5,529	(34,602)	(33,962)
	(12,855)	30,839	(96,166)	(90,486)
Cash paid for income taxes	47,875	44,371	126,026	123,762
Cash paid for interest	33,635	29,826	49,948	43,052

⁽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.

Dollarama Inc.

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16 Events after the reporting period

Quarterly cash dividend

On September 12, 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 November 8, 2019 to shareholders of record at the close of business on October 11, 2019 and is designated as an "eligible dividend" for Canadian tax purposes.

Acquisition of 50.1% interest in Dollarcity

On July 2, 2019, the Corporation announced that it entered into a definitive stock purchase agreement to acquire a 50.1% interest in Latin American value retailer Dollarcity, thereby creating a second growth platform in complement to its Canadian growth strategy. On August 14, 2019, the Corporation completed this acquisition, and made an upfront payment of US\$40,000 (\$52,800).

The total purchase price is currently estimated at between US\$85,000 and US\$95,000 (between \$112,200 and \$125,400), representing 50.1% of a five times multiple of Dollarcity's estimated EBITDA for the 12-month period ending June 30, 2020, minus net debt and subject to other adjustments. The current purchase price estimate is based on financial projections, whereas the final purchase price will be based on audited financial statements.

The balance of the purchase price will be recorded as a liability in the Corporation's unaudited condensed interim consolidated financial statements for the third quarter of the Corporation's fiscal year ending February 2, 2020 and will be due in the third quarter of the Corporation's next fiscal year ending January 31, 2021.

As per the terms of the stockholders agreement dated August 14, 2019, certain strategic and operational decisions of Dollarcity are subject to 100% stockholder approval. As a result, the Corporation will account for this investment as a joint arrangement using the equity method.