

# **Dollarama Inc.**

Condensed Interim Consolidated Financial  
Statements

**For the 13-week periods ended May 2, 2021  
and May 3, 2020**

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

## Dollarama Inc.

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

	Note	May 2, 2021	January 31, 2021
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash		49,100	439,144
Accounts receivable		21,050	20,546
Prepaid expenses		11,154	9,549
Prepaid income taxes		16,790	-
Inventories		629,375	630,655
Derivative financial instruments	10	1,593	468
		<u>729,062</u>	<u>1,100,362</u>
<b>Non-current assets</b>			
Right-of-use assets	6	1,367,441	1,344,639
Property, plant and equipment		715,331	709,469
Intangible assets		161,169	161,791
Derivative financial instruments	10	-	314
Goodwill		727,782	727,782
Equity-accounted investment		175,402	179,389
		<u>3,876,187</u>	<u>4,223,746</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		226,308	253,072
Short-term borrowings	7	138,757	-
Dividend payable		15,501	14,583
Derivative financial instruments	10	41,323	25,821
Income taxes payable		-	12,975
Current portion of long-term debt	7	540,063	832,821
Current portion of lease liabilities	6	205,551	181,893
		<u>1,167,503</u>	<u>1,321,165</u>
<b>Non-current liabilities</b>			
Non-current portion of long-term debt	7	1,044,381	1,044,079
Non-current portion of lease liabilities	6	1,404,068	1,401,769
Deferred income taxes		119,574	121,879
Derivative financial instruments	10	171	-
		<u>3,735,697</u>	<u>3,888,892</u>
<b>Commitments</b>			
<b>Shareholders' equity</b>			
Share capital	8	486,382	485,487
Contributed surplus	8	29,187	28,527
Deficit		(327,431)	(149,983)
Accumulated other comprehensive loss		(47,648)	(29,177)
		<u>140,490</u>	<u>334,854</u>
<b>Total shareholders' equity</b>		<u>140,490</u>	<u>334,854</u>
<b>Total liabilities and shareholders' equity</b>		<u>3,876,187</u>	<u>4,223,746</u>

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

## Dollarama Inc.

### Interim Consolidated Statements of Changes in Shareholders' Equity

For the 13-week periods ended

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

	Note	Number of common shares	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income (loss) \$	Total \$
<b>Balance – January 31, 2021</b>	8	310,266,429	485,487	28,527	(149,983)	(29,177)	334,854
Net earnings		-	-	-	113,574	-	113,574
Other comprehensive loss		-	-	-	-	(27,480)	(27,480)
<b>Total comprehensive income (loss)</b>		-	-	-	113,574	(27,480)	86,094
Transfer of realized cash flow hedge losses to inventory		-	-	-	-	9,009	9,009
Dividends declared		-	-	-	(15,501)	-	(15,501)
Repurchase and cancellation of common shares	8	(4,935,573)	(7,841)	-	(275,521)	-	(283,362)
Share-based compensation	8	-	-	2,217	-	-	2,217
Issuance of common shares	8	268,300	7,179	-	-	-	7,179
Reclassification for the exercise of share options	8	-	1,557	(1,557)	-	-	-
<b>Balance – May 2, 2021</b>		<b>305,599,156</b>	<b>486,382</b>	<b>29,187</b>	<b>(327,431)</b>	<b>(47,648)</b>	<b>140,490</b>
<b>Balance – February 2, 2020</b>	8	310,231,037	448,704	29,108	(574,110)	4,102	(92,196)
Net earnings		-	-	-	86,079	-	86,079
Other comprehensive income		-	-	-	-	28,944	28,944
<b>Total comprehensive income</b>		-	-	-	86,079	28,944	115,023
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(5,448)	(5,448)
Dividends declared		-	-	-	(13,659)	-	(13,659)
Share-based compensation	8	-	-	1,180	-	-	1,180
Issuance of common shares	8	190,500	5,434	-	-	-	5,434
Reclassification for the exercise of share options	8	-	1,122	(1,122)	-	-	-
<b>Balance – May 3, 2020</b>		<b>310,421,537</b>	<b>455,260</b>	<b>29,166</b>	<b>(501,690)</b>	<b>27,598</b>	<b>10,334</b>

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

## Dollarama Inc.

### Interim Consolidated Statements 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 2, 2021 \$	May 3, 2020 \$
Sales		954,246	844,798
Cost of sales	13	550,806	495,747
<b>Gross profit</b>		403,440	349,051
General, administrative and store operating expenses		158,672	137,738
Depreciation and amortization	13	71,402	63,975
Share of net earnings of equity-accounted investment		(3,403)	(2,374)
<b>Operating income</b>		176,769	149,712
Financing costs		22,146	27,202
<b>Earnings before income taxes</b>		154,623	122,510
<b>Income taxes</b>	9	41,049	36,431
<b>Net earnings</b>		113,574	86,079
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to net earnings</i>			
Reclassification of losses on derivative financial instruments not subject to basis adjustments		(78)	(95)
Foreign currency translation adjustments		(7,310)	5,424
Share of other comprehensive losses of equity-accounted investment		(447)	(3,864)
Income tax recovery relating to these items		24	31
<i>Items that will not be reclassified subsequently to net earnings</i>			
Unrealized gains (losses) on derivative financial instruments subject to basis adjustments		(26,746)	37,328
Income tax recovery (expense) relating to these items		7,077	(9,880)
<b>Total other comprehensive income (loss), net of income taxes</b>		(27,480)	28,944
<b>Total comprehensive income</b>		86,094	115,023
<b>Earnings per common share</b>			
Basic net earnings per common share	11	\$0.37	\$0.28
Diluted net earnings per common share	11	\$0.37	\$0.28
<b>Weighted average number of common shares outstanding</b> (thousands)	11	309,400	310,281
<b>Weighted average number of diluted common shares outstanding</b> (thousands)	11	310,742	312,074

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

## Dollarama Inc.

### Interim Consolidated Statements of Cash Flows For the 13-week periods ended (Unaudited, expressed in thousands of Canadian dollars)

	Note	May 2, 2021 \$	May 3, 2020 \$
<b>Operating activities</b>			
Net earnings		113,574	86,079
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	13	71,402	63,975
Amortization of debt issue costs		594	650
Recognition of gains on bond lock and bond forward contracts		(78)	(95)
Share-based compensation	8	2,217	1,180
Financing costs on long-term debt		7,128	6,106
Financing costs on short-term borrowings		298	456
Deferred income taxes		1,124	(1,201)
Gain on lease modifications		(852)	(1,064)
Share of net earnings of equity-accounted investment		(3,403)	(2,374)
		<u>192,004</u>	<u>153,712</u>
Changes in non-cash working capital components	14	(57,723)	30,820
Net cash generated from operating activities		<u>134,281</u>	<u>184,532</u>
<b>Investing activities</b>			
Additions to property, plant and equipment		(26,071)	(42,921)
Additions to intangible assets		(4,299)	(5,077)
Proceeds from disposal of property, plant and equipment		173	106
Net cash used in investing activities		<u>(30,197)</u>	<u>(47,892)</u>
<b>Financing activities</b>			
Net proceeds of short-term borrowings	7	139,255	383,191
Net proceeds of Credit Facility	7	-	277,500
Repayment of Series 3 and Series 2 Floating Rate Notes, respectively	7	(300,000)	(300,000)
Payment of debt issue costs		(178)	(290)
Principal elements of lease liabilities	6	(42,439)	(56,558)
Issuance of common shares	8	7,179	5,434
Dividends paid		(14,583)	(13,737)
Repurchase and cancellation of common shares	8	(283,362)	-
Net cash (used in) / generated from financing activities		<u>(494,128)</u>	<u>295,540</u>
<b>Change in cash</b>		<b>(390,044)</b>	<b>432,180</b>
<b>Cash – beginning of period</b>		<b>439,144</b>	<b>90,464</b>
<b>Cash – end of period</b>		<b>49,100</b>	<b>522,644</b>

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

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 2, 2021

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

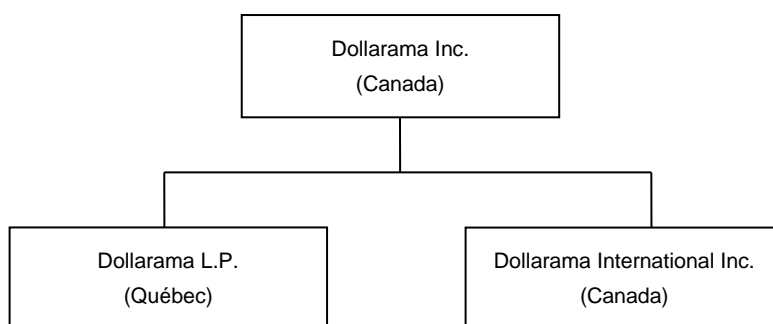
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#### 1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to \$4.00 in-store and online in Canada. As at May 2, 2021, the Corporation maintains retail operations in every Canadian province.

The Corporation’s head and registered office is located at 5805 Royalmount Avenue, Montreal, Quebec, H4P 0A1. The Corporation’s warehousing and distribution operations are also located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange (“TSX”) under the symbol “DOL”.

As at May 2, 2021, 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. (“Dollarama International”) has retail operations in Latin America through its 50.1% equity investment in Dollarcity, a value retailer headquartered in Panama. Dollarcity offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to US\$3.00 (or the equivalent in local currency) in stores located in El Salvador and Guatemala and up to the equivalent of US\$4.00 in local currency in stores located in Colombia. Dollarama International also sells merchandise and renders services to Dollarcity. For the 13-week periods ended May 2, 2021 and May 3, 2020, sales by Dollarama International to Dollarcity represented approximately 1% of the Corporation’s total consolidated sales.

## **Dollarama Inc.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**May 2, 2021**

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

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## **2 Basis of preparation**

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Corporation (the “Board of Directors”) for issue on June 9, 2021.

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 January 31, 2021 (“Fiscal 2021”), 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.

### **Seasonality of operations**

The Corporation’s sales generally increase ahead of major holidays, with December representing the highest proportion of sales, but otherwise experience limited seasonal fluctuations. However, the occurrence of certain events that are beyond the Corporation’s control, such as unusually adverse weather or an epidemic or pandemic outbreak (like the COVID-19 pandemic), and that cause disruption in its operations could materially adversely affect the business and financial results of the Corporation. Consequently, results for the 13-week period ended May 2, 2021 may not be representative of results for subsequent quarters or for the full fiscal year.

## **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 2021 audited consolidated financial statements.

### **Performance share units**

On March 30, 2021, upon recommendation of the Human Resources and Compensation Committee, the Board of Directors approved the introduction of a new performance component to the Corporation’s long-term incentive plan (“LTIP”), namely performance share units (“PSUs”), to be awarded annually concurrently with share options. Awards under the LTIP are now allocated so that at all times PSUs represent a minimum of 50% of the target dollar value of the LTIP award. PSUs will be settled shortly after the vesting determination date, following the expiry of the three-year performance period of each grant, in common shares of the Corporation purchased on the open market. Vesting will be based upon the achievement of performance objectives established at the time of the award by the Board of Directors.

The PSU grants are equity-settled transactions whereby the compensation expense is measured based on an estimated fair value at the grant date and recognized over the related performance period of three years with a corresponding increase in contributed surplus.

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 2, 2021

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

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#### 4 New accounting standards

##### New accounting standards announced but not yet adopted

On March 31, 2021, the IASB extended by 12 months the availability of the practical expedient issued in May 2020 which relieves lessees from assessing whether a COVID-19 related rent concession is a lease modification. The 2021 amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. Application of the practical expedient and its extension did not have an impact on the financial results of the Corporation.

#### 5 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.

These unaudited condensed interim consolidated financial statements have been prepared using the critical accounting estimates and judgments as outlined in Note 5 to the Fiscal 2021 audited consolidated financial statements.

#### 6 Leases

As at May 2, 2021, the Corporation owned one store, one distribution centre, one warehouse and leased 1,367 stores, its head office, five warehouses and some equipment.

##### a) Additions to right-of-use assets

Additions to the right-of-use assets during the 13-week period ended May 2, 2021 amounted to \$71,388 (May 3, 2020 – \$39,702).

##### b) Amounts recognized in the condensed interim consolidated statement of net earnings

	May 2, 2021	May 3, 2020
	\$	\$
Depreciation of right-of-use assets	46,536	43,146
Gain on lease remeasurements	(943)	(1,085)
Interest on lease liabilities	11,491	11,913
Variable lease expenses not included in the measurement of the lease liabilities	23,628	24,692
Expenses relating to short-term leases	4,916	4,175



## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 2, 2021

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

## 6 Leases (cont'd)

### c) Amounts recognized in the condensed interim consolidated statement of cash flows

	May 2, 2021	May 3, 2020
	\$	\$
<b>Lease cash flows</b>		
Fixed payments	58,360	72,837
Variable payments	22,652	31,742
Short-term leases	4,916	4,175
Tenant incentives received	(4,430)	(4,366)
	<u>81,498</u>	<u>104,388</u>
<b>Principal elements of lease liabilities</b>		
Fixed payments	58,360	72,837
Tenant incentives received	(4,430)	(4,366)
Interest on lease liabilities	(11,491)	(11,913)
	<u>42,439</u>	<u>56,558</u>

## 7 Debt

	May 2, 2021	January 31, 2021
	\$	\$
Long-term debt outstanding consists of the following as at:		
Senior unsecured notes bearing interest at:		
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027 (the "1.505% Fixed Rate Notes")	300,000	300,000
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 1.505% Fixed Rate Notes, 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, repaid on February 1, 2021 (the "Series 3 Floating Rate Notes")	-	300,000
Less: Unamortized debt issue costs	(5,735)	(6,151)
Accrued interest on Series 3 Floating Rate Notes and Fixed Rate Notes (collectively, the "Senior Unsecured Notes")	15,179	8,051
	<u>1,584,444</u>	<u>1,876,900</u>
Current portion (includes the 2.337% Fixed Rate Notes maturing July 22, 2021, unamortized debt issue costs and accrued interest on the Senior Unsecured Notes)	(540,063)	(832,821)
	<u>1,044,381</u>	<u>1,044,079</u>

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 2, 2021

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

#### 7 Debt (cont'd)

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at May 2, 2021 and January 31, 2021. The fair values of the Senior Unsecured Notes were determined as a level 2 in the fair value hierarchy.

	May 2, 2021		January 31, 2021	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Fixed Rate Notes</b>				
1.505% Fixed Rate Notes	298,989	290,520	300,089	300,660
3.55% Fixed Rate Notes	506,363	530,550	501,716	537,250
2.203% Fixed Rate Notes	252,283	255,275	250,856	257,000
2.337% Fixed Rate Notes	528,297	527,100	525,127	529,725
<b>Floating Rate Notes</b>				
Series 3 Floating Rate Notes	-	-	300,566	300,030
	<u>1,585,932</u>	<u>1,603,445</u>	<u>1,878,354</u>	<u>1,924,665</u>

#### Credit Agreement

On March 9, 2021, the Corporation and the lenders entered into a third amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to extend further the term for each of Facility B and Facility C from September 29, 2022 to September 29, 2023. Facility A, in the amount of \$250,000, is available until September 27, 2024 and Facility D, in the amount of \$300,000, is available until September 20, 2021.

Under the TARCA, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to committed facilities up to an aggregate amount, together with all then-existing commitments, of \$1,500,000.

The TARCA requires the Corporation to respect a minimum interest coverage ratio and a maximum leverage ratio, each tested quarterly on a consolidated basis. The Corporation has the option to borrow in Canadian or U.S. dollars.

As at May 2, 2021 and January 31, 2021, no amount was outstanding under the TARCA. As at May 2, 2021, there were letters of credit issued for the purchase of inventories which amounted to \$805 (January 31, 2021 – \$1,105). As at May 2, 2021, the Corporation was in compliance with all of its financial covenants.

## **Dollarama Inc.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**May 2, 2021**

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

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## **7 Debt (cont'd)**

### **Short-term borrowings**

Under the terms of its US commercial paper program, the Corporation may issue, from time to time, unsecured commercial paper notes with maturities not in excess of 397 days from the date of issue (the "USCP Notes"). The aggregate principal amount of USCP Notes outstanding at any one time under the US commercial paper program may not exceed US\$500,000. The Corporation uses derivative financial instruments to convert the net proceeds from the issuance of USCP Notes into Canadian dollars, and uses those proceeds for general corporate purposes.

The USCP Notes are direct unsecured obligations of the Corporation and rank equally with all of its other unsecured and unsubordinated indebtedness. The USCP Notes are unconditionally guaranteed by Dollarama L.P. and Dollarama GP Inc., each a wholly-owned subsidiary of the Corporation.

As at May 2, 2021, an amount of US\$113,000 (\$138,757) was outstanding under the Corporation's US commercial paper program (January 31, 2021 – nil).

## **8 Shareholders' equity**

### **a) Share capital**

#### **Normal course issuer bid**

On July 3, 2020, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 15,548,326 common shares, representing 5.0% of the common shares issued and outstanding as at the close of markets on June 30, 2020, during the 12-month period from July 7, 2020 to July 6, 2021 (the "2020-2021 NCIB").

The total number of common shares repurchased for cancellation under the 2020-2021 NCIB during the 13-week period ended May 2, 2021 amounted to 4,935,573, for a total cash consideration of \$283,362. For the 13-week period ended May 2, 2021, the Corporation's share capital was reduced by \$7,841 and the remaining \$275,521 was accounted for as an increase in deficit.

No common shares were repurchased for cancellation under the normal course issuer bid in effect during the 13-week period ended May 3, 2020.

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 2, 2021

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

## 8 Shareholders' equity (cont'd)

### b) Contributed surplus

#### Share-based compensation

##### *Performance share units*

During the 13-week period ended May 2, 2021, the Corporation recognized a share-based compensation expense for PSUs of \$165.

Outstanding PSUs for the 13-week period ended on the date indicated below are as follows:

	<u>May 2, 2021</u>
<b>Outstanding – beginning of period</b>	-
Granted <sup>(1)</sup>	103,953
Vested	-
<b>Outstanding – end of period</b>	<u>103,953</u>

<sup>(1)</sup> Vesting varies from 0% to 200% depending on performance against the criteria at the end of the three-year performance period. See Note 3.

##### *Share options*

During the 13-week period ended May 2, 2021, the Corporation recognized a share-based compensation expense for share options of \$2,052 (May 3, 2020 – \$1,180).

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

	<u>May 2, 2021</u>		<u>May 3, 2020</u>	
	<u>Number of share options</u>	<u>Weighted average exercise price (\$)</u>	<u>Number of share options</u>	<u>Weighted average exercise price (\$)</u>
<b>Outstanding – beginning of period</b>	4,229,500	33.81	5,083,700	26.99
Granted	396,000	56.50	-	-
Exercised	<u>(268,300)</u>	<u>26.76</u>	<u>(190,500)</u>	<u>28.52</u>
<b>Outstanding – end of period</b>	<u>4,357,200</u>	<u>36.31</u>	<u>4,893,200</u>	<u>26.93</u>
<b>Exercisable – end of period</b>	<u>2,459,600</u>	<u>27.73</u>	<u>3,623,300</u>	<u>22.39</u>

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 2, 2021

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

## 8 Shareholders' equity (cont'd)

Information relating to share options outstanding and exercisable as at May 2, 2021 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 (\$)
\$6.30 - \$9.90	8	60,000	7.06	8	60,000	7.06
\$9.91 - \$13.66	23	95,600	11.85	23	95,600	11.85
\$13.67 - \$18.72	35	743,800	14.83	35	743,800	14.83
\$18.73 - \$23.68	47	251,500	23.68	47	251,500	23.68
\$23.69 - \$30.20	59	478,000	30.20	59	478,000	30.20
\$30.21 - \$37.36	71	489,600	37.36	71	354,600	37.36
\$37.37 - \$56.50	102	2,238,700	47.77	88	476,100	46.15
	76	4,357,200	36.31	55	2,459,600	27.73

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

	May 2, 2021
Exercise price per share	\$56.50
Dividend yield	0.4%
Risk-free interest rate	1.11%
Expected life	6.1 years
Expected volatility	26.8%
Weighted average fair value of share options estimated at the grant date	\$15.30

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.

## 9 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 2, 2021 was 26.5% (May 3, 2020 – 26.7%). The Corporation's effective income tax rate for the 13-week period ended May 2, 2021 was 26.5% (May 3, 2020 – 29.7%).

**Dollarama Inc.**

## Notes to Condensed Interim Consolidated Financial Statements

**May 2, 2021**(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

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**10 Financial instruments**

The Corporation uses derivative financial instruments such as foreign exchange forward contracts and zero cost collar contracts to mitigate the risk associated with fluctuations in the U.S. dollar against the Canadian dollar, as well as bond forward contracts to mitigate the risk associated with fluctuations in interest rates. These derivative financial instruments are used for risk management purposes and are designated as hedges of future forecasted purchases of merchandise or hedges of U.S. dollar borrowings converted into Canadian dollar borrowings under the US commercial paper program and, in the case of bond forward contracts, as hedges of interest rates of future note issuances. Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period, or non-current assets or liabilities if their maturity exceeds 12 months.

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 2, 2021

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

#### 10 Financial instruments (cont'd)

A summary of the aggregate contractual nominal value, weighted average contract rate or interest rate, as applicable, statement of financial position location and estimated fair values of derivative financial instruments as at May 2, 2021 and January 31, 2021 is as follows:

	Contractual nominal value	Weighted average contract rate/ 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
	\$			\$	
<b>As at May 2, 2021</b>					
<b>Hedging instruments for the forecasted U.S. dollar merchandise purchases</b>					
USD Foreign exchange forward contracts	580,000	1.30	Current liabilities	(39,284)	Cash flow hedge
USD Foreign exchange forward contracts	13,000	1.24	Non-current liabilities	(171)	Cash flow hedge
USD Zero cost collar contracts	48,000	1.21 <sup>(1)</sup> – 1.32 <sup>(2)</sup>	Current liabilities	(1,198)	Cash flow hedge
	<u>641,000</u>			<u>(40,653)</u>	
<b>Hedging instruments for the US commercial paper program</b>					
USD Foreign exchange forward contracts	38,000	1.23	Current assets	34	Cash flow hedge
USD Foreign exchange forward contracts	75,000	1.24	Current liabilities	(841)	Cash flow hedge
	<u>113,000</u>			<u>(807)</u>	
<b>Hedging instruments for the forecasted fixed rate note issuances</b>					
CAD Bond forward sale contracts	394,000	1.04%	Current assets	1,559	Cash flow hedge
<b>Total</b>	<u>1,148,000</u>			<u>(39,901)</u>	
<b>As at January 31, 2021</b>					
<b>Hedging instruments for the forecasted U.S. dollar merchandise purchases</b>					
USD Foreign exchange forward contracts	30,000	1.26	Current assets	420	Cash flow hedge
USD Foreign exchange forward contracts	20,000	1.26	Non-current assets	314	Cash flow hedge
USD Foreign exchange forward contracts	535,000	1.33	Current liabilities	(25,784)	Cash flow hedge
USD Zero cost collar contracts	9,000	1.24 <sup>(1)</sup> – 1.32 <sup>(2)</sup>	Current liabilities	(37)	Cash flow hedge
USD Zero cost collar contracts	24,000	1.25 <sup>(1)</sup> – 1.30 <sup>(2)</sup>	Current assets	48	Cash flow hedge
	<u>618,000</u>			<u>(25,039)</u>	

<sup>(1)</sup> Average put strike

<sup>(2)</sup> Average call strike

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 2, 2021

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

#### 10 Financial instruments (cont'd)

For the 13-week period ended May 2, 2021, accumulated fair value losses of \$9,345 (May 3, 2020 – accumulated fair value gains of \$3,053) on foreign exchange forward contracts and USD zero cost collar contracts recorded in the carrying value of inventory were reclassified from inventory to the condensed interim consolidated statement of net earnings and comprehensive income and recorded in the cost of sales.

#### 11 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 2, 2021	May 3, 2020
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	\$113,574	\$86,079
Weighted average number of common shares outstanding during the period ( <i>thousands</i> )	309,400	310,281
Assumed share options exercised ( <i>thousands</i> )	1,342	1,793
Weighted average number of common shares for diluted net earnings per common share ( <i>thousands</i> )	310,742	312,074
Diluted net earnings per common share	\$0.37	\$0.28

As at May 2, 2021, 1,726,000 share options have an anti-dilutive effect since the average market price of the underlying shares was lower than the sum of the exercise price and the unearned shared-based compensation of those share options under the treasury stock method (May 3, 2020 – 1,080,600).

#### 12 Related party transactions

##### a) Rossy family

As at May 2, 2021, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled \$40,682 (January 31, 2021 – \$44,110).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled \$1,762 for the 13-week period ended May 2, 2021 (May 3, 2020 – \$1,670).

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

##### b) Dollarcity

In 2013, Dollarama International, the Corporation's wholly-owned subsidiary, entered into a licensing and services agreement with Dollarcity (the "LSA"). As at May 2, 2021, the account receivable from Dollarcity for the goods sold, assets licensed, and services provided under the LSA totalled \$17,543 (January 31, 2021 – \$14,752), which amount is partly guaranteed by a letter of credit up to US\$10,000 (\$12,287) (January 31, 2021 – US\$10,000 (\$12,777)). For the 13-week period ended May 2, 2021, the goods sold to Dollarcity that are shipped directly from the Corporation's warehouses amounted to \$8,193 (May 3, 2020 – \$4,737).



## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 2, 2021

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

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#### 12 Related party transactions (cont'd)

Under the Stockholders Agreement dated August 14, 2019, Dollarcity's founding stockholders have a put right pursuant to which they can require, in certain circumstances, that Dollarama International purchase shares of Dollarcity held by them at fair market value. This right is exercisable in the ordinary course commencing on October 1, 2022, and is subject to certain transaction size thresholds, required ownership thresholds and freeze periods, among other conditions and restrictions. This right may also be exercised upon the occurrence of certain extraordinary events, including a change in control of the Corporation and a sale of Dollarcity.

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

	May 2, 2021	May 3, 2020
	\$	\$
<b>Cost of sales</b>		
Cost of goods sold, labour, transport and other costs	513,047	459,230
Occupancy costs	37,759	36,517
Total cost of sales	<u>550,806</u>	<u>495,747</u>
<b>Depreciation and amortization</b>		
Depreciation of property, plant and equipment and right-of-use assets <sup>(1)</sup>	66,481	59,859
Amortization of intangible assets	4,921	4,116
Total depreciation and amortization	<u>71,402</u>	<u>63,975</u>
<b>Employee benefits</b>	124,894	106,970

<sup>(1)</sup> Includes depreciation expenses relating to the warehouses and distribution center totalling \$2,799 (May 3, 2020 – \$2,962)

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

May 2, 2021

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

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#### 14 Details of statement of cash flows

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

	May 2, 2021	May 3, 2020
	\$	\$
Accounts receivable	(1,150)	7,754
Prepaid expenses	(1,605)	(8,514)
Prepaid income taxes	(16,790)	1,759
Inventories	1,279	15,159
Accounts payable and accrued liabilities <sup>(1)</sup>	(26,482)	(2,959)
Income taxes payable	(12,975)	17,621
	<u>(57,723)</u>	<u>30,820</u>
Cash paid for income taxes	69,469	17,372
Cash paid for interest	15,121	19,895

<sup>(1)</sup> As at May 3, 2020, the estimated balance of purchase price for the acquisition of a 50.1% interest in Dollarcity of US\$40,422 (\$56,951) was recorded in accounts payable and accrued liabilities and was excluded from the change in non-cash working capital.

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

#### 15 Event after the reporting period

##### Quarterly cash dividend

On June 9, 2021, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of \$0.0503 per common share. This dividend is payable on August 6, 2021, to shareholders of record at the close of business on July 9, 2021. The dividend is designated as an "eligible dividend" for Canadian tax purposes.