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## DOLLARAMA REPORTS THIRD QUARTER RESULTS

MONTREAL, Quebec, December 7, 2016 – Dollarama Inc. (TSX: DOL) (“Dollarama” or the “Corporation”) today reported increases in sales and net earnings for the third quarter ended October 30, 2016. Diluted net earnings per share rose 17.9% to \$0.92.

### Financial and Operating Highlights

All comparative figures that follow are for the third quarter ended October 30, 2016 compared to the third quarter ended November 1, 2015. All financial information presented in this press release has been prepared 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”). Throughout this press release, EBITDA, EBITDA margin, total debt and net debt, which are referred to as “non-GAAP measures”, are used to provide a better understanding of the Corporation’s financial results. For a full explanation of the Corporation’s use of non-GAAP measures, please refer to footnote 1 of the “Selected Consolidated Financial Information” section of this press release.

Throughout this press release, all references to “Fiscal 2016” are to the Corporation’s fiscal year ended January 31, 2016, to “Fiscal 2017” are to the Corporation’s fiscal year ending January 29, 2017, and to “Fiscal 2018” are to the Corporation’s fiscal year ending January 28, 2018.

Compared to the third quarter of Fiscal 2016:

- Sales increased by 11.2% to \$738.7 million;
- Comparable store sales<sup>(2)</sup> grew 5.1%, over and above a 6.4% growth the previous year;
- Gross margin<sup>(3)</sup> was 39.5% of sales, compared to 40.0% of sales;
- EBITDA<sup>(1)</sup> grew 12.7% to \$174.5 million, or 23.6% of sales, compared to 23.3% of sales;
- Operating income grew 12.1% to \$159.8 million, or 21.6% of sales, compared to 21.5% of sales; and
- Diluted net earnings per common share increased by 17.9%, from \$0.78 to \$0.92.

In addition, 18 net new stores were opened during the third quarter of Fiscal 2017 compared to 16 net new stores opened during the corresponding period of the previous fiscal year.

“We are very pleased with our third quarter financial performance as we continue to deliver on our growth strategy and operating priorities. We are as committed as ever to providing our customers with compelling in-store merchandising and an enhanced product offering, which now includes a selection of items available at \$3.50 and \$4.00 price points. Looking at network growth, we are on track to open 60 to 70 net new stores, as planned, by fiscal year end,” stated Neil Rossy, President and Chief Executive Officer of Dollarama.

### New Warehouse in Montreal

The Corporation is pleased to announce that the construction of its new 500,000 square foot warehouse is now substantially complete — on time and under budget — with racking, fixtures and other equipment currently being installed. The warehouse is expected to be available for use before the end of the fiscal year. Warehouse construction began in March of

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2016, and was budgeted at \$60 million for the land and the building itself (excluding racking, fixtures and other equipment).

Located in the Lachine borough of Montreal, Québec, the new warehouse is in close proximity to Dollarama's existing, centralized warehousing and distribution operations. As previously announced, it will increase Dollarama's total warehousing capacity by approximately 40% on a square footage basis, thereby accommodating capacity requirements as it continues to expand its store network.

## **Financial Results**

Sales for the third quarter of Fiscal 2017 increased by 11.2% to \$738.7 million, compared to \$664.5 million in the corresponding period of the prior fiscal year. The increase in sales was driven by (i) continued organic sales growth fuelled by comparable store sales growth of 5.1%, over and above comparable store sales growth of 6.4% in the third quarter of Fiscal 2016, and (ii) the growth in the number of stores over the past twelve months, from 1,005 stores on November 1, 2015 to 1,069 stores on October 30, 2016.

Comparable store sales growth for the third quarter of Fiscal 2017 consisted of a 5.8% increase in the average transaction size and a 0.6% decrease in the number of transactions. A significant portion of the decrease in the number of transactions is attributable to the timing of Halloween, which fell on the first day of the fourth quarter of Fiscal 2017.

The gross margin was 39.5% of sales in the third quarter of Fiscal 2017, compared to 40.0% in the corresponding quarter of the prior year.

General, administrative and store operating expenses ("SG&A") for the third quarter of Fiscal 2017 was \$117.0 million, a 5.3% increase over \$111.1 million for the third quarter of Fiscal 2016. The increase is primarily related to the continued growth in the total number of stores. SG&A for the third quarter of Fiscal 2017 represented 15.8% of sales compared to 16.7% of sales for the third quarter of Fiscal 2016. The 0.9% improvement in SG&A as a percentage of sales is mainly the result of store labour productivity improvements, cost reduction initiatives at the store level, and the positive scaling impact of strong comparable store sales.

Financing costs increased by \$3.1 million, from \$5.4 million for the third quarter of Fiscal 2016 to \$8.5 million for the third quarter of Fiscal 2017. The increase is mainly due to increased borrowings on long-term debt.

Net earnings increased to \$110.1 million, or \$0.92 per diluted common share, in the third quarter of Fiscal 2017, compared to \$100.1 million, or \$0.78 per diluted common share, in the third quarter of Fiscal 2016. The increase in net earnings is mainly the result of an 11.2% increase in sales and lower SG&A as a percentage of sales. Earnings per share were also positively impacted by the repurchase of shares through the Corporation's normal course issuer bid.

## **Dividend**

On December 7, 2016, the Corporation announced that its board of directors approved a quarterly cash dividend for holders of common shares of \$0.10 per common share. The Corporation's quarterly cash dividend will be paid on February 1, 2017 to shareholders of record at the close of business on January 6, 2017 and is designated as an "eligible dividend" for Canadian tax purposes.

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## Normal Course Issuer Bid

On June 8, 2016, the Corporation announced that the Board of Directors approved the renewal of its normal course issuer bid and that the Corporation had received approval from the Toronto Stock Exchange to purchase for cancellation up to 5,975,854 common shares (representing 5.0% of the common shares issued and outstanding as at the close of markets on June 7, 2016) during the 12-month period from June 17, 2016 to June 16, 2017 (the “2016-2017 NCIB”).

During the third quarter of Fiscal 2017, a total of 1,571,500 common shares were repurchased for cancellation under the 2016-2017 NCIB, at a weighted average price of \$100.41 per common share, for a total cash consideration of \$157.8 million.

During the first nine months of Fiscal 2017, a total of 5,140,646 common shares were repurchased for cancellation under the 2016-2017 NCIB and the NCIB in effect before that, at a weighted average price of \$93.63 per common share, for a total cash consideration of \$481.3 million.

## Outlook

The table below provides an update to the Corporation’s guidance on select financial metrics for Fiscal 2017 as well as some initial guidance for Fiscal 2018.

<i>(as a percentage of sales except net new stores in units and capital expenditures in millions of dollars)</i>	Fiscal 2017		Fiscal 2018
	September 2016 Guidance	Enhanced Guidance	
Net new store openings	60 to 70	60 to 70	60 to 70
Gross margin	37.0% to 38.0%	38.0% to 39.0% <sup>(i)</sup>	37.0% to 38.0%
SG&A as a % of sales	15.5% to 16.0%	15.5% to 16.0%	15.0% to 15.5% <sup>(ii)</sup>
EBITDA margin	21.0% to 22.5%	22.0% to 23.5% <sup>(iii)</sup>	21.5% to 23.0%
Capital expenditures <sup>(iv)</sup>	\$160.0 to \$170.0	\$160.0 to \$170.0	\$90.0 to \$100.0

<sup>(i)</sup> Gross margin has been revised upward for Fiscal 2017 to account for the scaling impact resulting from better than anticipated sales for the first three quarters of the fiscal year, as well as continued improvement on pricing of merchandise purchased in China, where economic conditions remain soft. No significant changes are currently anticipated for Fiscal 2018.

<sup>(ii)</sup> SG&A as a % of sales is expected to improve in Fiscal 2018 as a result of in-store labour productivity initiatives and tighter control of operating expenses.

<sup>(iii)</sup> EBITDA margin has been revised upwards for Fiscal 2017 as a direct consequence of the projected increase in gross margin. EBITDA margin is a non-GAAP measure. Refer to the section of this press release entitled “Selected Consolidated Financial Information” for a reconciliation of the non-GAAP measures used and presented by the Corporation to the most comparable GAAP measures.

<sup>(iv)</sup> Includes additions to property, plant and equipment as well as software.

These guidance ranges are based on a number of assumptions, including:

- the number of signed offers to lease and store pipeline for the next 18 months;
- comparable store sales growth in the range of 4.5% to 5.5% for Fiscal 2017 (enhanced based on the comparable store sales growth recorded for the first nine months of Fiscal 2017) and 4.0% to 5.0% in Fiscal 2018;
- positive customer response to our product offering, value proposition and in-store merchandising;
- the active management of our product margins, including by refreshing between 25% to 30% of our offering on an annual basis;

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- the absence of significant increases in occupancy costs, wages and transportation costs;
- the entering into of foreign exchange forward contracts to hedge the majority of forecasted purchases of merchandise in U.S. dollars against fluctuations of the Canadian dollar against the U.S. dollar;
- the continued execution of in-store productivity initiatives, including, without limitation, the efficient use of advanced scheduling and the realization of cost savings and benefits aimed at improving operating expenses;
- ongoing cost monitoring;
- the capital budget for Fiscal 2017 for: new store openings, the new warehouse in Montreal, maintenance capital expenditures, and transformational capital expenditures (the latter being mainly related to information technology projects);
- the capital budget for Fiscal 2018 for: new store openings, maintenance capital expenditures, and transformational capital expenditures (the latter being mainly related to information technology projects);
- the successful execution of our business strategy;
- the absence of a significant shift in economic conditions or material changes in the retail competitive environment; and
- the absence of unusually adverse weather, especially in peak seasons around major holidays and celebrations.

Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, but not limited to, risks related to: future increases in operating and merchandise costs, inability to sustain assortment and replenishment of merchandise, increase in the cost or a disruption in the flow of imported goods, failure to maintain brand image and reputation, disruption of distribution infrastructure, inventory shrinkage, seasonality, market acceptance of private brands, foreign exchange rate fluctuations, competition in the retail industry, current economic conditions, failure to attract and retain quality employees, disruption in information technology systems, unsuccessful execution of the growth strategy, adverse weather, product liability claims and product recalls, litigation and regulatory compliance.

This guidance, including the various underlying assumptions, is forward-looking and should be read in conjunction with the cautionary statement on forward-looking statements.

### **Forward-Looking Statements**

Certain statements in this press release about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words “may”, “will”, “would”, “should”, “could”, “expects”, “plans”, “intends”, “trends”, “indications”, “anticipates”, “believes”, “estimates”, “predicts”, “likely” or “potential” or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on information currently available to us and on estimates and assumptions made by us regarding, among other things, general economic conditions and the competitive environment within the retail industry in Canada, in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or

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implied by the forward-looking statements, including, but not limited to, the factors discussed in the “Risks and Uncertainties” section of the Corporation’s management’s discussion and analysis for Fiscal 2016 (available on SEDAR at [www.sedar.com](http://www.sedar.com)).

These factors are not intended to represent a complete list of the factors that could affect us; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management’s expectations regarding the Corporation’s financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this press release are made as at December 7, 2016 and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

## **About Dollarama**

Dollarama is a Canadian dollar store operator offering a broad assortment of everyday consumer products, general merchandise and seasonal items. Our 1,069 locations across the country provide customers with compelling value in convenient locations, including metropolitan areas, mid-sized cities and small towns. Our quality merchandise is sold in individual or multiple units at select, fixed price points up to \$4.00.

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**Selected Consolidated Financial Information**

<i>(dollars and shares in thousands, except per share amounts)</i>	<b>13-Week Periods Ended</b>		<b>39-Week Periods Ended</b>	
	<b>October 30,</b>	<b>November 1,</b>	<b>October 30,</b>	<b>November 1,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Earnings Data</b>				
Sales	738,708	664,491	2,108,688	1,883,851
Cost of sales	447,239	398,537	1,300,779	1,163,525
Gross profit	291,469	265,954	807,909	720,326
SG&A	116,972	111,148	330,860	312,741
Depreciation and amortization	14,666	12,214	42,199	35,140
Operating income	159,831	142,592	434,850	372,445
Financing costs	8,517	5,361	22,440	15,352
Earnings before income taxes	151,314	137,231	412,410	357,093
Income taxes	41,256	37,155	112,848	96,767
Net earnings	110,058	100,076	299,562	260,326
Basic net earnings per common share	\$0.93	\$0.79	\$2.50	\$2.03
Diluted net earnings per common share	\$0.92	\$0.78	\$2.47	\$2.01
Weighted average number of common shares outstanding during the period:				
Basic	118,181	127,205	119,864	128,403
Diluted	119,496	128,469	121,101	129,530
<b>Other Data</b>				
Year-over-year sales growth	11.2%	13.0%	11.9%	13.4%
Comparable store sales growth <sup>(2)</sup>	5.1%	6.4%	5.7%	7.1%
Gross margin <sup>(3)</sup>	39.5%	40.0%	38.3%	38.2%
SG&A as a % of sales <sup>(3)</sup>	15.8%	16.7%	15.7%	16.6%
EBITDA <sup>(1)</sup>	174,497	154,806	477,049	407,585
Operating margin <sup>(3)</sup>	21.6%	21.5%	20.6%	19.8%
Capital expenditures	42,708	21,357	128,764	63,096
Number of stores <sup>(4)</sup>	1,069	1,005	1,069	1,005
Average store size (gross square feet) <sup>(4)</sup>	9,990	9,937	9,990	9,937
Declared dividends per common share	\$0.10	\$0.09	\$0.30	\$0.27

<i>(dollars in thousands)</i>	<b>As at</b>	
	<b>October 30,</b>	<b>January 31,</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Statement of Financial Position Data</b>		
Cash and cash equivalents	70,105	59,178
Merchandise inventories	475,047	470,195
Property, plant and equipment	416,933	332,225
Total assets	1,863,475	1,813,874
Total non-current liabilities	1,184,642	1,119,996
Total debt <sup>(1)</sup>	1,279,838	928,376
Net debt <sup>(1)</sup>	1,209,733	869,198

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<sup>(1)</sup> In this press release, EBITDA, EBITDA margin, total debt and net debt are referred to as “non-GAAP measures”. Non-GAAP measures are not generally accepted measures under GAAP and do not have a standardized meaning under GAAP. EBITDA, EBITDA margin, total debt and net debt are reconciled below. The non-GAAP measures, as calculated by the Corporation, may not be comparable to those of other issuers and should be considered as a supplement to, not a substitute for, or superior to, the comparable measures calculated in accordance with GAAP.

We have included non-GAAP measures to provide investors with supplemental measures of our operating and financial performance. We believe that non-GAAP measures are important supplemental metrics because they eliminate items that have less bearing on our operating and financial performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers, many of which present non-GAAP measures when reporting their results. Our management also uses non-GAAP measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

<i>(dollars in thousands)</i>	13-Week Periods Ended		39-Week Periods Ended	
	October 30, 2016 \$	November 1, 2015 \$	October 30, 2016 \$	November 1, 2015 \$
<b>A reconciliation of operating income to EBITDA is included below:</b>				
Operating income	159,831	142,592	434,850	372,445
Add: Depreciation and amortization	14,666	12,214	42,199	35,140
<b>EBITDA</b>	<b>174,497</b>	<b>154,806</b>	<b>477,049</b>	<b>407,585</b>
<i>EBITDA margin</i> <sup>(3)</sup>	23.6%	23.3%	22.6%	21.6%

<i>(dollars in thousands)</i>	As at	
	October 30, 2016 \$	January 31, 2016 \$
<b>A reconciliation of long-term debt to total debt is included below:</b>		
Senior unsecured notes bearing interest at a fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021	525,000	-
Senior unsecured notes bearing interest at a fixed annual rate of 3.095% payable in equal semi-annual instalments, maturing November 5, 2018	400,000	400,000
Senior unsecured notes bearing interest at a variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 54 basis points payable quarterly, maturing May 16, 2017	274,834	274,834
Unsecured revolving credit facility maturing December 14, 2021	70,000	250,000
Accrued interest on all senior unsecured notes	10,004	3,542
<b>Total debt</b>	<b>1,279,838</b>	<b>928,376</b>

### A reconciliation of total debt to net debt is included below:

Total debt	1,279,838	928,376
Cash and cash equivalents	(70,105)	(59,178)
<b>Net debt</b>	<b>1,209,733</b>	<b>869,198</b>

<sup>(2)</sup> Comparable store sales growth is a measure of the percentage increase or decrease, as applicable, of the sales of stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year.

<sup>(3)</sup> Gross margin represents gross profit divided by sales. SG&A as a % of sales represents SG&A divided by sales. Operating margin represents operating income divided by sales. EBITDA margin represents EBITDA divided by sales.

<sup>(4)</sup> At the end of the period.

# **Dollarama Inc.**

Condensed Interim Consolidated Financial  
Statements

**For the 13-week and 39-week periods ended  
October 30, 2016 and November 1, 2015**

(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	October 30, 2016 \$	January 31, 2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		70,105	59,178
Accounts receivable		12,994	11,118
Deposits and prepaid expenses		5,257	8,900
Merchandise inventories		475,047	470,195
Derivative financial instruments	7	17,401	67,542
		<u>580,804</u>	<u>616,933</u>
<b>Non-current assets</b>			
Property, plant and equipment	6	416,933	332,225
Intangible assets		137,956	136,934
Goodwill		<u>727,782</u>	<u>727,782</u>
<b>Total assets</b>		<u>1,863,475</u>	<u>1,813,874</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		171,588	166,171
Dividend payable		11,813	11,087
Income taxes payable		3,279	45,638
Derivative financial instruments	7	6,961	-
Finance lease obligations		-	588
Current portion of long-term debt	8	<u>284,838</u>	<u>3,542</u>
		478,479	227,026
<b>Non-current liabilities</b>			
Long-term debt	8	989,806	920,772
Deferred rent and lease inducements		77,818	71,632
Deferred income taxes		<u>117,018</u>	<u>127,592</u>
<b>Total liabilities</b>		<u>1,663,121</u>	<u>1,347,022</u>
<b>Commitments</b>	12		
<b>Shareholders' equity</b>			
Share capital		428,196	439,296
Contributed surplus		22,624	20,136
Deficit		(261,508)	(62,375)
Accumulated other comprehensive income		<u>11,042</u>	<u>69,795</u>
<b>Total shareholders' equity</b>		<u>200,354</u>	<u>466,852</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,863,475</u>	<u>1,813,874</u>

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

# Dollarama Inc.

## Consolidated Interim Statement of Changes in Shareholders' Equity

For the 39-week periods ended

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

	Note	Number of common shares	Share capital \$	Contributed surplus \$	Retained earnings/ (deficit) \$	Accumulated other comprehensive income (loss) \$	Total \$
<b>Balance – February 1, 2015</b>		129,790,354	462,734	15,338	196,112	66,296	740,480
Net earnings for the period		-	-	-	260,326	-	260,326
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of \$5,282		-	-	-	-	(14,513)	(14,513)
Dividends declared		-	-	-	(34,636)	-	(34,636)
Repurchase and cancellation of shares	9	(4,186,549)	(14,871)	-	(320,283)	-	(335,154)
Share-based compensation	9	-	-	4,629	-	-	4,629
Issuance of common shares		163,296	2,702	-	-	-	2,702
Reclassification related to exercise of share options		-	1,310	(1,310)	-	-	-
<b>Balance – November 1, 2015</b>		<b>125,767,101</b>	<b>451,875</b>	<b>18,657</b>	<b>101,519</b>	<b>51,783</b>	<b>623,834</b>
<b>Balance – January 31, 2016</b>		122,225,104	439,296	20,136	(62,375)	69,795	466,852
Net earnings for the period		-	-	-	299,562	-	299,562
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of \$21,318		-	-	-	-	(58,753)	(58,753)
Dividends declared		-	-	-	(35,850)	-	(35,850)
Repurchase and cancellation of shares	9	(5,140,646)	(18,476)	-	(462,845)	-	(481,321)
Share-based compensation	9	-	-	5,175	-	-	5,175
Issuance of common shares		240,544	4,689	-	-	-	4,689
Reclassification related to exercise of share options		-	2,687	(2,687)	-	-	-
<b>Balance – October 30, 2016</b>		<b>117,325,002</b>	<b>428,196</b>	<b>22,624</b>	<b>(261,508)</b>	<b>11,042</b>	<b>200,354</b>

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

## Dollarama Inc.

### Consolidated Interim Statement of Net Earnings and Comprehensive Income

For the 13-week and 39-week periods ended

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

	Note	13-week periods ended		39-week periods ended	
		October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
		\$	\$	\$	\$
Sales		738,708	664,491	2,108,688	1,883,851
Cost of sales	14	<u>447,239</u>	<u>398,537</u>	<u>1,300,779</u>	<u>1,163,525</u>
<b>Gross profit</b>		291,469	265,954	807,909	720,326
General, administrative and store operating expenses		116,972	111,148	330,860	312,741
Depreciation and amortization	14	<u>14,666</u>	<u>12,214</u>	<u>42,199</u>	<u>35,140</u>
<b>Operating income</b>		159,831	142,592	434,850	372,445
Financing costs	14	<u>8,517</u>	<u>5,361</u>	<u>22,440</u>	<u>15,352</u>
<b>Earnings before income taxes</b>		151,314	137,231	412,410	357,093
<b>Income taxes</b>	10	<u>41,256</u>	<u>37,155</u>	<u>112,848</u>	<u>96,767</u>
<b>Net earnings for the period</b>		<u>110,058</u>	<u>100,076</u>	<u>299,562</u>	<u>260,326</u>
<b>Other comprehensive income (loss)</b>					
<i>Items to be reclassified subsequently to net earnings</i>					
Unrealized gain (loss) on derivative financial instruments, net of reclassification adjustment		8,414	(22,322)	(80,071)	(19,795)
Income taxes relating to components of other comprehensive income (loss)		<u>(2,325)</u>	<u>5,968</u>	<u>21,318</u>	<u>5,282</u>
<b>Total other comprehensive income (loss), net of income taxes</b>		<u>6,089</u>	<u>(16,354)</u>	<u>(58,753)</u>	<u>(14,513)</u>
<b>Total comprehensive income for the period</b>		<u>116,147</u>	<u>83,722</u>	<u>240,809</u>	<u>245,813</u>
<b>Earnings per common share</b>					
Basic net earnings per common share		\$0.93	\$0.79	\$2.50	\$2.03
Diluted net earnings per common share	11	\$0.92	\$0.78	\$2.47	\$2.01
<b>Weighted average number of common shares outstanding during the period (thousands)</b>		118,181	127,205	119,864	128,403
<b>Weighted average number of diluted common shares outstanding during the period (thousands)</b>	11	119,496	128,469	121,101	129,530

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

# Dollarama Inc.

## Consolidated Interim Statement of Cash Flows For the 13-week and 39-week periods ended (Unaudited, expressed in thousands of Canadian dollars)

	Note	13-week periods ended		39-week periods ended	
		October 30,	November 1,	October 30,	November 1,
		2016	2015	2016	2015
		\$	\$	\$	\$
<b>Operating activities</b>					
Net earnings for the period		110,058	100,076	299,562	260,326
Adjustments for:					
Depreciation of property, plant and equipment and amortization of intangible assets	14	14,666	12,214	42,199	35,140
Amortization of deferred tenant allowances		(1,184)	(1,137)	(3,584)	(3,739)
Amortization of deferred leasing costs		126	140	393	443
Amortization of debt issue costs		468	307	1,186	970
Recognition of realized gains on foreign exchange contracts	7	(7,400)	(24,246)	(43,745)	(49,659)
Cash settlement of gains on foreign exchange contracts		1,443	32,126	21,201	75,332
Deferred lease inducements		1,708	1,089	4,336	3,377
Deferred tenant allowances and deferred leasing costs		1,922	2,749	5,435	7,985
Share-based compensation	9	1,772	1,520	5,175	4,629
Financing costs on long-term debt		6,002	3,030	6,037	2,780
Deferred income taxes		3,972	(2,131)	10,743	151
Loss on disposal of assets		206	107	390	464
		133,759	125,844	349,328	338,199
Changes in non-cash working capital components	15	(35,476)	(11,415)	(46,525)	(98,457)
Net cash generated from operating activities		98,283	114,429	302,803	239,742
<b>Investing activities</b>					
Additions to property, plant and equipment		(40,149)	(18,818)	(120,410)	(56,000)
Additions to intangible assets		(2,559)	(2,539)	(8,354)	(7,096)
Proceeds on disposal of property, plant and equipment		-	191	53	572
Net cash used in investing activities		(42,708)	(21,166)	(128,711)	(62,524)
<b>Financing activities</b>					
Proceeds from long-term debt - Floating Rate Notes	8	-	-	-	124,834
Net proceeds (repayments) from (of) Credit Facility	8	70,000	105,000	(180,000)	105,000
Proceeds from long-term debt - 2.337% Fixed Rate Notes	8	-	-	525,000	-
Payment of debt issue costs		-	(265)	(2,318)	(708)
Repayment of finance lease		(84)	(246)	(588)	(729)
Issuance of common shares		633	941	4,689	2,702
Dividends paid		(11,902)	(11,543)	(35,124)	(33,672)
Repurchase and cancellation of shares	9	(152,047)	(166,765)	(474,824)	(340,342)
Net cash used in financing activities		(93,400)	(72,878)	(163,165)	(142,915)
<b>Increase (decrease) in cash and cash equivalents</b>		(37,825)	20,385	10,927	34,303
<b>Cash and cash equivalents – beginning of period</b>		107,930	54,121	59,178	40,203
<b>Cash and cash equivalents – end of period</b>		70,105	74,506	70,105	74,506

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

# Dollarama Inc.

## Notes to Condensed Interim Consolidated Financial Statements

**October 30, 2016**

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

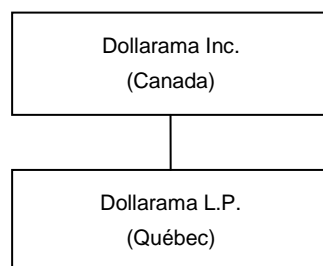
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### 1 General information

Dollarama Inc. (the “Corporation”) was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation operates dollar stores in Canada that sell all items for \$4.00 or less. As at October 30, 2016, 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 October 30, 2016, 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.

### 2 Basis of preparation

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issue on December 7, 2016.

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, 2016 (“Fiscal 2016”), 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.

# **Dollarama Inc.**

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

**October 30, 2016**

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

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### **3 Summary of significant accounting policies**

These condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in note 3 of the Fiscal 2016 audited consolidated financial statements.

### **4 Significant new accounting standards not yet adopted**

- In January 2016, the IASB issued IFRS 16, “Leases”, which will replace IAS 17, “Leases”. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Corporation has adopted IFRS 15, “Revenue from Contracts with Customers”. 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 has significant contractual obligations in the form of operating leases (note 12) under IAS 17, there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with lease arrangements. The Corporation is in the process of analyzing the impact of the adoption of IFRS 16 on the Corporation’s consolidated statement of financial position and consolidated statement of net earnings and comprehensive income.
- In July 2014, the IASB issued the final version of IFRS 9, “Financial Instruments” concerning classification and measurement, impairment and hedge accounting, to supersede IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 will be effective for years beginning on or after January 1, 2018 with early adoption permitted. The Corporation is in the process of analyzing the impact of the adoption of IFRS 9 on the Corporation’s consolidated statement of financial position and consolidated statements of net earnings and comprehensive income and cash flows.
- In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”. IFRS 15 replaces all previous revenue recognition standards, including IAS 18, “Revenue”. In September 2015, the IASB deferred the effective date of IFRS 15 from January 1, 2017 to annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is in the process of analyzing the impact of the adoption of IFRS 15 on the Corporation’s consolidated statement of financial position and consolidated statement of net earnings and comprehensive income.

### **5 Critical accounting estimates and judgments**

The preparation of condensed interim consolidated 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.

In preparing these condensed interim consolidated financial statements, the significant estimates and judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for Fiscal 2016 (refer to note 5 of the Fiscal 2016 audited consolidated financial statements).

# Dollarama Inc.

## Notes to Condensed Interim Consolidated Financial Statements

October 30, 2016

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

### 6 Property, plant and equipment

	Land <sup>(1)</sup>	Building construction in progress <sup>(1)</sup>	Store and warehouse equipment	Computer equipment	Vehicles	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Balance January 31, 2016	-	-	316,349	24,596	4,349	249,887	595,181
Additions	22,144	39,887	21,655	12,115	767	23,842	120,410
Dispositions	-	-	(36)	-	(754)	(315)	(1,105)
Balance October 30, 2016	22,144	39,887	337,968	36,711	4,362	273,414	714,486
<b>Accumulated depreciation</b>							
Balance January 31, 2016	-	-	168,517	7,648	1,316	85,475	262,956
Depreciation	-	-	17,773	4,247	665	12,576	35,261
Dispositions	-	-	(8)	-	(438)	(218)	(664)
Balance October 30, 2016	-	-	186,282	11,895	1,543	97,833	297,553
<b>Net book value</b>							
Balance October 30, 2016	22,144	39,887	151,686	24,816	2,819	175,581	416,933
<b>Cost</b>							
Balance February 1, 2015	-	-	286,011	18,968	3,706	211,267	519,952
Additions	-	-	31,367	9,794	1,934	40,136	83,231
Dispositions	-	-	(1,029)	(4,166)	(1,291)	(1,516)	(8,002)
Balance January 31, 2016	-	-	316,349	24,596	4,349	249,887	595,181
<b>Accumulated depreciation</b>							
Balance February 1, 2015	-	-	147,677	8,018	1,308	72,317	229,320
Depreciation	-	-	21,576	3,796	810	14,146	40,328
Dispositions	-	-	(736)	(4,166)	(802)	(988)	(6,692)
Balance January 31, 2016	-	-	168,517	7,648	1,316	85,475	262,956
<b>Net book value</b>							
Balance January 31, 2016	-	-	147,832	16,948	3,033	164,412	332,225

(1) Total costs of \$62,000 for land and building construction in progress include racking, fixtures and other equipment that are in the process of being installed. The building itself is substantially complete. Recognized costs for the building construction in progress are not being depreciated because the building is not yet available for use (refer to Note 13).

# Dollarama Inc.

## Notes to Condensed Interim Consolidated Financial Statements

**October 30, 2016**

(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, average contract rate, statement of financial position location and estimated fair values of derivative financial instruments as at October 30, 2016 and January 31, 2016 is as follows:

	Contractual nominal value US\$	Average contract rate	Statement of financial position  Location	Fair value - Asset (Liability) Significant other observable inputs (Level 2)	Nature of hedging relationship  Recurring
<b>As at October 30, 2016</b>					
<b>Hedging instruments</b>					
Foreign exchange forward contracts	318,500	1.28	Current assets	17,401	Cash flow hedge
Foreign exchange forward contracts	<u>130,000</u>	1.39	Current liabilities	<u>(6,961)</u>	Cash flow hedge
	<u>448,500</u>	1.32		<u>10,440</u>	
<b>As at January 31, 2016</b>					
<b>Hedging instruments</b>					
Foreign exchange forward contracts	<u>550,000</u>	1.28	Current assets	<u>67,542</u>	Cash flow hedge

The Corporation is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative financial instruments is currency risk. Foreign exchange forward contracts are entered into in order to manage the currency fluctuation risk associated with forecasted US dollar merchandise purchases sold in stores.

The Corporation formally documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedging transactions.

Foreign exchange forward contracts are designated as hedging instruments and recorded at fair value, determined using market prices and other observable inputs. The Corporation designates its foreign exchange forward contracts as hedges of the variability in highly probable future cash flows attributable to a recognized forecasted transaction (cash flow hedges). The fair value of the foreign exchange forward contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values.

During the 39-week period ended October 30, 2016, a gain of \$43,745 (November 1, 2015 - gain of \$49,659) was reclassified from accumulated other comprehensive income (AOCI) to net earnings.



# Dollarama Inc.

## Notes to Condensed Interim Consolidated Financial Statements

October 30, 2016

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

### 8 Long-term debt

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

	October 30, 2016	January 31, 2016
	\$	\$
Senior unsecured notes bearing interest at a fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the "2.337% Fixed Rate Notes")	525,000	-
Senior unsecured notes bearing interest at a fixed annual rate of 3.095% payable in equal semi-annual instalments, maturing November 5, 2018 (the "3.095% Fixed Rate Notes" and, collectively with the 2.337% Fixed Rate Notes, the "Fixed Rate Notes")	400,000	400,000
Senior unsecured notes bearing interest at a variable rate equal to 3-month bankers' acceptance rate (CDOR) plus 54 basis points payable quarterly, maturing May 16, 2017 (the "Floating Rate Notes")	274,834	274,834
Unsecured revolving credit facility (the "Credit Facility")	70,000	250,000
Less: Unamortized debt issue costs	(5,194)	(4,062)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	10,004	3,542
	<u>1,274,644</u>	<u>924,314</u>
Current portion (includes accrued interest on the Floating Rate Notes and Fixed Rate Notes as at period end)	<u>(284,838)</u>	<u>(3,542)</u>
	<u>989,806</u>	<u>920,772</u>

#### Fixed Rate Notes

On July 22, 2016, the Corporation issued the 2.337% Fixed Rate Notes at par, for aggregate gross proceeds of \$525,000, by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. Proceeds were used by the Corporation to repay indebtedness outstanding under the Credit Facility and for general corporate purposes. The 2.337% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS. The 2.337% Fixed Rate Notes bear interest at a rate of 2.337% per annum, payable in equal semi-annual instalments, in arrears, on January 22 and July 22 of each year until maturity on July 22, 2021.

As at October 30, 2016, the carrying value of the 2.337% Fixed Rate Notes was \$526,150 (January 31, 2016 - n/a). The fair value of the 2.337% Fixed Rate Notes as at October 30, 2016 was determined to be \$528,659 valued as a level 2 in the fair value hierarchy (January 31, 2016 - n/a).

As at October 30, 2016, the carrying value of the 3.095% Fixed Rate Notes was \$404,978 (January 31, 2016 - \$401,546). The fair value of the 3.095% Fixed Rate Notes as at October 30, 2016 was determined to be \$410,984 valued as a level 2 in the fair value hierarchy (January 31, 2016 - \$411,444).

#### Floating Rate Notes

As at October 30, 2016, the carrying value of the Floating Rate Notes was \$275,152 (January 31, 2016 - \$274,786). The fair value of the Floating Rate Notes as at October 30, 2016 was determined to be \$274,796 valued as a level 2 in the fair value hierarchy (January 31, 2016 - \$273,642). The Floating Rate Notes are due on May 16, 2017 and therefore are presented as a current liability on the consolidated interim statement of financial position as at October 30, 2016.

# **Dollarama Inc.**

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

**October 30, 2016**

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

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### **8 Long-term debt (cont'd)**

#### **Credit Facility**

As at October 30, 2016, \$70,000 were outstanding under the Credit Facility (January 31, 2016 – \$250,000), other than letters of credit issued for the purchase of inventories, which amounted to \$1,943 (January 31, 2016 – \$1,000). As at October 30, 2016, the Corporation was in compliance with all of its financial covenants.

### **9 Share capital**

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

On June 8, 2016, the Corporation renewed its normal course issuer bid to repurchase for cancellation up to 5,975,854 common shares, representing 5% of the 119,517,081 common shares issued and outstanding as at the close of markets on June 7, 2016 during the 12-month period from June 17, 2016 to June 16, 2017 (the “2016-2017 NCIB”).

The total number of common shares repurchased for cancellation under the 2016-2017 NCIB during the 13-week period ended October 30, 2016 amounted to 1,571,500 common shares (November 1, 2015 – 2,118,173 common shares under the normal course issuer bid then in effect) for a total cash consideration of \$157,809 (November 1, 2015 – \$188,151). For the 13-week period ended October 30, 2016, the Corporation’s share capital was reduced by \$5,648 (November 1, 2015 – \$7,524) and the remaining \$152,161 (November 1, 2015 – \$180,627) was accounted for as a reduction of retained earnings, resulting in an increase of the deficit in shareholders’ equity.

The total number of common shares repurchased for cancellation under the 2016-2017 NCIB and the NCIB in effect before June 17, 2016 during the 39-week period ended October 30, 2016 amounted to 5,140,646 common shares (November 1, 2015 – 4,186,549 common shares under the normal course issuer bids then in effect) for a total cash consideration of \$481,321 (November 1, 2015 - \$335,154). For the 39-week period ended October 30, 2016, the Corporation’s share capital was reduced by \$18,476 (November 1, 2015 - \$14,871) and the remaining \$462,845 (November 1, 2015 - \$320,283) was accounted for as a reduction of retained earnings.

#### **Share-based compensation**

During the 13-week and 39-week periods ended October 30, 2016, the Corporation recognized a share-based compensation expense of \$1,772 and \$5,175, respectively (13-week and 39-week periods ended November 1, 2015 - \$1,520 and \$4,629, respectively).

# Dollarama Inc.

## Notes to Condensed Interim Consolidated Financial Statements

**October 30, 2016**

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

### 9 Share capital (cont'd)

The weighted average fair value of the share options granted during the 39-week periods ended on the dates provided below was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	39-week periods ended	
	October 30, 2016	November 1, 2015
Dividend yield	0.4%	0.5%
Risk-free interest rate	0.8%	0.9%
Expected life	6.3 years	6.3 years
Expected volatility	20.7%	19.3%
Weighted average fair value of share options estimated at the grant date	\$18.91	\$13.96

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 the Corporation's publicly traded share price.

Outstanding and exercisable share options for the 39-week periods ended on the dates provided below are as follows:

	October 30, 2016		November 1, 2015	
	Number of share options	Weighted average exercise price (\$)	Number of share options	Weighted average exercise price (\$)
<b>Outstanding – beginning of period</b>	2,478,200	42.29	2,263,348	35.71
Granted	420,000	90.59	410,000	71.14
Exercised	(319,800)	38.28	(193,948)	26.58
<b>Outstanding – end of period</b>	<b>2,578,400</b>	<b>50.66</b>	<b>2,479,400</b>	<b>42.28</b>
<b>Exercisable – end of period</b>	<b>879,200</b>	<b>36.39</b>	<b>656,200</b>	<b>33.19</b>

## Dollarama Inc.

### Notes to Condensed Interim Consolidated Financial Statements

October 30, 2016

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

## 9 Share capital (cont'd)

Information relating to share options outstanding and exercisable as at October 30, 2016 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 (\$)
\$6.00-\$8.75	27	17,000	7.29	27	17,000	7.29
\$8.76-\$13.25	38	4,000	11.21	38	4,000	11.21
\$13.26-\$18.89	53	30,000	15.40	53	30,000	15.42
\$18.90-\$27.01	63	237,500	21.87	63	162,700	21.77
\$27.02-\$40.97	78	855,200	36.30	77	401,600	36.12
\$40.98-\$56.17	90	627,000	44.85	89	204,200	44.39
\$56.18-\$71.03	101	377,700	71.03	101	57,700	71.03
\$71.04-\$90.59	113	430,000	90.24	104	2,000	75.49
	88	2,578,400	50.66	77	879,200	36.39

## 10 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 39-week periods ended October 30, 2016 was 26.9% (November 1, 2015 - 26.7%). The Corporation's effective income tax rate for the 13-week and 39-week period ended October 30, 2016 was 27.3% and 27.4%, respectively (13-week and 39-week periods ended November 1, 2015 - 26.9% and 27.1%, respectively).

## 11 Earnings per common share

Diluted net earnings per common share for the 13-week and 39-week periods ended on the dates provided 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		39-week periods ended	
	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	\$110,058	\$100,076	\$299,562	\$260,326
Weighted average number of common shares outstanding during the period ( <i>thousands</i> )	118,181	127,205	119,864	128,403
Assumed share options exercised ( <i>thousands</i> )	1,315	1,264	1,237	1,127
Weighted average number of common shares for diluted net earnings per common share ( <i>thousands</i> )	119,496	128,469	121,101	129,530
Diluted net earnings per common share	\$0.92	\$0.78	\$2.47	\$2.01

# Dollarama Inc.

## Notes to Condensed Interim Consolidated Financial Statements

**October 30, 2016**

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

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### 12 Commitments

#### Contractual obligations

As at October 30, 2016, contractual obligations for operating leases amounted to approximately \$1,041,266 (November 1, 2015 – \$969,908). The leases extend, depending on the renewal options, over various periods up to the year 2039.

#### Basic and contingent rent expense

The basic rent and contingent rent expense of operating leases for stores, warehouses, distribution centre and corporate headquarters included in the interim consolidated statement of net earnings and comprehensive income for the 13-week and 39-week periods ended on the dates provided below are as follows:

	13-week periods ended		39-week periods ended	
	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
	\$	\$	\$	\$
Basic rent	41,190	37,541	121,606	111,502
Contingent rent	1,061	1,197	3,219	3,246
	<u>42,251</u>	<u>38,738</u>	<u>124,825</u>	<u>114,748</u>

### 13 Related party transactions

#### Rent

Rental expenses charged by entities controlled by a director totalled \$3,561 and \$14,513, respectively, for the 13-week and 39-week periods ended October 30, 2016 (13-week and 39-week periods ended November 1, 2015 - \$3,520 and \$14,391, respectively).

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

#### Land

Land in Montreal, Québec was acquired on February 5, 2016 from a party related to Dollarama at a cost of \$22,144, the same price paid by such party in a recent arm's length transaction, for the purpose of building a 500,000 square-foot warehouse. Construction began in March 2016. The building itself is substantially complete whereas racking, fixtures and other equipment are in the process of being installed. The building is expected to be available for use before the end of the fiscal year.

# Dollarama Inc.

## Notes to Condensed Interim Consolidated Financial Statements

October 30, 2016

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

### 14 Expenses by nature included in the interim consolidated statement of net earnings

	13-week periods ended		39-week periods ended	
	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
	\$	\$	\$	\$
<b>Cost of sales:</b>				
Merchandise, labour, transport and other costs	377,327	334,270	1,094,440	974,648
Occupancy costs	69,912	64,267	206,339	188,877
Total cost of sales	447,239	398,537	1,300,779	1,163,525
<b>Depreciation and amortization:</b>				
Depreciation of property, plant and equipment	12,264	10,223	35,261	29,504
Amortization of intangible assets	2,402	1,991	6,938	5,636
Total depreciation and amortization	14,666	12,214	42,199	35,140
<b>Employee benefits</b>	85,584	81,454	244,884	231,423
<b>Financing costs</b>	8,517	5,361	22,440	15,352

### 15 Changes in non-cash working capital

The changes in non-cash working capital components for the 13-week and 39-week periods ended on the dates provided below are as follows:

	13-week periods ended		39-week periods ended	
	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
	\$	\$	\$	\$
Accounts receivable	(52)	(2,226)	(1,876)	116
Deposits and prepaid expenses	1,911	1,220	3,643	(840)
Merchandise inventories	(38,715)	(26,831)	(4,852)	(78,008)
Accounts payable and accrued liabilities	4,450	1,605	(1,081)	(22,318)
Income taxes payable	(3,070)	14,817	(42,359)	2,593
	(35,476)	(11,415)	(46,525)	(98,457)
Cash paid for taxes	40,498	25,008	146,089	95,578
Cash paid for interest	1,483	514	14,026	9,084

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

## **Dollarama Inc.**

Notes to Condensed Interim Consolidated Financial Statements

**October 30, 2016**

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

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### **16 Events after the reporting period**

#### **Quarterly cash dividend**

On December 7, 2016, the Corporation's Board of Directors announced that it had approved a quarterly cash dividend for holders of its common shares of \$0.10 per common share. The Corporation's quarterly cash dividend will be paid on February 1, 2017 to shareholders of record at the close of business on January 6, 2017 and is designated as an "eligible dividend" for Canadian tax purposes.

#### **Amendment to credit agreement**

On November 21, 2016, the Corporation and the lenders entered into an amending agreement to the credit agreement pursuant to which the term was extended by one year, from December 14, 2020 to December 14, 2021.