



**DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
First Quarter Ended May 3, 2015**

June 10, 2015

The following management's discussion and analysis ("MD&A") dated June 10, 2015 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of Dollarama Inc. (together with its consolidated subsidiaries, referred to as "Dollarama", the "Corporation", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Corporation's financial results for the first quarter ended May 3, 2015. This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the first quarter ended May 3, 2015 and the annual audited consolidated financial statements and notes for Fiscal 2015 (as hereinafter defined).

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's unaudited condensed interim consolidated financial statements for the first quarter ended May 3, 2015 have 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"). The information on numbers of outstanding common shares and options to purchase common shares as well as earnings per share presented in this MD&A for the 13-week period ended May 4, 2014 has been retrospectively restated to reflect the two-for-one share split effected by way of share dividend declared on September 10, 2014 and paid at the close of business on November 17, 2014 (the "Share Split"). Refer to Note 8 of the Corporation's unaudited condensed interim consolidated financial statements for the period ended May 3, 2015 for additional information.

The Corporation manages its business on the basis of one reportable segment. The functional and reporting currency is the Canadian dollar.

Accounting Periods

All references to "Fiscal 2014" are to the Corporation's fiscal year ended February 2, 2014; to "Fiscal 2015" are to the Corporation's fiscal year ended February 1, 2015; and to "Fiscal 2016" are to the Corporation's fiscal year ending January 31, 2016.

The Corporation's fiscal year ends on the Sunday closest to January 31 of each year and usually has 52 weeks.

Forward-Looking Statements

This MD&A contains certain forward-looking statements about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments. The words “may”, “will”, “would”, “should”, “could”, “expects”, “plans”, “intends”, “trends”, “indications”, “anticipates”, “believes”, “estimates”, “predicts”, “likely” or “potential” or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- the potential accretive effect of the normal course issuer bid;
- general increases in administrative and occupancy costs;
- the liquidity position of the Corporation;
- expectations on a sustainable gross margin; and
- expectations about our general, administrative and store operating expenses as a percentage of sales.

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 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, the following factors, which are discussed in greater detail in the “Risks and Uncertainties” section of the Corporation’s most recent annual MD&A and annual information form for Fiscal 2015, both available on SEDAR at www.sedar.com: 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, inability to renew store, warehouse, distribution center and head office leases on favourable terms, inability to increase warehouse and distribution center capacity in a timely manner, seasonality, market acceptance of private brands, failure to protect trademarks and other proprietary rights, foreign exchange rate fluctuations, potential losses associated with using derivative financial instruments, level of indebtedness and inability to generate sufficient cash to service debt, changes in creditworthiness and credit rating and the potential increase in the cost of capital, interest rate risk associated with variable rate indebtedness, competition in the retail industry, current economic conditions, departure of senior executives, failure to attract and retain quality employees, disruption in information technology systems, inability to protect systems against cyber attacks, unsuccessful execution of the growth strategy, holding company structure, adverse weather, natural disasters and geo-political events, unexpected costs associated with current insurance programs, product liability claims and product recalls, litigation and regulatory and environmental compliance.

These factors are not intended to represent a complete list of the factors that could affect us; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management’s expectations regarding the Corporation’s financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as at June 10, 2015 and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

GAAP and Non-GAAP Measures

This MD&A, as well as the Corporation's unaudited condensed interim consolidated financial statements and notes for the first quarter of Fiscal 2016, have been prepared in accordance with GAAP. However, this MD&A also refers to certain non-GAAP measures. The non-GAAP measures used by the Corporation are as follows:

EBITDA	Represents operating income plus depreciation and amortization.
EBITDA margin	Represents EBITDA divided by sales.
Total debt	Represents the sum of long-term debt (including accrued interest as current portion) and other bank indebtedness (if any).
Net debt	Represents total debt minus cash and cash equivalents.

The above-described non-GAAP measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are used to bridge differences between external reporting under GAAP and external reporting that is tailored to the retail industry, and should not be considered in isolation or as a substitute for financial performance measures calculated in accordance with GAAP. Management uses non-GAAP measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, to assess our ability to meet our future debt service, capital expenditure and working capital requirements, and to evaluate senior management's performance. Refer to the section entitled "Selected Quarterly Consolidated Financial Information" of this MD&A for a reconciliation of the non-GAAP measures used and presented by the Corporation to the most directly comparable GAAP measures.

Non-GAAP measures, including EBITDA and EBITDA margin, provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. Management also uses total debt and net debt to calculate the Corporation's indebtedness level, cash position, future cash needs and financial leverage ratios. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers.

Recent Events

Offering of Additional Floating Rate Senior Unsecured Notes

On April 8, 2015, the Corporation issued additional floating rate senior unsecured notes due May 16, 2017 in the aggregate principal amount of \$125.0 million (the "Additional Floating Rate Notes") by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The Additional Floating Rate Notes constitute an increase to the \$150.0 million aggregate principal amount of floating rate senior unsecured notes due May 16, 2017 issued by the Corporation on May 16, 2014 (the "Original Floating Rate Notes").

The Additional Floating Rate Notes were issued at a discount of 0.336%, for aggregate gross proceeds of \$124.6 million, and bear interest at the same rate as the Original Floating Rate Notes. All other terms and conditions applicable to the Original Floating Rate Notes also apply to the Additional Floating Rate Notes, and the Additional Floating Rate Notes are treated as a single series with the Original Floating Rate Notes (collectively, the "Floating Rate Notes"). Refer to the section entitled "Liquidity and Capital Resources – Senior Unsecured Notes" for more detailed information.

Renewal of Normal Course Issuer Bid

On June 10, 2015, the Corporation announced that its board of directors (the "Board of Directors") had approved the renewal of the normal course issuer bid and that the Corporation had received the approval from the Toronto Stock Exchange (the "TSX") to purchase for cancellation up to 4,500,765 common shares, representing 3.5% of the 128,593,309 common shares issued and outstanding as at the close of markets on June 9, 2015 (the "2015-2016 NCIB"). Refer to the section entitled "Normal Course Issuer Bid" for more detailed information.

Overview

Our Business

We are the leading operator of dollar stores in Canada, with 972 Dollarama stores in operation as at May 3, 2015, which was more than four times the number of stores as our next largest dollar store competitor in Canada. We are the only dollar store operator with a significant national presence and are continuing to expand across Canada. Our stores average 9,910 square feet and offer a targeted mix of merchandise at compelling values, including private label and nationally branded products. We offer a broad range of quality consumer products and general merchandise for everyday use, in addition to seasonal products. Our quality merchandise is sold in individual or multiple units at select fixed price points up to \$3.00. All of our stores are corporate-owned and operated, providing a consistent shopping experience, and nearly all are located in high-traffic areas such as strip malls and shopping centers in various locations, including metropolitan areas, mid-sized cities and small towns.

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

Key Items in the First Quarter of Fiscal 2016

Compared to the first quarter of Fiscal 2015:

- Sales increased by 13.0% to \$566.1 million;
- Comparable store sales⁽¹⁾ grew 6.9%, over and above 3.3% the previous year;
- Gross margin⁽¹⁾ was 36.0% of sales compared to 35.4% of sales;
- EBITDA⁽¹⁾ grew 22.9% to \$105.9 million, or 18.7% of sales, compared to 17.2% of sales;
- Operating income grew 22.4% to \$94.8 million, or 16.7% of sales, compared to 15.4% of sales; and
- Diluted net earnings per common share increased by 28.2%, from \$0.39 to \$0.50⁽²⁾.

During the first quarter of Fiscal 2016, the Corporation opened 17 net new stores compared to 25 net new stores during the corresponding period of the previous fiscal year.

During the first quarter of Fiscal 2016, the Corporation repurchased for cancellation under its ongoing normal course issuer bid a total of 537,222 common shares, at a weighted average price of \$66.10 per common share, for a total cash consideration of \$35.5 million. Management anticipates that the repurchase of shares will be accretive to shareholder value over time.

Factors Affecting Our Results of Operations

Sales

We recognize sales at the time the customer tenders payment for and takes possession of the merchandise. All sales are final. Our sales consist of comparable store sales and new store sales. Comparable store sales represent 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.

¹ We refer the reader to the notes in the section entitled "Selected Quarterly Consolidated Financial Information" of this MD&A for the definition of these items and, when applicable, their reconciliation with the most directly comparable GAAP measure.

² Earnings per common share for the first quarter of Fiscal 2015 reflect the retrospective application of the Share Split. Refer to Note 8 of the Corporation's unaudited condensed interim consolidated financial statements for the period end May 3, 2015 for additional information.

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

Historically, our highest sales results have occurred in the fourth quarter, with December representing the highest proportion of sales. Our sales also generally increase ahead of other holidays and celebrations such as Easter, St. Patrick's Day, Valentine's Day and Halloween, but we otherwise experience limited seasonal fluctuations in sales and expect this trend to continue. Refer to the section of our annual MD&A dated March 25, 2015 entitled "Risks and Uncertainties" for a complete discussion about the risks associated with seasonality.

Cost of Sales

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

Although cost increases can negatively affect our business, our multiple price point product offering provides some flexibility to react to cost increases on a timely basis. We have historically reduced our cost of sales by shifting more of our sourcing to low-cost foreign suppliers. During Fiscal 2015, direct overseas sourcing accounted for 52% of our purchases (51% in Fiscal 2014). While we still source a majority of our overseas products from China, we continue to purchase products from over 25 different countries around the world.

Since we purchase goods in currencies other than the Canadian dollar, our cost of sales is affected by fluctuations of foreign currencies against the Canadian dollar. In particular, we purchase a majority of our imported merchandise from suppliers in China using U.S. dollars. Therefore, our cost of sales is impacted by the fluctuation of the Chinese renminbi against the U.S. dollar and the fluctuation of the U.S. dollar against the Canadian dollar. While we enter into foreign exchange forward contracts to hedge a significant portion of our exposure to fluctuations in the value of the U.S. dollar against the Canadian dollar generally six to twelve months in advance, we do not hedge our exposure to fluctuations in the value of the Chinese renminbi against the U.S. dollar.

Shipping and transportation costs are also a significant component of our cost of sales. When fuel costs fluctuate, shipping and transportation costs increase or decrease, as applicable, because the carriers generally pass on such cost changes to the users, although usually not in full or as quickly in the case of cost decreases. Because of the high volatility of fuel costs, it is difficult to forecast the fuel surcharges we may incur from our contract carriers as compared to past years.

Our occupancy costs are mainly comprised of rental expense for our stores, which has generally increased in Canada over the years. While we continue to feel the upward pressure on lease rates in certain markets, where demand for prime locations is strong and/or vacancy rates are low, the Corporation believes that it is generally able to negotiate leases at competitive market rates. Typically, leases are signed with base terms of ten years and one or more renewal options of five years each.

We strive to maintain a sustainable gross margin within a range of 36% to 37% on a yearly basis, where we believe we can achieve a healthy balance between maximizing value for the shareholders and offering a compelling value to our customers.

General, Administrative and Store Operating Expenses

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

Economic or Industry-Wide Factors Affecting the Corporation

We operate in the value retail industry, which is highly competitive with respect to price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. We compete with other dollar stores but also, to an even greater extent, with variety and discount stores, convenience stores and mass merchants operating in Canada, many of which operate stores in the areas where we operate and engage in extensive advertising and marketing efforts. Additionally, we compete with a number of companies for prime retail site locations, as well as in attracting and retaining quality employees.

We expect continuing pressure resulting from a number of factors including, but not limited to: merchandise costs, instability in the global economy, consumer debt levels and buying patterns, economic conditions, interest rates, currency exchange fluctuations, fuel prices, utilities costs, weather patterns, market volatility, customer preferences, unemployment, labour costs, inflation, catastrophic events, competitive pressures and insurance costs. A factor affecting both the consumer and business is oil prices. Higher oil prices could have a dampening effect on consumer spending and result in higher transportation costs. On the other hand, significant and prolonged decreases in oil prices may result in lower transportation cost but could also adversely affect consumer spending as a result of reduced employment in some industries.

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Selected Quarterly Consolidated Financial Information

The following tables set out selected financial information for the periods indicated. The selected quarterly consolidated financial information set out below as at May 3, 2015 and May 4, 2014 has been derived from our unaudited condensed interim consolidated financial statements and related notes.

	13-Week Periods Ended	
	May 3, 2015	May 4, 2014
	\$	\$
<i>(dollars and shares in thousands, except per share amounts)</i>		
Earnings Data		
Sales	566,070	501,141
Cost of sales	362,280	323,646
Gross profit	203,790	177,495
SG&A	97,871	91,295
Depreciation and amortization	11,151	8,785
Operating income	94,768	77,415
Net financing costs	5,562	4,485
Earnings before income taxes	89,206	72,930
Provision for income taxes	24,426	19,706
Net earnings	64,780	53,224
Basic net earnings per common share ⁽¹⁾	\$0.50	\$0.39
Diluted net earnings per common share ⁽¹⁾	\$0.50	\$0.39
Weighted average number of common shares outstanding during the period ⁽¹⁾ :		
Basic	129,569	136,720
Diluted	130,581	137,224
Other Data		
Year-over-year sales growth	13.0%	11.8%
Comparable store sales growth ⁽²⁾	6.9%	3.3%
Gross margin ⁽³⁾	36.0%	35.4%
SG&A as a % of sales ⁽³⁾	17.3%	18.2%
EBITDA ⁽⁴⁾	105,919	86,200
Operating margin ⁽³⁾	16.7%	15.4%
Capital expenditures	20,024	19,321
Number of stores ⁽⁵⁾	972	899
Average store size (gross square feet) ⁽⁵⁾	9,910	9,934
Declared dividends per common share ⁽¹⁾	\$0.09	\$0.08
	As at	
	May 3, 2015	Feb. 1, 2015
	\$	\$
Statement of Financial Position Data		
Cash and cash equivalents	64,010	40,203
Merchandise inventories	449,714	408,919
Property and equipment	299,191	290,632
Total assets	1,752,930	1,700,838
Total non-current liabilities	858,196	744,866
Total debt ⁽⁶⁾	687,151	568,846
Net debt ⁽⁷⁾	623,141	528,643

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(dollars in thousands)

	13-Week Periods Ended	
	May 3, 2015	May 4, 2014
	\$	\$
A reconciliation of operating income to EBITDA is included below:		
Operating income	94,768	77,415
Add: Depreciation and amortization	11,151	8,785
EBITDA	105,919	86,200
<i>EBITDA margin</i> ⁽⁴⁾	18.7%	17.2%

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

EBITDA	105,919	86,200
Net financing costs (net of amortization of debt issue costs)	(1,746)	(1,169)
Excess of receipts over amount recognized on derivative financial instruments	10,658	555
Current income taxes	(19,533)	(18,605)
Deferred lease inducements	1,272	863
Deferred tenant allowances	2,986	2,122
Recognition of deferred tenant allowances and deferred leasing costs	(947)	(821)
Share-based compensation	1,565	1,317
Loss (gain) on disposal of assets	174	(72)
	<u>100,348</u>	<u>70,390</u>
Change in non-cash working capital components before interest and taxes	(56,681)	(20,713)
Interest paid	(528)	(689)
Income taxes paid	(42,627)	(30,631)
Net cash generated from operating activities	512	18,357

A reconciliation of long-term debt to total debt is included below as at:

(dollars in thousands)

	May 3, 2015	Feb. 1, 2015
	\$	\$
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	150,000
Senior unsecured notes bearing interest at a fixed annual rate of 3.095% payable in equal semi-annual instalments, maturing November 5, 2018 (the "Fixed Rate Notes")	400,000	400,000
Unsecured revolving credit facility maturing December 13, 2019 (the "Credit Facility")	5,000	15,000
Accrued interest as current portion of long-term debt	7,317	3,846
Total debt	687,151	568,846

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

Total debt	687,151	568,846
Cash and cash equivalents	(64,010)	(40,203)
Net debt	623,141	528,643

- (1) Per share amounts as at May 4, 2014 and numbers of common shares outstanding during the first quarter of Fiscal 2015 reflect the retrospective application of the Share Split. Refer to Note 8 of the Corporation's unaudited condensed interim consolidated financial statements for the period ended May 3, 2015 for additional information.
- (2) 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.
- (3) 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.
- (4) EBITDA, a non-GAAP measure, represents operating income plus depreciation and amortization. EBITDA margin represents EBITDA divided by sales.
- (5) At the end of the period.
- (6) Total debt, a non-GAAP measure, represents the sum of long-term debt (including accrued interest as current portion) and other bank indebtedness (if any).
- (7) Net debt, a non-GAAP measure, represents total debt minus cash and cash equivalents.

Results of Operations

Analysis of Results for the First Quarter of Fiscal 2016

The following section provides an overview of our financial performance during the first quarter of Fiscal 2016 compared to the first quarter of Fiscal 2015.

Sales

Sales for the first quarter of Fiscal 2016 increased by 13.0% to \$566.1 million, compared to \$501.1 million in the corresponding period of the previous fiscal year. The increase in sales was driven by: (i) the growth in the number of stores over the past twelve months, from 899 stores on May 4, 2014 to 972 stores on May 3, 2015; and (ii) continued organic sales growth driven by comparable store sales growth of 6.9%, over and above comparable store sales growth of 3.3% in the first quarter of Fiscal 2015.

Comparable store sales growth for the first quarter of Fiscal 2016 consisted of a 5.9% increase in the average transaction size and a 1.0% increase in the number of transactions. Our new stores, which are not yet comparable stores, reach on average over \$2.1 million in annual sales within the first two years of operation, and achieve an average capital payback period of approximately two years.

In this quarter, 73.2% of our sales originated from products priced higher than \$1.00 compared to 62.3% in the corresponding quarter last year. Debit card penetration also increased, as 46% of sales were paid with debit cards compared to 42% in the corresponding period of the previous fiscal year.

Gross Margin

The gross margin was 36.0% of sales in the first quarter of Fiscal 2016, compared to 35.4% of sales in the first quarter of Fiscal 2015. This increase is mainly attributable to slightly higher product margins, the positive scaling impact of strong comparable store sales as well as lower logistics costs as a percentage of sales as a result of operational improvements. Overall, gross margin remains in line with management's expectations as the Corporation continues to strive to maintain a compelling product offering for its customers. We continually reinvest in the value proposition offered to our customers and we are targeting a margin in the range of 36% to 37% for Fiscal 2016 in order to stimulate continued sales growth.

SG&A

SG&A for the first quarter of Fiscal 2016 was \$97.9 million, a 7.2% increase over \$91.3 million for the first quarter of Fiscal 2015. This increase is primarily related to the continued growth in the total number of stores.

SG&A for the first quarter of Fiscal 2016 represented 17.3% of sales, an improvement of 0.9% compared to 18.2% of sales for the first quarter of Fiscal 2015. The reduction in SG&A as a percentage of sales is mainly the result of store labour productivity improvements and the positive scaling impact of strong comparable store sales. Management expects the SG&A margin for Fiscal 2016 to be in the range of 16.5% to 17.0% of sales. This margin target is based on expected scaling impacts of sales and continued efficiencies realised through labor productivity.

Depreciation and Amortization

The depreciation and amortization expense increased by \$2.4 million, from \$8.8 million for the first quarter of Fiscal 2015 to \$11.2 million for the first quarter of Fiscal 2016.

Net Financing Costs

Net financing costs increased by \$1.1 million, from \$4.5 million for the first quarter of Fiscal 2015 to \$5.6 million for the first quarter of Fiscal 2016 as a result of increased borrowings on long-term debt.

Provision for Income Taxes

Income taxes increased as a result of higher net earnings by \$4.7 million, from \$19.7 million for the first quarter of Fiscal 2015 to \$24.4 million for the first quarter of Fiscal 2016. 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 first quarters of Fiscal 2016 and Fiscal 2015 was 26.7%. The Corporation's effective tax rates for the first quarters of Fiscal 2016 and Fiscal 2015 were 27.4% and 27.0%, respectively.

Net Earnings

Net earnings increased to \$64.8 million, or \$0.50 per diluted common share, in the first quarter of Fiscal 2016, compared to \$53.2 million, or \$0.39 per diluted common share, in the first quarter of Fiscal 2015 (retrospectively restated to reflect the Share Split). The increase in net earnings is mainly the result of a 13.0% increase in sales, a gross margin improvement and lower SG&A as a percentage of sales.

Summary of Consolidated Quarterly Results

<i>(dollars in thousands, except per share amounts)</i>	Fiscal 2016		Fiscal 2015			Fiscal 2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Statements of Earnings Data	\$	\$	\$	\$	\$	\$	\$	\$
Sales	566,070	669,093	587,968	572,603	501,141	582,285	522,949	511,322
Cost of sales	362,280	409,767	371,807	366,037	323,646	358,896	328,714	324,036
Gross profit	203,790	259,326	216,161	206,566	177,495	223,389	194,235	187,286
SG&A	97,871	108,057	101,342	97,984	91,295	92,706	94,459	91,611
Depreciation and amortization	11,151	10,397	9,781	9,346	8,785	13,108	12,271	11,290
Operating income	94,768	140,872	105,038	99,236	77,415	117,575	87,505	84,385
Net financing costs	5,562	5,129	5,249	5,093	4,485	3,989	3,074	2,297
Earnings before income taxes	89,206	135,743	99,789	94,143	72,930	113,586	84,431	82,088
Provision for income taxes	24,426	35,473	26,769	25,247	19,706	30,601	22,736	22,319
Net earnings	64,780	100,270	73,020	68,896	53,224	82,985	61,695	59,769
Net earnings per common share⁽¹⁾								
Basic	\$0.50	\$0.77	\$0.55	\$0.52	\$0.39	\$0.59	\$0.43	\$0.41
Diluted	\$0.50	\$0.76	\$0.55	\$0.51	\$0.39	\$0.59	\$0.43	\$0.41

(1) Per share amounts for Fiscal 2014 and the first three quarters of Fiscal 2015 reflect the retrospective application of the Share Split. Refer to Note 8 of the Corporation's unaudited condensed interim consolidated financial statements for the period ended May 3, 2015 for additional information.

Historically, our lowest sales results have occurred during the first quarter whereas our highest sales results have occurred during the fourth quarter, with December representing the highest proportion of sales. Our sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day, Valentine's Day and Halloween, but we otherwise experience limited seasonal fluctuations and expect this trend to continue. The occurrence of unusually adverse weather causing disruption in our business activities or operations during a peak season such as the winter holidays or around other major holidays and celebrations could have an adverse effect on our distribution network and on store traffic, which could materially adversely affect our business and financial results.

Liquidity and Capital Resources

Cash Flows

<i>(dollars in thousands)</i>	13-Week Periods Ended		Change
	May 3, 2015	May 4, 2014	
	\$	\$	\$
Cash flows from operating activities	512	18,357	(17,845)
Cash flows used in investing activities	(19,862)	(19,187)	(675)
Cash flows from (used in) financing activities	43,157	(33,250)	76,407
Net change in cash and cash equivalents	23,807	(34,080)	57,887

Cash Flows - Operating Activities

For the first quarter of Fiscal 2016, cash flows generated from operating activities totalled \$0.5 million, compared to \$18.4 million for the first quarter of Fiscal 2015. This decrease is attributable a higher use of working capital for the purchase of inventory as well as timing differences related to the payment of normal operating expenses and taxes.

Cash Flows - Investing Activities

For the first quarter of Fiscal 2016, cash flows used in investing activities totalled \$19.9 million, compared to \$19.2 million for the first quarter of Fiscal 2015.

Cash Flows - Financing Activities

For the first quarter of Fiscal 2016, cash flows generated from financing activities totalled \$43.2 million, compared to a use of \$33.3 million for the first quarter of Fiscal 2015 when the Corporation borrowed more long-term debt to fund purchases of shares under the NCIB.

Capital Expenditures

For the first quarter of Fiscal 2016, capital expenditures totalled \$20.0 million, compared to \$19.3 million for the first quarter of Fiscal 2015. Quarter over quarter, capital expenditures have increased mainly due to the timing of capital projects, partially offset by fewer net new stores opened on a quarter over quarter basis.

Capital Resources

The Corporation generates sufficient cash flows from operating activities to fund its planned growth strategy, service its debt and make dividend payments to shareholders. As at May 3, 2015, the Corporation had \$64.0 million of cash and cash equivalents on hand and \$244.4 million available under the Credit Facility. These available funds provide further funding flexibility to meet any unanticipated cash requirements.

Our ability to pay the principal and interest on, or to refinance our indebtedness, or to generate sufficient funds to pay for planned capital expenditures will depend on our future performance, which to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, or other factors that are beyond our control.

Based upon the current strength of our earnings, we believe that cash flows from operations, together with borrowings available under the Credit Facility, will be adequate to meet our future cash needs. Our assumptions with respect to future liquidity needs may not be correct and funds available to us from the sources described herein may not be sufficient to enable us to service our indebtedness, or cover any shortfall in funding for any unanticipated expenses.

Credit Facility

On October 25, 2013, the Corporation entered into a second amended and restated credit agreement (the "SAR Credit Agreement") relating to its then \$350.0 million revolving credit facility (the "Credit Facility") in order to, among other things, release all security that had been granted in connection with the Credit Facility, include an option to request annual extensions and extend the maturity date by one year to December 14, 2018. The Corporation has the option to borrow in Canadian or U.S. dollars.

Effective May 16, 2014, the Corporation cancelled \$100.0 million of the \$350.0 million aggregate amount available under the Credit Facility, which portion was not drawn by the Corporation on that date, in order to reduce standby fees payable on the unutilized portion.

On November 3, 2014, the Corporation and the lenders entered into an amending agreement to the SAR Credit Agreement pursuant to which the term of the SAR Credit Agreement was extended by one additional year to December 13, 2019.

Under the SAR Credit Agreement, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to the Credit Facility up to an aggregate amount, together with all then-existing commitments, of \$700.0 million.

The applicable margin, ranging from 0% to 2.50% per annum, is calculated based on the senior unsecured credit or debt rating issued to the Corporation by a rating agency. In the event that the Corporation is assigned unsecured credit or debt ratings by two or more rating agencies, then the margin shall be based on the highest senior unsecured credit or debt rating, provided that if the senior unsecured credit or debt ratings are two or more levels apart, the rating that is one level above the lower of the ratings shall be the applicable rating. If the Corporation fails to have a rating, there will not be an event of default but rather the highest margin shall apply until a rating is obtained.

The SAR Credit Agreement requires the Corporation to respect a minimum interest coverage ratio and a maximum lease-adjusted leverage ratio, each tested quarterly on a consolidated basis.

The Credit Facility is guaranteed by Dollarama L.P. and Dollarama GP Inc. (collectively, with the Corporation, the "Credit Parties"). The SAR Credit Agreement contains restrictive covenants that, subject to certain exceptions, limit the ability of the Credit Parties to, among other things, incur, assume, or permit to exist senior ranking indebtedness or liens, engage in mergers, acquisitions, asset sales or sale-leaseback transactions, alter the nature of the business and engage in certain transactions with affiliates. The SAR Credit Agreement also limits the ability of the Corporation to make loans, declare dividends and make payments on, or redeem or repurchase equity interests if there exists a default or an event of default thereunder.

As at May 3, 2015, \$5.0 million were outstanding under the Credit Facility (February 1, 2015 - \$15.0 million), and letters of credit issued for the purchase of inventories amounted to \$0.6 million (February 1, 2015 - \$0.5 million). As at May 3, 2015, the Corporation was in compliance with all of its financial covenants.

Senior Unsecured Notes

On November 5, 2013, the Corporation issued the Fixed Rate Notes, in the aggregate principal amount of \$400.0 million, on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The Corporation used the net proceeds of this offering to repay indebtedness outstanding under its Credit Facility and other bank indebtedness outstanding at the time and for general corporate purposes. The Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited ("DBRS"). The Fixed Rate Notes bear interest at a rate of 3.095% per annum, payable in equal semi-annual instalments, in arrears, on May 5 and November 5 of each year until maturity on November 5, 2018. As at May 3, 2015, the carrying value of the Fixed Rate Notes was \$404.3 million.

On May 16, 2014, the Corporation issued the Original Floating Rate Notes, in the aggregate principal amount of \$150.0 million, on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The Corporation used the net proceeds of this offering to repay indebtedness outstanding under its Credit Facility and for general corporate purposes. The Original Floating Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS. The Original Floating Rate Notes bear interest at a rate equal to the 3-month bankers' acceptance rate (CDOR) plus 54 basis points (or 0.54%), to be set quarterly on the 16th day of May, August, November and February of each year. Interest is

payable in cash quarterly, in arrears, on the 16th day of May, August, November and February of each year until maturity on May 16, 2017. As at May 3, 2015, the carrying value of the Original Floating Rate Notes was \$150.2 million.

On April 8, 2015, the Corporation issued the Additional Floating Rate Notes, in the aggregate principal amount of \$125.0 million, on a private placement basis in Canada, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The Additional Floating Rate Notes constitute an increase to the \$150.0 million aggregate principal amount of Original Floating Rate Notes. The Additional Floating Rate Notes were issued at a discount of 0.336% of the principal amount thereof, for aggregate gross proceeds of \$124.6 million. Proceeds were used by the Corporation to repay indebtedness outstanding under the Credit Facility and for general corporate purposes. As of the date of issuance, the effective spread over the 3-month bankers' acceptance rate (CDOR) for the Additional Floating Rate Notes was 70 basis points (or 0.70%). Once issued, the Additional Floating Rate Notes bear interest at the same rate as the Original Floating Rate Notes, such rate being equal to the applicable 3-month bankers' acceptance rate (CDOR) plus 54 basis points (or 0.54%), to be set quarterly on the 16th day of May, August, November and February of each year. Interest on the Additional Floating Rate Notes is payable in cash quarterly, in arrears, on the 16th day of May, August, November and February of each year until maturity on May 16, 2017, concurrently with the payment of interest on the Original Floating Rate Notes. All other terms and conditions applicable to the Original Floating Rate Notes also apply to the Additional Floating Rate Notes. The Additional Floating Rate Notes are treated as a single series with the Original Floating Rate Notes (collectively, the "Floating Rate Notes"), and were assigned the same rating of BBB, with a stable trend, by DBRS. As at May 3, 2015, the carrying value of the Additional Floating Rate Notes was \$125.0 million.

The Fixed Rate Notes and the Floating Rate Notes (collectively, the "Senior Unsecured Notes") are direct unsecured obligations of the Corporation and rank equally and *pari passu* with all other existing and future unsecured and unsubordinated indebtedness of the Corporation.

The Senior Unsecured Notes are solidarily (jointly and severally) guaranteed, on a senior unsecured basis, as to the payment of principal, interest and premium, if any, and certain other amounts specified in the trust indenture governing them by certain subsidiaries of the Corporation representing combined EBITDA, when aggregated with the EBITDA of the Corporation (on a non-consolidated basis), of at least 80% of the consolidated EBITDA. As at the date hereof, Dollarama L.P. and Dollarama GP Inc. are the only guarantors. So long as any Senior Unsecured Notes remain outstanding and the Credit Facility is in full force and effect, all of the Corporation's subsidiaries that are guarantors from time to time in respect of indebtedness under the Credit Facility will be guarantors in respect of the Senior Unsecured Notes.

Contractual Obligations, Off-Balance Sheet Arrangements and Commitments

The table below analyses the Corporation's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as at May 3, 2015. Accounts payable and accrued liabilities exclude liabilities that are not contractual (such as income taxes that are created as a result of statutory requirements imposed by governments).

<i>(dollars in thousands)</i>	Less than 3 months \$	3 months to 1 year \$	2-5 years \$	Total \$
Accounts payable and accrued liabilities	111,994	-	-	111,994
Dividend payable	11,649	-	-	11,649
Obligations under finance lease	256	1,022	-	1,278
Assumed interest on Credit Facility and Floating Rate Notes ⁽¹⁾	1,393	4,179	5,816	11,388
Credit Facility	-	-	5,000	5,000
Principal repayment on Floating Rate Notes	-	-	275,000	275,000
Interest payments on Fixed Rate Notes	6,190	6,190	37,140	49,520
Principal repayment on Fixed Rate Notes	-	-	400,000	400,000
	<u>131,481</u>	<u>11,391</u>	<u>722,956</u>	<u>865,829</u>

⁽¹⁾ Based on interest rates in effect as at May 3, 2015.

The following table summarizes the Corporation's off-balance sheet arrangements and commitments as at May 3, 2015.

<i>(dollars in thousands)</i>	Less than 3 months \$	3 months to 1 year \$	2-5 years \$	Over 5 years \$	Total \$
Obligations under operating leases ⁽²⁾	35,285	105,855	468,856	327,345	937,341
Letters of credit	577	-	-	-	577
	<u>35,862</u>	<u>105,855</u>	<u>468,856</u>	<u>327,345</u>	<u>937,918</u>

⁽²⁾ Represent the basic annual rent, exclusive of the contingent rentals, common area maintenance, real estate taxes and other charges paid to landlords that, all together, represent approximately 40% of our total lease expenses.

Other than our operating leases obligations and letters of credit described above, we have no off-balance sheet arrangements.

Financial Instruments

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

Currency hedging entails a risk of illiquidity and, to the extent that the U.S. dollar depreciates against the Canadian dollar, the risk of using hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Corporation if purchases at hedged rates result in lower margins than otherwise earned if purchases had been made at spot rates.

The Corporation documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. Derivative financial instruments designated as hedging instruments are recorded at fair value, determined using market prices and other observable inputs.

In the first quarter of Fiscal 2016, there was no material change to the nature of risks arising from foreign exchange forward contracts and related risk management.

For a complete description of the derivative financial instruments of the Corporation, please refer to Note 6 to the Corporation's unaudited condensed interim consolidated financial statements for the first quarter of Fiscal 2016 and to Note 14 to the Corporation's annual audited consolidated financial statements for Fiscal 2015.

Related Party Transactions

Property Leases

We currently lease 19 stores, 5 warehouses, a distribution center and our head office from entities controlled by the Chairman of the Board of Directors and Chief Executive Officer, Larry Rossy, or certain of his immediate family members, pursuant to long-term lease agreements. Rental expenses associated with these related-party leases were measured at cost, which equals fair value, being the amount of consideration established at market terms, and represented an aggregate amount of approximately \$5.6 million for the first quarter of Fiscal 2016, compared to \$5.2 million for the first quarter of Fiscal 2015.

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 expense 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.

The significant estimates and judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty for the condensed interim consolidated financial statements for the first quarter of Fiscal 2016 were the same as those applied to the consolidated financial statements for Fiscal 2015. Refer to Note 5 to the Corporation's annual audited consolidated financial statements for Fiscal 2015 for details.

Significant Standards and Interpretations

The Corporation did not adopt any significant accounting standards or interpretations during the first quarter of Fiscal 2016. Refer to the corresponding section in our most recent annual MD&A available on SEDAR at www.sedar.com.

The following standards and amendments to existing standards were released by the IASB in May 2014 and July 2014. The Corporation is evaluating whether to early adopt these standards but does not expect any significant changes upon adoption.

- 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. The IASB has decided to propose to defer the effective date of IFRS 15 from its current effective date of January 1, 2017 to annual periods beginning on or after January 1, 2018, with earlier application permitted.
- 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.

Risks and Uncertainties

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

The major risks and uncertainties that could materially affect the Corporation's future business results are described in the Corporation's annual MD&A and annual information form for Fiscal 2015 (which are available on SEDAR at www.sedar.com), and are divided into the following categories:

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

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

Controls and Procedures

There were no changes in our internal control over financial reporting that occurred during the period beginning on February 2, 2015 and ended on May 3, 2015 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Dividend***Quarterly Cash Dividend***

On June 10, 2015, the Corporation announced that the Board of Directors had approved a quarterly cash dividend for holders of the Corporation's common shares of \$0.09 per common share. The Corporation's quarterly cash dividend will be paid on August 5, 2015 to shareholders of record at the close of business on July 6, 2015 and is designated as an "eligible dividend" for Canadian tax purposes.

Normal Course Issuer Bid***2014-2015 NCIB***

The total number of common shares repurchased for cancellation under the Corporation's 2014-2015 normal course issuer bid (the "2014-2015 NCIB") during the first quarter ended May 3, 2015 amounted to 537,222 common shares, at a weighted average price of \$66.10 per common share, for a total cash consideration of \$35.5 million. In total, the Corporation's share capital was reduced by \$1.9 million, and the remaining \$33.6 million was accounted for as a reduction of retained earnings.

The total number of common shares repurchased for cancellation under the 2014-2015 NCIB since its inception in June 2014 up to May 3, 2015 amounted to 3,921,354 common shares, at a weighted average price of \$54.08 per common share, for a total cash consideration of \$212.1 million.

2015-2016 NCIB

On June 10, 2015, the Corporation announced that the Board of Directors had approved the renewal of the normal course issuer bid and that the Corporation had received approval from the TSX to purchase for cancellation up to 4,500,765 common shares, representing 3.5% of the 128,593,309 common shares issued and outstanding as at the close of markets on June 9, 2015 (the "2015-2016 NCIB"). Purchases may commence on June 17, 2015 and will terminate no later than June 16, 2016.

The Corporation also announced that it had entered into an automatic purchase plan agreement with a broker to allow for the purchase of its common shares under the 2015-2016 NCIB at times when the Corporation ordinarily would not be active in the market due to self-imposed trading blackout periods. Outside of these pre-determined blackout periods, common shares will be purchased based on management's discretion, in compliance with TSX rules and applicable securities laws. The Board of Directors believes that the purchase by the Corporation of its common shares represents an appropriate and desirable use of its available cash to increase shareholder value.

Share Information

The Corporation's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized and, as at June 9, 2015, there were 128,593,309 common shares issued and outstanding. In addition, there were 2,547,800 options, each exercisable for one common share, issued and outstanding as at June 9, 2015. Assuming exercise of all outstanding options, there would have been 131,141,109 common shares issued and outstanding on a fully diluted basis as at June 9, 2015.

Additional Information

Additional information relating to the Corporation, including the Corporation's current annual information form, is available on SEDAR at www.sedar.com. The Corporation is a publicly traded company listed on the TSX under the symbol "DOL".