DOLLARAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal year ended January 31, 2016

March 30, 2016

The following management's discussion and analysis ("MD&A") dated March 30, 2016 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 fourth quarter and the fiscal year ended January 31, 2016. This MD&A should be read in conjunction with the Corporation's annual audited consolidated financial statements and notes for Fiscal 2016 (as hereinafter defined).

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Corporation's annual audited consolidated financial statements for Fiscal 2016 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 Corporation manages its business on the basis of one operating and 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; to "Fiscal 2016" are to the Corporation's fiscal year ended January 31, 2016; and to "Fiscal 2017" are to the Corporation's fiscal year ending January 29, 2017.

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:

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

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 this MD&A: 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 March 30, 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 MD&A are expressly qualified by this cautionary statement.

GAAP and Non-GAAP Measures

This MD&A, as well as the Corporation's annual audited consolidated financial statements and notes for 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.
Adjusted retained earnings	Represents total retained earnings minus the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through January 31, 2016 over (ii) the book value of those common shares.

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. Non-GAAP measures 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. With the exception of adjusted retained earnings, 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. Management also uses total debt and net debt to calculate the Corporation's indebtedness level, cash position, future cash needs and financial leverage ratios. Adjusted retained earnings is a non-GAAP measure that shows retained earnings without the effect of the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids over (ii) the book value of those common shares. We believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Refer to the section entitled "Selected Annual and 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.

Recent Events

Amendment to Credit Agreement

On January 29, 2016, the Corporation and the lenders entered into an amending agreement to the SAR Credit Agreement (as hereinafter defined) pursuant to which, among other things, the Corporation received additional commitments from lenders in the amount of $250 million for a period ending no later than January 29, 2018.

New Warehouse

On February 2, 2016, the Corporation announced that its board of directors had approved an investment of approximately $60 million for the construction of a new 500,000 square-foot warehouse in Montreal, Québec, thereby increasing the total warehousing capacity by approximately 40%, on a square footage basis, and accommodating capacity requirements as the Corporation continues to expand its store network. Construction began in March 2016, and completion is expected towards the end of 2016.

Amendment of Dollar City Agreement

On March 15, 2016, the Corporation and Dollar City amended certain terms and conditions of the agreements governing their relationship. Among other things, they agreed to postpone by one year, from February 4, 2019 to February 4, 2020, the date on which Dollarama's option to acquire a majority interest in Dollar City becomes exercisable. This additional year will provide the parties with more time to test the dollar store concept in a bigger market within the agreed upon territory. Other amendments relate to the ongoing commercial relationship between the parties and/or are not material or relevant prior to a decision about the call option being made.

Appointment of New President and Chief Executive Officer

On March 30, 2016, the Corporation announced that its board of directors appointed Neil Rossy as Dollarama's next President and Chief Executive Officer, effective May 1, 2016. Neil Rossy is currently Chief Merchandising Officer of the Corporation and a member of the board of directors. With Dollarama since its inception in 1992, he has been involved in all aspects of the business. Over the last two decades, Neil Rossy has played an increasingly important role in strategic decisions related to warehousing and distribution, direct sourcing, product development and merchandising innovations that define Dollarama and underpin its success. Larry Rossy, founder of Dollarama, will remain as Executive Chairman of the board of directors and will continue to play an active role in key areas of the business such as real estate and buying.

Dividend Increase

On March 30, 2016, the Corporation announced that its board of directors had approved an 11.1% increase of the quarterly cash dividend for holders of its common shares, from $0.09 per common share to $0.10 per common share. This increased quarterly dividend will be paid on May 4, 2016 to shareholders of record at the close of business on April 22, 2016 and is designated as an "eligible dividend" for Canadian tax purposes.

Amendment to Normal Course Issuer Bid

On March 30, 2016, the Corporation received approval from the Toronto Stock Exchange (the "TSX") to amend the 2015-2016 NCIB (as hereinafter defined) for a second time in order to increase the maximum number of common shares that may be repurchased thereunder over the 12-month period between June 17, 2015 and June 16, 2016 from 6,429,665 to 11,797,176 common shares (representing 10.0% of the Corporation's public float as at June 9, 2015). The other terms of the 2015-2016 NCIB remain unchanged.

Overview

Our Business

We are the leading operator of dollar stores in Canada, with 1,030 stores in operation as at January 31, 2016, 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 9,942 square feet and offer a broad assortment of everyday consumer products, general merchandise and seasonal items, including private label and nationally branded products, at compelling values. Merchandise is sold in individual or multiple units at select fixed price points up to $3.00. As a natural evolution of Dollarama's growth strategy, new price points of $3.50 and $4.00 will be gradually introduced in the second half of 2016 in the key categories that have made Dollarama a unique value destination, namely seasonal and general merchandise products. 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 Fourth Quarter of Fiscal 2016

Compared to the fourth quarter of Fiscal 2015:

- Sales increased by 14.6% to $766.5 million;
- Comparable store sales[(1)] grew 7.9%, over and above an 8.5% growth the previous year;
- Gross margin was 40.8% of sales compared to 38.8% of sales;
- EBITDA[(1)] grew 25.5% to $189.9 million, or 24.8% of sales, compared to 22.6% of sales;
- Operating income grew 25.6% to $176.9 million, or 23.1% of sales, compared to 21.1% of sales; and
- Diluted net earnings per common share increased by 31.6%, from $0.76 to $1.00.

During the fourth quarter of Fiscal 2016, we opened 25 net new stores, compared to 27 net new stores during the corresponding period of Fiscal 2015.

Key Items in Fiscal 2016

Compared to Fiscal 2015:

- Sales increased by 13.7% to $2,650.3 million;
- Comparable store sales[(1)] grew 7.3%, over and above a 5.7% growth the previous year;
- Gross margin was 39.0% of sales compared to 36.9% of sales;
- EBITDA[(1)] grew 29.6% to $597.5 million, or 22.5% of sales, compared to 19.8% of sales;
- Operating income grew 30.0% to $549.4 million, or 20.7% of sales, compared to 18.1% of sales; and
- Diluted net earnings per common share increased by 35.7%, from $2.21 to $3.00.

In Fiscal 2016, we opened 75 net new stores compared to 81 net new stores in Fiscal 2015.

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[1] We refer the reader to the notes in the section entitled "Selected Annual and 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.

During Fiscal 2016, the Corporation repurchased for cancellation under its normal course issuer bid, renewed in June 2015 for another 12-month period, a total of 7,729,391 common shares, at a weighted average price of $80.91 per common share, for a total cash consideration of $625.4 million. Management anticipates that the repurchase of shares will be accretive to shareholder value.

Outlook

A discussion of management's updated expectations as to the Corporation's outlook for Fiscal 2017 as well as a summary of how the Corporation performed against Fiscal 2016 guidance is contained in the Corporation's press release dated March 30, 2016 under the heading "Outlook". The press release is available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com.

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.

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 this MD&A entitled "Risks and Uncertainties" for a discussion about the risks associated with seasonality.

Cost of Sales

Our cost of sales consists mainly of merchandise inventory, store occupancy costs and transportation costs (which are variable and proportional to our sales volume) 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 2016, direct overseas sourcing accounted for 56% of our purchases (52% in Fiscal 2015). While we still source a majority of our overseas products from China, we purchase products from over 30 different countries around the world.

Since the Corporation purchases 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 some 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 and does not anticipate material rate increases in the short to medium term. Typically, store 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, where we believe we can achieve a healthy balance between maximizing returns to shareholders and offering a compelling value to our customers. The gross margin varies on a quarterly basis as a result of fluctuations in product margins, as we refresh approximately 25% to 30% of our offering on an annual basis, and/or fluctuations in logistics and transportation costs, among other factors. The goal remains to actively manage the gross margin to keep the value proposition compelling with a view to stimulating continued sales growth.

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, and 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, offer products substantially similar to those we offer as a subset of their overall offering 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, currency exchange fluctuations, instability in the global economy, consumer debt levels and buying patterns, economic conditions, interest rates, 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. On one hand, 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 and/or geographic markets.

Selected Annual and Quarterly Consolidated Financial Information

The following tables set out selected financial information for the periods and years indicated. The selected consolidated financial information set out below as at January 31, 2016, February 1, 2015 and February 2, 2014 has been derived from our audited consolidated financial statements and related notes.

(dollars and shares in thousands, except per share amounts)	**Periods Ended**		**Years Ended**		
	January 31, 2016	**February 1, 2015**	**January 31, 2016**	**February 1, 2015**	**February 2, 2014**
	13 Weeks	**13 Weeks**	**52 Weeks**	**52 Weeks**	**52 Weeks**
	$	**$**	**$**	**$**	**$**
Earnings Data					
Sales	766,476	669,093	2,650,327	2,330,805	2,064,676
Cost of sales	453,526	409,767	1,617,051	1,471,257	1,299,092
Gross profit	312,950	259,326	1,033,276	859,548	765,584
SG&A	123,075	108,057	435,816	398,678	363,182
Depreciation and amortization	12,945	10,397	48,085	38,309	47,898
Operating income	176,930	140,872	549,375	422,561	354,504
Financing costs	6,043	5,129	21,395	19,956	11,673
Earnings before income taxes	170,887	135,743	527,980	402,605	342,831
Income taxes	46,067	35,473	142,834	107,195	92,737
Net earnings	124,820	100,270	385,146	295,410	250,094
Basic net earnings per common share	$1.01	$0.77	$3.03	$2.22	$1.74
Diluted net earnings per common share	$1.00	$0.76	$3.00	$2.21	$1.74
Weighted average number of common shares outstanding during the period:					
Basic	123,875	131,056	127,271	133,338	143,676
Diluted	125,081	131,894	128,420	133,956	144,092
Other Data					
Year-over-year sales growth	14.6%	14.9%	13.7%	12.9%	11.1%
Comparable store sales growth (1)	7.9%	8.5%	7.3%	5.7%	3.8%
Gross margin (2)	40.8%	38.8%	39.0%	36.9%	37.1%
SG&A as a % of sales (2)	16.1%	16.1%	16.4%	17.1%	17.6%
EBITDA (3)	189,875	151,269	597,460	460,870	402,402
Operating margin (2)	23.1%	21.1%	20.7%	18.1%	17.2%
Capital expenditures	31,334	29,745	94,430	84,939	107,398
Number of stores (4)	1,030	955	1,030	955	874
Average store size (gross square feet) (4)	9,942	9,913	9,942	9,913	9,918
Declared dividends per common share	$0.09	$0.08	$0.36	$0.32	$0.28

	As at		
	January 31, 2016	February 1, 2015	February 2, 2014
	$	$	$
Statement of Financial Position Data			
Cash and cash equivalents	59,178	40,203	71,470
Merchandise inventories	470,195	408,919	364,680
Property and equipment	332,225	290,632	250,612
Total assets	1,813,874	1,700,838	1,566,780
Total non-current liabilities	1,119,996	744,866	538,815
Total debt [5]	928,376	568,846	403,017
Net debt [6]	869,198	528,643	331,547

	Periods Ended		Years Ended		
(dollars in thousands)	January 31, 2016	February 1, 2015	January 31, 2016	February 1, 2015	February 2, 2014
	13 Weeks	13 Weeks	52 Weeks	52 Weeks	52 Weeks
	$	$	$	$	$
A reconciliation of operating income to EBITDA is included below:					
Operating income	176,930	140,872	549,375	422,561	354,504
Add: Depreciation and amortization	12,945	10,397	48,085	38,309	47,898
EBITDA	**189,875**	**151,269**	**597,460**	**460,870**	**402,402**
EBITDA margin [3]	*24.8%*	*22.6%*	*22.5%*	*19.8%*	*19.5%*
A reconciliation of EBITDA to cash flows from operating activities is included below:					
EBITDA	189,875	151,269	597,460	460,870	402,402
Financing costs (net of amortization of debt issue costs)	(8,795)	(7,844)	(20,398)	(18,031)	(8,064)
Excess of receipts (disbursements) over amount recognized on derivative financial instruments	(4,417)	6,155	21,256	(94)	6,319
Current income taxes	(42,100)	(30,151)	(138,716)	(93,648)	(88,268)
Deferred lease inducements	1,434	1,401	4,811	4,078	3,750
Deferred tenant allowances and deferred leasing costs	3,290	3,065	11,275	9,087	6,058
Recognition of deferred tenant allowances and deferred leasing costs	(1,049)	(892)	(4,345)	(3,673)	(3,078)
Share-based compensation	1,485	1,317	6,114	5,387	4,053
Loss on disposal of assets	177	61	641	666	1,017
	139,900	124,381	478,098	364,642	324,189
Change in non-cash working capital components before interest and taxes	100,856	72,643	107,061	97,478	80,015
Interest paid	(8,398)	(7,160)	(17,482)	(15,923)	(6,025)
Income taxes paid	(22,862)	(22,052)	(118,440)	(90,325)	(89,801)
Net cash generated from operating activities	**209,496**	**167,812**	**449,237**	**355,872**	**308,378**

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

(dollars in thousands)	**January 31, 2016** $	**February 1, 2015** $	**February 2, 2014** $
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	400,000
Unsecured revolving credit facility maturing December 14, 2020 (the "Credit Facility")	250,000	15,000	-
Accrued interest on Floating Rate Notes and Fixed Rate Notes	3,542	3,846	3,017
Total debt	**928,376**	**568,846**	**403,017**

(dollars in thousands)	**January 31, 2016** $	**February 1, 2015** $	**February 2, 2014** $
A reconciliation of total debt to net debt is included below:			
Total debt	928,376	568,846	403,017
Cash and cash equivalents	(59,178)	(40,203)	(71,470)
Net debt	**869,198**	**528,643**	**331,547**

(dollars in thousands)	**January 31, 2016** $	**February 1, 2015** $	**February 2, 2014** $
A reconciliation of retained earnings to adjusted retained earnings is included below:			
Retained earnings	(62,375)	196,112	346,478
Price paid in excess of book value of common shares repurchased under the NCIB	1,405,506	807,595	404,311
Adjusted retained earnings [7]	**1,343,131**	**1,003,707**	**750,789**

The retained earnings deficit as at January 31, 2016 is not a reflection of poor or deteriorating operating performance. It results from the fact that a significant portion of the cash consideration paid for the repurchase of shares under the Corporation's normal course issuer bid is accounted for as a reduction of retained earnings and that the market price at which shares are repurchased significantly exceeds the book value of those shares. Regardless of this accounting treatment, management continues to believe that buying back shares remains an effective strategy to drive shareholder value and constitutes an effective use of the Corporation's strong cash flows from operations.

(1) 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.
(2) 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.
(3) EBITDA, a non-GAAP measure, represents operating income plus depreciation and amortization. EBITDA margin represents EBITDA divided by sales.
(4) At the end of the fiscal year.
(5) 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).
(6) Net debt, a non-GAAP measure, represents total debt minus cash and cash equivalents.
(7) Represents total retained earnings minus the excess of (i) the price paid for all common shares repurchased under the Corporation's normal course issuer bids from inception in June 2012 through January 31, 2016 over (ii) the book value of those common shares.

Results of Operations

Analysis of Results for Fiscal 2016

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

Sales

Sales in Fiscal 2016 increased by 13.7%, to $2,650.3 million, compared to $2,330.8 million in Fiscal 2015. The increase in sales was driven by (i) continued organic sales growth fuelled by comparable store sales growth of 7.3%, over and above comparable store sales growth of 5.7% in Fiscal 2015 including strong seasonal sales, and (ii) the growth in the total number of stores over the past twelve months, from 955 stores on February 1, 2015 to 1,030 stores on January 31, 2016.

Comparable store sales growth for Fiscal 2016 consisted of a 5.2% increase in the average transaction size and a 1.9% increase in the number of transactions. Our new stores, which are not yet comparable stores, reach 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.

During Fiscal 2016, 58.7% of our sales originated from products priced higher than $1.25 compared to 53.1% for Fiscal 2015. Effective in the third quarter of Fiscal 2016, the Corporation started reporting this metric using the $1.25 price point as the reference instead of the $1.00 price point. We believe this will provide a better appreciation for the fact that there are still many items offered in our stores at or below $1.25. In fact, the majority of units sold in the fourth quarter of Fiscal 2016 were priced at $1.25 or less.

Gross Margin

The gross margin was 39.0% of sales for Fiscal 2016, compared to 36.9% of sales for Fiscal 2015. This increase is mainly attributable to higher product margins and lower logistics and transportation costs as a percentage of sales, combined with the positive scaling impact of strong comparable store sales.

The gross margin for Fiscal 2016 is consistent with the guidance provided by management in December 2015, although at the higher end of the range. Higher product margins resulted from changes made to the mix of products and prices in anticipation of an increase in our average foreign exchange forward contract rate, and from the positive scaling impact of strong comparable store sales for Fiscal 2016. Refer to the section entitled "Outlook" for more information on management's expectations with respect to gross margin for Fiscal 2017.

SG&A

SG&A for Fiscal 2016 was $435.8 million, a 9.3% increase over $398.7 million for Fiscal 2015. The increase is primarily related to the continued growth in the total number of stores.

SG&A for Fiscal 2016 represented 16.4% of sales, an improvement of 0.7%, compared to 17.1% of sales for Fiscal 2015. The decrease 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. Refer to the section entitled "Outlook" for more information on management's expectations with respect to SG&A margin for Fiscal 2017.

Depreciation and Amortization

The depreciation and amortization expense increased by $9.8 million, from $38.3 million for Fiscal 2015 to $48.1 million for Fiscal 2016. The increase relates to investments in information technology projects and new stores.

Financing Costs

Financing costs increased by $1.4 million, from $20.0 million for Fiscal 2015 to $21.4 million for Fiscal 2016. The increase is mainly due to higher debt levels, partially offset by lower interest rates on variable rate indebtedness.

Income Taxes

Income taxes increased by $35.6 million, from $107.2 million for Fiscal 2015 to $142.8 million for Fiscal 2016, as a result of higher earnings. The statutory income tax rates for Fiscal 2016 and Fiscal 2015 were 26.8% and 26.7%, respectively. The Corporation's effective tax rates for Fiscal 2016 and Fiscal 2015 were 27.1% and 26.9%, respectively.

Net Earnings

Net earnings increased to $385.1 million, or $3.00 per diluted common share, for Fiscal 2016, compared to $295.4 million, or $2.21 per diluted common share, for Fiscal 2015. The increase in net earnings is mainly the result of a 13.7% increase in sales, an improvement of the gross margin and lower SG&A as a percentage of sales.

Summary of Consolidated Quarterly Results

	Fiscal 2016				Fiscal 2015			
(dollars in thousands)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Statements of Net Earnings Data	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Sales	766,476	664,491	653,290	566,070	669,093	587,968	572,603	501,141
Cost of sales	453,526	398,537	402,708	362,280	409,767	371,807	366,037	323,646
Gross profit	312,950	265,954	250,582	203,790	259,326	216,161	206,566	177,495
SG&A	123,075	111,148	103,722	97,871	108,057	101,342	97,984	91,295
Depreciation and amortization	12,945	12,214	11,775	11,151	10,397	9,781	9,346	8,785
Operating income	176,930	142,592	135,085	94,768	140,872	105,038	99,236	77,415
Financing costs	6,043	5,361	4,429	5,562	5,129	5,249	5,093	4,485
Earnings before income taxes	170,887	137,231	130,656	89,206	135,743	99,789	94,143	72,930
Income taxes	46,067	37,155	35,186	24,426	35,473	26,769	25,247	19,706
Net earnings	124,820	100,076	95,470	64,780	100,270	73,020	68,896	53,224
Net earnings per common share								
Basic	$1.01	$0.79	$0.74	$0.50	$0.77	$0.55	$0.52	$0.39
Diluted	$1.00	$0.78	$0.74	$0.50	$0.76	$0.55	$0.51	$0.39

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.

Analysis of Results for the Fourth Quarter of Fiscal 2016

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

Sales

Sales for the fourth quarter of Fiscal 2016 increased by 14.6% to $766.5 million, compared to $669.1 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 7.9%, over and above comparable store sales growth of 8.5% in the fourth quarter of Fiscal 2015, including strong seasonal sales; and ii) the growth in the total number of stores since the end of the fourth quarter of Fiscal 2015.

Comparable store sales growth for the fourth quarter of Fiscal 2016 consisted of a 3.5% increase in the average transaction size and a 4.2% increase in the number of transactions.

In the fourth quarter of Fiscal 2016, 59.4% of our sales originated from products priced higher than $1.25 compared to 54.9% in the corresponding quarter last year. Debit card penetration continues to increase, as 49.2% of sales were paid with debit cards this quarter compared to 46.4% in the corresponding period last year.

Gross Margin

The gross margin was 40.8% of sales in the fourth quarter of Fiscal 2016, compared to 38.8% of sales in the fourth quarter of Fiscal 2015. This increase is mainly attributable to higher product margins and lower logistics and transportation costs as a percentage of sales, combined with the positive scaling impact of strong comparable store sales. Higher product margins resulted from changes made to the mix of products and prices in anticipation of an increase in our average foreign exchange forward contract rate.

SG&A

SG&A for the fourth quarter of Fiscal 2016 was $123.1 million, a 13.9% increase over $108.1 million for the fourth quarter of Fiscal 2015. The increase is primarily related to the continued growth in the total number of stores.

SG&A for the fourth quarter of Fiscal 2016 represented 16.1% of sales, the same percentage as for the fourth quarter of Fiscal 2015. Store labour productivity improvements achieved during the fourth quarter of Fiscal 2016 were offset by the timing of other expenses incurred.

Depreciation and Amortization

The depreciation and amortization expense increased by $2.5 million, from $10.4 million for the fourth quarter of Fiscal 2015 to $12.9 million for the fourth quarter of Fiscal 2016. The increase relates to investments in information technology projects and new stores.

Financing Costs

Financing costs increased by $0.9 million, from $5.1 million for the fourth quarter of Fiscal 2015 to $6.0 million for the fourth quarter of Fiscal 2016, mainly due to higher debt levels, partially offset by lower interest rates on variable rate indebtedness.

Income Taxes

Income taxes increased by $10.6 million, from $35.5 million for the fourth quarter of Fiscal 2015 to $46.1 million for the fourth quarter of Fiscal 2016, as a result of higher earnings. The statutory income tax rates for Fiscal 2016 and Fiscal 2015 were 26.8% and 26.7%, respectively. The Corporation's effective tax rates for the fourth quarters of Fiscal 2016 and Fiscal 2015 were 27.1% and 26.6%, respectively.

Net Earnings

Net earnings increased to $124.8 million, or $1.00 per diluted common share, in the fourth quarter of Fiscal 2016, compared to $100.3 million, or $0.76 per diluted common share, in the fourth quarter of Fiscal 2015. The increase in net earnings is mainly the result of a 14.6% increase in sales and an improvement of the gross margin as a percentage of sales.

Liquidity and Capital Resources

Cash Flows for the Year Ended

(dollars in thousands)	January 31, 2016	February 1, 2015	Change
	$	$	$
Cash flows from operating activities	449,237	355,872	93,365
Cash flows used in investing activities	(93,760)	(84,244)	(9,516)
Cash flows used in financing activities	(336,502)	(302,895)	(33,607)
Net change in cash and cash equivalents	18,975	(31,267)	50,242

Cash Flows from Operating Activities

For Fiscal 2016, cash flows generated from operating activities totalled $449.2 million, compared to $355.9 million for Fiscal 2015. This increase is attributable to higher net earnings.

Cash Flows Used in Investing Activities

For Fiscal 2016, cash flows used in investing activities totalled $93.8 million, compared to $84.2 million for Fiscal 2015, reflecting the ongoing growth of the business. The increase relates mainly to investments in information technology projects.

Cash Flows Used in Financing Activities

For Fiscal 2016, cash flows used in financing activities totalled $336.5 million, compared to a use of $302.9 million for Fiscal 2015. Cash flows used in financing activities were higher as a result of increased borrowings on long-term debt in order to fund more share repurchases under the normal course issuer bid.

Cash Flows for the Fourth Quarter Ended

(dollars in thousands)	January 31, 2016	February 1, 2015	Change
	$	$	$
Cash flows from operating activities	209,495	167,812	41,683
Cash flows used in investing activities	(31,236)	(29,482)	(1,754)
Cash flows used in financing activities	(193,587)	(121,273)	(72,314)
Net change in cash and cash equivalents	(15,328)	17,057	(32,385)

Cash Flows from Operating Activities

For the fourth quarter of Fiscal 2016, cash flows generated from operating activities totalled $209.5 million, compared to $167.8 million for the fourth quarter of Fiscal 2015. This increase is mainly attributable to higher net earnings and a lower use of working capital due to the timing of certain remittances and payments.

Cash Flows Used in Investing Activities

For the fourth quarter of Fiscal 2016, cash flows used in investing activities totalled $31.2 million, compared to $29.5 million for the fourth quarter of Fiscal 2015. The increase relates to investments in information technology projects.

Cash Flows Used in Financing Activities

For the fourth quarter of Fiscal 2016, cash flows used in financing activities totalled $193.6 million, compared to $121.3 million for the fourth quarter of Fiscal 2015. The additional $72.3 million in cash flows used by financing activities is mainly attributable to increased borrowings on long-term debt in order to fund more share repurchases under the 2015-2016 NCIB.

Capital Expenditures

For the fourth quarter of Fiscal 2016, capital expenditures totalled $31.3 million, compared to $29.7 million for the fourth quarter of Fiscal 2015. For Fiscal 2016, capital expenditures totalled $94.4 million, compared to $84.9 million for Fiscal 2015. Capital expenditures have increased mainly due to investments in information technology projects.

The Corporation expects to incur capital expenditures in the range of $160.0 million to $170.0 million for Fiscal 2017 as it plans to open 60 to 70 net new stores, build a new warehouse in the Montreal area and continue to invest in information technology projects. Refer to the section entitled "Outlook" for more information on management's expectations with respect to capital expenditures for Fiscal 2017.

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 January 31, 2016, the Corporation had $59.2 million of cash and cash equivalents on hand and $374.0 million available under the Credit Facility (as hereinafter defined). These available funds provide further funding flexibility to meet any unanticipated cash requirements.

Our ability to pay the principal and interest on, 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") providing for a revolving credit facility (the "Credit Facility") The Corporation has the option to borrow in Canadian or U.S. dollars.

On October 30, 2015, the Corporation and the lenders entered into an amending agreement to the SAR Credit Agreement pursuant to which (i) the term of the SAR Credit Agreement was extended by one more year, from December 13, 2019 to December 14, 2020, and (ii) the Corporation received additional commitments from lenders in the amount of $125.0 million pursuant to the accordion feature of the SAR Credit Agreement, for a period ending no later than June 15, 2017, thereby temporarily bringing the total credit available under the Credit Facility from $250.0 million to $375.0 million.

On January 29, 2016, the Corporation and the lenders entered into another amending agreement to the SAR Credit Agreement pursuant to which the Corporation received new additional commitments from lenders in the amount of $250.0 million for a period ending no later than January 29, 2018, thereby temporarily bringing the total credit available under the Credit Facility from $375.0 million to $625.0 million.

The Corporation intends to use these additional commitments to further optimize its capital structure, including through the purchase of shares under the 2015-2016 NCIB, and for other general corporate purposes.

Under the SAR Credit Agreement, as amended on January 29, 2016, 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 $1,300.0 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. As at January 31, 2016, the Corporation was in compliance with all of its financial covenants.

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 January 31, 2016, $250.0 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 $1.0 million (February 1, 2015 – $0.5 million).

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 installments, in arrears, on May 5 and November 5 of each year until maturity on November 5, 2018. As at January 31, 2016, the carrying value of the Fixed Rate Notes was $401.5 million.

On May 16, 2014, the Corporation issued senior unsecured floating rate notes in the aggregate principal amount of $150.0 million (the "Original Floating Rate Notes"), 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%), 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.

On April 8, 2015, the Corporation issued additional senior unsecured floating rate notes in the aggregate principal amount of $125.0 million (the "Additional Floating Rate Notes"), 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%), 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, and the Additional Floating Rate Notes are treated as a single series with the Original Floating Rate Notes (collectively, the "Floating Rate Notes"). As at January 31, 2016, the carrying value of the Floating Rate Notes was $274.8 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 January 31, 2016. Accounts payable and accrued liabilities exclude liabilities that are not contractual (such as income tax liabilities that are created as a result of statutory requirements imposed by governments).

(dollars in thousands)	**Less than 3 months $**	**3 months to 1 year $**	**2-5 years $**	**Over 5 years $**	**Total $**
Accounts payable and accrued liabilities	130,812	-	-	-	130,812
Dividend payable	11,087	-	-	-	11,087
Obligations under finance lease	147	441	-	-	588
Interest payments on Fixed Rate Notes	6,190	6,190	24,760	-	37,140
Assumed interest on Credit Facility and Floating Rate Notes [1]	2,379	7,138	18,402	-	27,919
Credit Facility	-	-	250,000	-	250,000
Principal repayment on Fixed Rate Notes	-	-	400,000	-	400,000
Principal repayment on Floating Rate Notes	-	-	275,000	-	275,000
	150,615	13,769	968,162	-	1,132,546

[1] Based on interest rates in effect as at January 31, 2016.

The following table summarizes the Corporation's off-balance sheet arrangements and commitments as at January 31, 2016.

(dollars in thousands)	**Less than 3 months $**	**3 months to 1 year $**	**2-5 years $**	**Over 5 years $**	**Total $**
Obligations under operating leases [2]	37,860	113,580	502,106	321,824	975,370
Letters of credit	1,000	-	-	-	1,000
	38,860	113,580	502,106	321,824	976,370

[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 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 14 to the Corporation's annual audited consolidated financial statements for Fiscal 2016.

Related Party Transactions

Property Leases

We currently lease 20 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 are measured at cost, which equals fair value, being the amount of consideration established at market terms.

Expenses charged by entities controlled by Larry Rossy or certain of his immediate family members, which comprise mainly rent, totalled approximately $17.9 million for Fiscal 2016, compared to $16.9 million for Fiscal 2015.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions using judgment that affect the application of accounting policies and the reported amounts of assets and liabilities, income and 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 following discusses the most significant accounting judgments and estimates that the Corporation has made in the preparation of the consolidated financial statements.

Property and Equipment

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. Effective February 3, 2014, following a review of the useful lives of its depreciable assets, the Corporation increased the estimated useful life of substantially all of its leasehold improvements and store and warehouse equipment. The effect of these changes was a decrease of approximately $16.0 million in depreciation expense for the 52-week periods ended January 31, 2016 and February 1, 2015.

Valuation of Merchandise Inventories

Store merchandise inventories are valued at the lower of cost and net realizable value, with cost being determined by the retail inventory method. Under the retail inventory method, merchandise inventories are converted to a cost basis by applying an average cost-to-sell ratio. Merchandise inventories that are at the distribution centre or warehouses and inventories that are in transit from suppliers are measured at the lower of cost and net realizable value, with cost determined on a weighted average cost basis. Merchandise inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, historical markdown statistics, future merchandising plans and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Historically, the Corporation has not experienced significant differences in its estimates of markdowns compared with actual results. Changes to the inventory provisions can have a material impact on the results of the Corporation.

Impairment of Goodwill and Trade Name

Goodwill and trade name are not subject to amortization and are tested for impairment annually or more frequently if events or circumstances indicate that the assets might be impaired. Impairment is identified by comparing the recoverable amount of the Cash Generating Unit ("CGU") to its carrying value. To the extent the CGU's carrying amount exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of net earnings and comprehensive income.

The recoverable amount of the CGU is based on the fair value less costs of disposal. The fair value is the price that could be received for an asset or CGU in an orderly transaction between market participants at the measurement date, less costs of disposal. Management undertakes an assessment of relevant market data, which includes the current publicly quoted market capitalization of the Corporation.

As at January 31, 2016 and February 1, 2015, impairment reviews were performed by comparing the carrying value of goodwill and the trade name with the recoverable amount of the CGU to which goodwill and the trade name have been allocated. Management determined that there has been no impairment.

Fair Value of Financial Instruments and Hedging

The fair value of financial instruments is based on current interest rates, foreign exchange rates, credit risk, market value and current pricing of financial instruments with similar terms. The carrying value of the financial instruments, especially those with current maturities such as cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividend payable approximates their fair value.

When hedge accounting is used, formal documentation is set up about relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives to specific firm commitments or forecasted transactions. As part of the Corporation's hedge accounting, an assessment is made to determine whether the derivatives that arose as hedging instruments are effective in offsetting changes in cash flows of hedged items.

Income Taxes

Significant judgment is required in determining income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Significant New Accounting Standards

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 earlier application 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 (refer to the Corporation's annual audited consolidated financial statements for Fiscal 2016) 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 the lease arrangements. The Corporation is analyzing the new standard to determine its impact 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 statement of net earnings and comprehensive income.

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.

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 divided into the following categories:

- risks related to 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 managing 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.

Risks Related to Business Operations

Merchandise and Operating Costs

Our ability to provide quality merchandise at low price points is subject to a number of factors that are beyond our control, including merchandise costs, foreign exchange rate fluctuations, tariffs on imported goods, increases in labour costs (including any increases in the minimum wage), increases in rent and occupancy costs, fuel costs and inflation, all of which may reduce our profitability and have an adverse impact on our cash flows. Some of these factors are discussed immediately below while others are addressed under the headings "Imports and Supply Chain" and "Foreign Exchange Risk".

Labour costs are largely outside of our control, driven by the legislated minimum wage in each province. However, productivity improvements resulting from various operational initiatives may help us partially offset the additional costs of wage rate increases.

Rent and occupancy costs, while substantial, have multi-year visibility due to the long term nature of our leases. Historically, we have been able to negotiate leases on market terms and we therefore benefit from a reasonable lead time to prepare for potential rent increases.

Inflation and adverse economic developments in Canada, where we both buy and sell merchandise, and in China and other parts of Asia, where we buy a large portion of our imported merchandise, could have a negative impact on our margins, profitability and cash flows. Fuel cost increases or surcharges could also increase our transportation costs and therefore impact our profitability.

If we are unable to predict and respond promptly to these or other similar events, it may increase our merchandise and operating costs, and our business and financial results could be materially adversely affected.

Generally, we believe that our multiple price point strategy provides some flexibility to address cost increases by allowing us to adjust the selling price on certain items. There is, however, no guarantee that we will continue to be successful in offsetting cost increases in a meaningful way given the limited range of prices that we offer. There can be no assurance that we will be able to continue to pass on any cost increases to our customers or that we will be able to maintain the compelling value of our product offering relative to our competitors.

Merchandise Selection and Replenishment

Our success depends in large part on our ability to continually find, select and purchase quality merchandise at attractive prices in order to expand our assortment of products and replace underperforming goods to timely respond to evolving trends in demographics and consumer preferences, expectations and needs. We typically do not enter into long-term contracts for the purchase or development of merchandise and must continually seek out buying opportunities from both our existing suppliers and new sources. Although we believe that we have strong and long-standing relationships with most of our suppliers, we may not be successful in maintaining a continuing and increasing supply of quality merchandise at attractive prices. If we cannot find or purchase the necessary amount of competitively priced merchandise to maintain our compelling product offering or to replace goods that are outdated or unprofitable, our business and financial results could be materially adversely affected.

Imports and Supply Chain

Following one of our key business strategies of sourcing merchandise directly from low cost suppliers, we rely heavily on imported goods. Imported goods are generally less expensive than domestic goods and contribute significantly to our favourable profit margins. Imported merchandise could become more expensive or unavailable, or deliveries could be subject to longer lead times, for a number of reasons, including but not limited to: (a) disruptions in the flow of imported goods due to factors such as raw material shortages, work stoppages, factory closures, suppliers going out of business, inflation, strikes, and political unrest in foreign countries; (b) problems with shipping, including shipping container shortages or increases in shipping rates imposed by carriers; (c) economic instability and international disputes; (d) increases in the cost of purchasing or shipping foreign merchandise resulting from Canada's failure to maintain normal trade relationships with foreign countries; (e) increases in tariffs or the elimination of existing preferential tariffs on goods originating from certain countries, including China, restrictive changes to import quotas, and other adverse protectionist trade measures; and (f) changes in currency exchange rates or policies and local

economic conditions, including inflation in the country of origin. The development of one or more of these factors could materially adversely affect our business and financial results.

If imported merchandise becomes more expensive, limited or unavailable, we may not be able to transition to alternative sources in time to meet the demand. Products from alternative sources may also be of lesser quality and/or more expensive than those we currently import. A disruption in the flow of our imported merchandise or an increase in the cost of those goods due to these or other factors would significantly decrease our sales and profits and have a material adverse impact on our business and financial results.

We believe that we have good relationships with our suppliers and that we are generally able to obtain competitive pricing and other terms. However, we buy products on an order-by-order basis and have very few long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. If we fail to maintain good relationships with our suppliers, or if our suppliers' product costs are increased as a result of prolonged or repeated increases in the prices of certain raw materials or of foreign exchange rate fluctuations, we may not be able to obtain attractive pricing. In addition, if we are unable to receive merchandise from our suppliers on a timely basis because of interruptions in production or other reasons that are beyond our control, we could experience merchandise shortages which could lead to lost sales or increased merchandise costs if alternative sources must be used, and our business and financial results could be materially adversely affected.

Brand Image and Reputation

We have a well-recognized brand that consumers associate with everyday consumer products offered at compelling prices. Failure to maintain product safety and quality or ethical and socially responsible operations could materially adversely affect our brand image and reputation. Any negative publicity about, or significant damage to, our brand and reputation could have an adverse impact on customer perception and confidence, which could materially adversely affect our business and financial results. Also, the pervasiveness and viral nature of social media could exacerbate any negative publicity with respect to our business and our products.

Furthermore, as our sourcing strategy relies heavily on directly imported merchandise from overseas, mainly from China, any unethical conduct by one of our suppliers or any allegations, whether or not founded, of unfair or illegal business practices by one of our suppliers, including production methods and labour practices, could also materially adversely affect our brand image and reputation, which could thereafter materially adversely affect our business and financial results. The adoption of the Vendor Code of Conduct in December 2014 was meant to formalize Dollarama's expectations with respect to its suppliers' business standards. However, signed engagement forms do not constitute a guarantee that suppliers will uphold and adhere to the principles outlined in the Vendor Code of Conduct or that violations of the Vendor Code of Conduct will be reported to Dollarama in a timely manner.

Distribution and Warehousing Network

We must constantly replenish depleted inventory through deliveries of merchandise from our suppliers to our warehouses, our distribution center and directly to our stores by various means of transportation, including shipments by sea, train and truck. Also, as a result of our reliance on third-party carriers, we are subject to carrier disruptions and increased costs due to factors beyond our control. Long-term disruptions in our distribution network and to the national and international transportation infrastructure that lead to delays or interruptions of service could materially adversely affect our business and financial results.

With the addition of a new 500,000 square foot warehouse by the end of 2016, we believe our facilities will provide the required capacity to cost-effectively support new store openings in the near future. However, over the longer term, we may need additional warehouse and distribution center capacity, and we may not be able to successfully execute our growth strategy or we may incur additional costs if we do not plan efficiently for increased capacity, if we are unable to locate sites for new warehouses and distribution centers, either for sale or for rent, on favorable terms, or if we are unable to launch new warehousing or distribution operations on a timely basis.

Inventory Shrinkage

We are subject to the risk of inventory loss and administrative or operator errors, including mislabelling, damage, theft and fraud. We experience inventory shrinkage in the normal course of our business, and we cannot ensure that incidences of inventory loss and theft will decrease in the future or that the measures we are taking or the initiatives we implement will effectively address inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if we were to experience higher rates of inventory shrinkage or incur increased security costs to combat inventory theft, our business and financial results could be materially adversely affected.

Real Estate

As at January 31, 2016, we leased all of our stores from unaffiliated third parties, except 20 of our stores, which are leased from entities controlled by Larry Rossy or certain of his immediate family members. In addition, we leased all of our warehouses, our distribution center and our head office from entities controlled by Larry Rossy. Our warehouses, distribution center and head office leases will expire in fiscal year 2025.

Unless the terms of our leases are extended, the properties, together with any improvements that we have made, will revert to the property owners upon expiration of the lease terms. As the terms of our leases expire, we may not be able to renew these leases or find alternative locations that meet our needs on favourable terms, or at all. If we are unable to renew a significant number of our expiring leases or to promptly find alternative locations that meet our needs, our business and financial results could be materially adversely affected. Many leases also provide that the landlord may increase the rent over the term of the lease, as well as obligate us to pay a variety of costs such as cost of insurance, taxes, maintenance and utilities. Breaching the terms of a lease may result in the Corporation incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. In the event that a significant number of our leases are terminated on that basis, our business and financial results could be materially adversely affected.

Seasonality

Historically, our highest sales results have occurred in the fourth quarter, during the winter holidays selling season. Our sales also generally increase ahead of other holidays and celebrations, such as Easter, St. Patrick's Day, Valentine's Day and Halloween. Failure to adequately prepare for the holidays sales demand could have a material adverse effect on our business and financial results. In addition, the occurrence of unusually adverse weather, natural disasters, geo-political events or any other event beyond our control and causing any 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.

Private Brands

We carry a substantial number of private brand items. We believe that our success in maintaining broad market acceptance of our private brands depends on many factors, including pricing, quality and customer perception. If we do not achieve or maintain our expected sales for our private brands, or if we fail to successfully protect our proprietary rights in those brands or to avoid claims related to the proprietary rights of third parties, our business and financial results could be materially adversely affected.

Intellectual Property

We believe that our trademarks and other proprietary rights are important to our success and our competitive position. Accordingly, we protect our trademarks and proprietary rights, in Canada and in other relevant markets. However, monitoring the unauthorized use of our intellectual property is difficult and violations may not always become immediately known. Furthermore, the steps we generally take to address such violations, including sending demand letters and taking actions against third parties, may be inadequate to prevent imitation of our products and concepts by others or to prevent others from claiming violations of their trademarks and proprietary rights by us. In addition, our intellectual property rights may not have the value that we believe they have. If we are unsuccessful in protecting our intellectual property rights, or if another party prevails in litigation against us relating to our intellectual property rights, the value and adequacy of our brand recognition could be diminished causing customer confusion and materially adversely affecting our business and financial results. In addition, we may incur significant costs if we are required to change certain aspects of our branding and business operations.

Financial Risks

Foreign Exchange Risk

Our results of operations are impacted by foreign exchange rate fluctuations. While all of our sales are in Canadian dollars, we purchase a majority of our merchandise from overseas suppliers using U.S. dollars. If the Chinese renminbi were to appreciate against the U.S. dollar, the cost of merchandise purchased in China would likely increase. Similarly, and to an even greater extent, if the U.S. dollar were to appreciate against the Canadian dollar, it would have a negative impact on our margins, profitability and cash flows.

In order to mitigate the potential negative impact of foreign exchange rate fluctuations, we use foreign exchange forward contracts to manage the foreign currency risk associated with the majority of our forecasted U.S. dollar merchandise purchases. 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 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.

Indebtedness

As at January 31, 2016, the outstanding principal on our long-term debt amounted to $925.0 million. Our level of indebtedness could have important consequences, including the following:

- a portion of our cash flows from operations will be dedicated to the payment of interest on our indebtedness and other financial obligations and will not be available for other purposes, including funding our operations and capital expenditures and future business opportunities;
- our ability to obtain additional financing for working capital and general corporate or other purposes may be limited;
- our debt level may limit our flexibility to engage in specified types of transactions or in planning for, or reacting to, changes in our business and in our industry in general, placing us at a competitive disadvantage compared to our competitors that have less debt; and
- our leverage may make us vulnerable to a downturn in general economic conditions and adverse industry conditions.

Liquidity

A portion of our cash flows from operations is dedicated to the payment of interest on our indebtedness and other financial obligations. Our ability to service our debt and other financial obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond our control, including fluctuations in interest rates, market liquidity conditions, increased operating costs, and trends in our industry. If our cash flows and capital resources are insufficient to meet our debt service obligations, we may be forced to reduce the scope of, or delay capital expenditures, new store openings and future business opportunities, sell assets, seek additional capital, or restructure or refinance our indebtedness.

Furthermore, the Credit Facility and the trust indentures governing the Senior Unsecured Notes contain restrictive covenants that, subject to certain exceptions, limit the ability of the Credit Parties, to, among other things: make loans, incur, assume, or permit to exist additional secured indebtedness, guarantees or liens. The Credit Facility also requires the Corporation to comply, on a quarterly and consolidated basis, with a minimum interest coverage ratio test and a maximum lease-adjusted leverage ratio test. This may prevent us from pursuing certain business opportunities or taking certain actions that may be in the best interest of our business, which could materially adversely affect our business and financial results.

The trust indentures governing the Senior Unsecured Notes require the Corporation to repurchase all or a portion of the notes upon the occurrence of a specified change of control event, at a purchase price payable in cash equal to 101% of the outstanding principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase. In the event of a specified change of

control, the Corporation may not have sufficient funds to repurchase the Senior Unsecured Notes. In addition, the Corporation's ability to repurchase the Senior Unsecured Notes for cash may be limited by applicable law or contract. If the Corporation is unable to repurchase the Senior Unsecured Notes upon the occurrence of a change of control event, cross-default provisions in the Corporation's other debt instruments, including the agreement governing the Credit Facility, may be triggered, resulting in events of default thereunder.

Changes in Creditworthiness or Credit Rating

The perceived creditworthiness of the Corporation and the changes in any credit rating of the Fixed Rate Notes or the Floating Rate Notes may affect not only the market price or value and the liquidity of those notes but also the cost at which the Corporation can access the capital or credit markets, public or private. The Corporation received credit ratings in connection with the issuance of the Fixed Rate Notes and the Floating Rate Notes. Credit ratings are generally evaluated and determined by independent third parties and may be impacted by events outside of the Corporation's control as well as any other significant decisions made by it, including the entering into of any transaction. Credit rating agencies perform independent analysis when assigning credit ratings and such analysis includes a number of criteria, including, but not limited to, various financial tests, business composition and market and operational risks. The criteria applicable to various industry sectors and credit ratings are continually reviewed by credit rating agencies and are therefore subject to change from time to time. There is no assurance that any credit rating assigned to the Fixed Rate Notes or the Floating Rate Notes will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. Any actual or anticipated lowering or withdrawal of such rating could have a material adverse effect not only on the market value of those notes but also on the market perceptions of the Corporation in general or its business and financial results.

Interest Rates

Although our indebtedness under a tranche of $400.0 million of Senior Unsecured Notes is fixed at an annual interest rate of 3.095%, the Corporation is exposed from time to time to interest rate risk under another tranche of $275.0 million of Senior Unsecured Notes, which bears interest at a rate equal to the 3-month bankers' acceptance rate (CDOR) plus 54 basis points (or 0.54%), and under the Credit Facility, which allows the Corporation to borrow at variable rates of interest. In such case, if interest rates were to increase, our debt service obligations on the variable rate indebtedness could increase even though the amount borrowed remained the same, and our net earnings and cash flows could decrease, which could materially adversely affect our business and financial results.

Market Risks

Retail Competition

We operate in the value retail industry, which is highly competitive with respect to, among other things, price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. This competitive environment could materially adversely affect our business and financial results due to the lower prices, and thus lower margins, that could be required to maintain our competitive position. Companies operating in the value retail industry have limited ability to increase prices in response to increased costs. This limitation may also affect our margins and financial performance.

We also compete for customers, employees, store sites, products and services and in other important aspects of our business with many other local, regional and national retailers, including multi-price dollar stores, variety and discount stores and mass merchants. These retailers compete in a variety of ways, including aggressive promotional activities, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities and price. Some of our competitors in the retail industry are much larger and have substantially greater resources than we do. Consequently, we are vulnerable to the marketing power and high level of consumer recognition of major mass merchants, and to the risk that these mass merchants or others could venture into our market segment in a significant way. In addition, we expect that our expansion plans will increasingly bring us into direct competition with those other retailers.

Given the lack of significant economic barriers for other companies to open dollar stores or develop dollar store concepts within their existing retail operations, competition may also increase as a result of new value retailers entering into the markets in which we operate. If we fail to respond effectively to competitive pressures and changes in the retail markets, our business and financial results could be materially adversely affected.

Furthermore, we face increased competition from the use of mobile and web-based technology that facilitates on-line shopping and real-time product and price comparisons. Failure to adequately assess and address this evolving retail trend could have a material impact on our business and financial results.

Economic Conditions

Adverse global or Canadian economic conditions affecting disposable consumer income, employment levels, consumer debt levels, credit availability, business conditions, fuel and energy costs, inflation, interest rates and tax rates could materially adversely affect our business and financial results by reducing consumer spending or causing customers to shift their spending to other products we either do not sell or do not sell as profitably, which could translate into decreased sales volumes, slower inventory turnover and lower gross margins for Dollarama. In addition, similar adverse economic conditions could materially adversely affect us, our suppliers or other business partners by reducing access to liquid funds or credit, increasing the cost of credit, limiting the ability to manage interest rate risk, increasing the risk of insolvency or bankruptcy of Dollarama, our suppliers, landlords or financial counterparties, increasing the cost of goods, and other impacts which cannot be fully anticipated.

Human Resources Risks

Reliance on Key Personnel

Our senior executives have extensive experience in our industry and with our business, suppliers, products and customers. The loss of management knowledge, expertise and technical proficiency as a result of the loss of one or more members of our core management team, including but not limited to: Larry Rossy, Chief Executive Officer and Chairman, Neil Rossy, newly appointed President and Chief Executive Officer, effective May 1, 2016, and the son of Larry Rossy, Geoffrey Robillard, Senior Vice President, Import Division, Michael Ross, Chief Financial Officer, and Johanne Choinière, Chief Operating Officer, could result in a diversion of management resources or a temporary executive gap, and negatively affect our ability to develop and pursue other business strategies, which could materially adversely affect our business and financial results. Also, the expertise pertaining to purchasing and import management, especially as it relates to the dollar store industry, is rare and the loss of key executives heading those functions could have a material adverse effect on our ability to continue to offer a compelling product offering to our customers, which in turn would materially adversely affect our business and financial results.

Recruitment, Retention and Management of Quality Employees

Our future growth and performance depends, among other things, on our ability to attract, retain and motivate quality employees, many of whom are in positions with historically high rates of turnover. Our ability to meet our labour needs, while controlling our labour costs, is subject to many external factors, including the competition for and availability of quality personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labour legislation (including changes in the process for our employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). In addition, we must be able to successfully manage staff and management personnel throughout our vast, geographically dispersed network of stores.

The Corporation's employees are not unionized. Should any portion of our employee base attempt to unionize, the successful negotiation of a collective bargaining agreement cannot be assured. Protracted and extensive work stoppages or labour disruptions could materially adversely affect our business and financial results.

Technology Risks

Information Technology Systems

We depend on our information technology systems for the efficient functioning of our business, including financial reporting, accounting, data storage, purchasing, replenishment and inventory management, processing of customer transactions, store communications systems and payroll processing. Our enterprise-wide software solutions enable management to better and more efficiently conduct our operations, and gather, analyze and assess information across all business functions and geographic locations.

Management believes that the Corporation's information technology architecture is resilient, relying on redundant material components to prevent material failures, redundant telecommunication links to prevent communication failures and a synchronous disaster recovery site to provide service continuity in the event of a server room disaster. However, systems may be subject to damage or interruption resulting from power outages, telecommunication failures, computer viruses, security breaches, cyber attacks and catastrophic events. Difficulties with the hardware and software platform may require us to incur substantial costs to repair or replace it, could result in a loss of critical data and could disrupt our operations, including our ability to timely ship and track product orders, forecast inventory requirements, manage our supply chain, process customer transactions and otherwise adequately service our customers, which could have a material adverse effect on our business and financial results. Prolonged disruptions to our information technology systems may reduce the efficiency of our entire operation, which could materially adversely affect our business and financial results.

We rely heavily on information technology staff and consultants. Failure to meet staffing needs or to retain competent consultants may have an adverse effect on our ability to pursue technology-driven initiatives and to maintain and periodically upgrade many of our information systems and software programs, which could disrupt or reduce the efficiency of our operations and materially adversely affect our business and financial results.

Data Security and Privacy Breaches

Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. Cyber threats in particular vary in technique and sources, are persistent, frequently change and are increasingly more targeted and difficult to detect and prevent. Cyber attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Corporation's information systems and networks, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. They could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect our business and financial results.

Even though the Corporation does not collect customer data, such as card numbers and other customer personally identifiable information, we do collect and maintain proprietary and confidential information related to the business and affairs of the Corporation, including our suppliers and our employees. We store and process such internal data both at onsite facilities and at third-party owned facilities. Any fraudulent, malicious or accidental breach of data security could result in unintentional disclosure of, or unauthorized access to, suppliers, employees or other confidential or sensitive data or information, which could potentially result in additional costs to the Corporation to enhance security or to respond to occurrences, violations of privacy or other laws or regulations, penalties or litigation. In addition, media or other reports of perceived security vulnerabilities of the Corporation's systems, even if no breach has been attempted or has occurred, could also adversely impact the Corporation's brand and reputation and materially impact its business and financial results.

While the Corporation has dedicated resources and utilizes third party technology products and services to help protect the Corporation's information technology systems and infrastructure as well as its proprietary and confidential information against security breaches and cyber-incidents, such measures may not be adequate or effective to prevent, identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions, which could be in excess of any available insurance, and could materially adversely affect its business and financial results.

Strategy and Corporate Structure Risks

Growth Strategy

We have experienced substantial growth during the past several years and we plan to continue to open new stores in the coming years. Our ability to successfully execute our growth strategy will depend largely on our ability to successfully open and operate new stores, which, in turn, will depend on a number of operational, financial, and economic factors, including whether we can:

- locate, lease, build out, and open stores in suitable locations on a timely basis and on favourable economic terms;
- hire, train, and retain an increasing number of quality employees at affordable rates of compensation;
- supply an increasing number of stores with the proper mix and volume of merchandise;
- expand within the markets of Ontario and Québec, where we are already well established and where new stores may draw sales away from our existing stores;
- expand into new geographic markets, where we have limited or no presence;
- procure efficient logistics and transportation services for those new markets;
- successfully compete against local competitors; and
- build, expand and upgrade warehouses, distribution centers and internal store support systems in an efficient, timely and economical manner.

Any failure by us to achieve these goals could materially adversely affect our ability to continue to grow.

In addition, if our expansion occurs as planned, our store base will include a relatively high proportion of stores with relatively short history of operations. If our new stores on average fail to achieve results comparable to our existing stores, our business and financial results could be materially adversely affected.

Also, in February 2013, the Corporation, through a wholly-owned subsidiary, entered into an agreement with Dollar City, a dollar store chain based in El Salvador, pursuant to which it shares business expertise and provides sourcing services to Dollar City. The Corporation believes that this partnership with a reputable local partner with strong business experience will allow Dollarama to assess the growth opportunity in the region, while remaining focused on strengthening its leading position in the Canadian market. However, if the product offering is not well received by local consumers or if Dollar City is unable to localize the Dollarama concept and successfully develop its store network, this could adversely affect Dollarama's plan to expand its footprint in Latin America.

Corporate Structure

Dollarama Inc. is a holding company and a substantial portion of its assets are the equity interests in its subsidiaries. As a result, the Corporation is subject to the risks attributable to Dollarama Inc.'s subsidiaries. As a holding company, Dollarama Inc. conducts substantially all of its business through its subsidiaries, which generate substantially all of Dollarama Inc.'s revenues. Consequently, Dollarama Inc.'s cash flows, ability to meet financial obligations and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Dollarama Inc. The ability of these entities to pay dividends and other distributions will depend on their operating results and may potentially be constrained by various contractual restrictions. Dollarama Inc.'s subsidiaries are distinct legal entities and have no obligation to make funds available to Dollarama Inc., except in the case of a subsidiary that is a guarantor of Dollarama Inc.'s obligations. In the event of a bankruptcy liquidation of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Dollarama Inc.

Business Continuity Risks

Adverse Weather, Natural Disasters and Geo-Political Events

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events, such as civil unrest in countries in which our suppliers are located and acts of terrorism, or similar disruptions could materially adversely affect our business and financial results. Furthermore, the impact of any such events on our business and financial results could be exacerbated if they occur during a period of the year when our sales generally increase, such as the winter holidays selling season or any other major holidays and celebrations.

These events could result in physical damage to one or more of our properties, increases in fuel or other energy prices, the temporary or permanent closure of one or more of our warehouses or distribution center (which are all located in Montreal, Quebec, within a small radius from the Corporation's head office) or of one or more of our stores, delays in opening new stores, the temporary lack of an adequate workforce in a market, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the temporary disruption in the transport of goods from overseas, delays in the delivery of goods to our warehouses, distribution center or stores, the temporary reduction in the availability of products in our stores, the temporary reduction of store traffic and disruption to our information systems. These factors could materially adversely affect our business and financial results.

Insurance

Our insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that we believe are prudent based on the nature and size of our operations. However, there are types of losses against which we cannot be insured or which we chose not to insure, in some cases because we believe it is not economically reasonable to do so, such as losses due to acts of war, nuclear disaster, pandemic, reputational risks, supply chain issues, certain cyber risks, employee turnover, strikes and some natural disasters. If we incur these losses and they are material, our business and financial results could be materially adversely affected. In addition, certain material events may result in sizable losses for the insurance industry and materially adversely affect the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, we may elect to increase our level of self-insurance, accept higher deductibles or reduce the amount of coverage in response to these market changes. Although we continue to maintain property insurance for catastrophic events, we are effectively self-insured for property losses up to the amount of our deductibles. If we experience a greater number of these losses than we anticipate, our business and financial results could be materially adversely affected.

Legal and Regulatory Risks

Product Liability Claims and Product Recalls

The Corporation sells products produced by third party manufacturers. Some of these products may expose the Corporation to product liability claims relating to personal injury, death or property damage caused by such products, and may require the Corporation to take actions. One or more of our suppliers might not adhere to product safety requirements or our quality control standards, and we might not identify the deficiency before merchandise is shipped to our stores. If our suppliers are unable or unwilling to recall products failing to meet our quality standards, we may be required to remove merchandise from our shelves or recall those products at a substantial cost to us. Product recalls, withdrawals or replacements may harm the Corporation's reputation and acceptance of its products by customers, which may materially adversely affect our business and financial results. Although the Corporation maintains liability insurance to mitigate potential claims, the Corporation cannot be certain that its coverage will be adequate or sufficient to cover for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all. Product liability claims and product recalls, withdrawals or replacements could materially adversely affect our Corporation's business and financial results.

Litigation

Our business is subject to the risk of litigation by employees, customers, consumers, suppliers, other business partners, competitors, shareholders, government agencies, or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, including, in the case of administrative proceedings, as a result of reviews by taxation authorities. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is

difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. In addition, certain of these lawsuits or claims, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required. In addition, in connection with the Corporation's business activities, the Corporation is subject to reviews by taxation authorities. There is no assurance that any such reviews will not result in taxation authorities challenging any of our tax filings.

The cost to defend litigation may be significant. There also may be adverse publicity associated with litigation, including without limitation litigation related to product safety, which could negatively affect customer perception of our business, or the brand, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation could materially adversely affect our business and financial results.

Regulatory Environment

We are subject to many laws and regulations, including laws and regulations related to, among other things, product safety, labour practices, health and safety, merchandise quality, labelling, as well as policies related to our suppliers and the countries in which they are located or from which they import, foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from certain countries, and other factors related to our business.

Compliance with such laws and regulations, or the adoption of new laws and regulations or any changes to existing laws and regulations or in the interpretation, implementation or enforcement of any laws and regulations, could require us to make significant system or operating changes or require us to make significant expenditures or incur substantial costs, all of which could materially adversely affect our business and financial results. In addition, untimely compliance or non-compliance with any laws and regulations could trigger litigation or governmental enforcement action, or require the payment of any fines or penalties, and harm the Corporation's reputation, which could materially adversely affect our business and financial results.

Furthermore, as our sourcing strategy relies heavily on directly imported merchandise from overseas, mainly from China, any violation of applicable local laws and regulations by one or more of our suppliers, including laws and regulations related to, among other things, labour practices and health and safety, could also materially adversely affect our brand image and reputation.

Environmental Compliance

Under various federal, provincial, and local environmental laws and regulations, current or previous owners or occupants of property may become liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. These laws and regulations often impose liability without regard to fault.

Certain of the facilities that we occupy have been in operation for many years and, over such time, we and the prior owners or occupants of such properties may have generated and disposed of materials, which are or may be considered hazardous. Accordingly, it is possible that environmental liabilities may arise in the future as a result of any generation and disposal of such hazardous materials. Although we have not been notified of, and are not aware of, any current environmental liability, claim, or non-compliance, we could incur costs in the future related to our properties in order to comply with, or address any violations under, environmental laws and regulations.

In the ordinary course of our business, we sometimes use, store, handle or dispose of household products and cleaning supplies that are classified as hazardous materials under various environmental laws and regulations. We cannot predict the environmental laws or regulations that may be enacted in the future or how existing or future laws and regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretations of existing laws and regulations, may require additional expenditures by us, which could vary substantially from those currently anticipated and could materially adversely affect our business and financial results.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Corporation are responsible for establishing and maintaining the Corporation's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Corporation. The Disclosure Policy requires all staff to keep senior management fully apprised of all material information affecting the Corporation so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. The CEO and the CFO evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings. They concluded that, as at January 31, 2016, the Corporation's design and operation of its disclosure controls and procedures was effective in providing reasonable assurance that material information regarding this MD&A, and the consolidated financial statements and other disclosures was made known to them on a timely basis.

Management has developed a system for internal controls over financial reporting in order to provide reasonable assurance about the reliability of the financial information published and the preparation of the financial statements in accordance with GAAP. Furthermore, internal controls over financial reporting design provides reasonable assurance that the Corporation's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing information, in accordance with GAAP. The CEO and the CFO are responsible for developing internal controls over financial reporting or the supervision of their development.

As at January 31, 2016, the CEO and the CFO evaluated the effectiveness of both our disclosure controls and procedures and our internal control over financial reporting. Based on these evaluations, the CEO and the CFO concluded that our disclosure controls and procedures and our internal control over financial reporting were effective as at January 31, 2016. In making the evaluation of our internal control over financial reporting, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control-Integrated Framework* (commonly referred to as the "2013 Framework").

There were no changes in our internal control over financial reporting that occurred during the period beginning on February 2, 2015 and ended on January 31, 2016 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Dividend

On March 30, 2016, the Corporation announced that its board of directors had approved an 11.1% increase of the quarterly cash dividend for holders of its common shares, from $0.09 per common share to $0.10 per common share. The Corporation's quarterly cash dividend will be paid on May 4, 2016 to shareholders of record at the close of business on April 22, 2016 and is designated as an "eligible dividend" for Canadian tax purposes.

The board of directors has determined that this new level of quarterly dividend is appropriate based on Dollarama's current cash flow, earnings, financial position and on other relevant factors. The dividend is expected to remain at this level subject to the board of directors' ongoing assessment of Dollarama's future capital requirements, financial performance, liquidity, outlook and other factors that the board of directors may deem relevant.

The payment of each quarterly dividend remains subject to the declaration of that dividend by the board of directors. The actual amount of each quarterly dividend, as well as each declaration date, record date and payment date are subject to the discretion of the board of directors.

Normal Course Issuer Bid

On June 12, 2014, the Corporation launched a normal course issuer bid to repurchase for cancellation up to 4,683,858 common shares (representing 3.5% of the common shares issued and outstanding as at the close of markets on June 11, 2014) during the 12-month period from June 17, 2014 to June 16, 2015 (the "2014-2015 NCIB").

On June 10, 2015, the Corporation renewed its normal course issuer bid to repurchase for cancellation up to 4,500,765 common shares (representing 3.5% of the common shares issued and outstanding as at the close of markets on June 9, 2015) during the 12-month period from June 17, 2015 to June 16, 2016 (the "2015-2016 NCIB"). On December 9, 2015, the Corporation

received approval from the TSX to amend the 2015-2016 NCIB in order to increase the maximum number of common shares that may be repurchased thereunder from 4,500,765 to 6,429,665 common shares (representing 5.0% of the common shares issued and outstanding as at the close of markets on June 9, 2015). The other terms of the 2015-2016 NCIB remain unchanged.

The total number of common shares repurchased for cancellation under the 2014-2015 NCIB and the 2015-2016 NCIB during the year ended January 31, 2016 amounted to 7,729,391 common shares for a total cash consideration of $625.4 million. For the year ended January 31, 2016, the Corporation's share capital was reduced by $27.5 million and the remaining $597.9 million was accounted for as a reduction of retained earnings.

On March 30, 2016, the Corporation received approval from the TSX to amend the 2015-2016 NCIB for a second time in order to increase the maximum number of common shares that may be repurchased thereunder from 6,429,665 to 11,797,176 common shares (representing 10.0% of the Corporation's public float as at June 9, 2015). The other terms of the 2015-2016 NCIB remain unchanged.

The table below summarizes all purchases of shares under each of the 2014-2015 NCIB and the 2015-2016 NCIB up to January 31, 2016, the last day of Fiscal 2016.

NCIB	Period of Coverage	Number of Shares Repurchased for Cancellation ('000s)	Weighted Average Price per Share $	Value of Shares Repurchased for Cancellation ('000s) $
2014-2015 NCIB	June 17, 2014 to June 16, 2015	1,300	68.60	89,171
2015-2016 NCIB	June 17, 2015 to January 31, 2016	6,429	83.39	536,196
		7,729	**80.91**	**625,367**

The table below summarizes all purchases of shares during Fiscal 2015 and Fiscal 2016.

Period of Coverage	Number of Shares Repurchased for Cancellation ('000s)	Weighted Average Price per Share $	Value of Shares Repurchased for Cancellation ('000s) $
Fiscal 2015	9,273	47.04	436,220
Fiscal 2016	7,729	80.91	625,367
	17,002	**62.44**	**1,061,587**

Share Information

The Corporation's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized.

As at March 29, 2016, there were 122,225,104 common shares issued and outstanding. In addition, there were 2,478,200 options, each exercisable for one common share, issued and outstanding as at March 29, 2016. Assuming exercise of all outstanding options, there would have been 124,703,304 common shares issued and outstanding on a fully diluted basis as at March 29, 2016. Refer to Note 12 of the Corporation's annual audited consolidated financial statements for Fiscal 2016 for additional information.

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".