Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week periods ended May 4, 2014 and May 5, 2013

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

Dollarama Inc.

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

	Note	May 4, 2014	Feb 2, 2014
Assets			
Current assets			
Cash and cash equivalents		37,390	71,470
Accounts receivable		6,662	5,963
Deposits and prepaid expenses		21,641	5,382
Merchandise inventories		361,630	364,680
Derivative financial instruments	5	3,302	11,455
		430,625	458,950
Non-current assets			
Property and equipment		260,123	250,612
Intangible assets		130,246	129,436
Goodwill		727,782	727,782
Total assets		1,548,776	1,566,780
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		92,427	128,857
Dividend payable		10,857	9,823
Income taxes payable		10,076	22,102
Derivative financial instruments	5	1,805	-
Current portion of finance lease obligations	11	1,022	1,022
Current portion of long-term debt	6	6,102	3,017
		122,289	164,821
Non-current liabilities			
Long-term debt	6	535,677	395,446
Finance lease obligations	11	1,252	1,484
Deferred rent and tenant inducements		53,603	51,592
Deferred income taxes		87,858	89,271
Total liabilities		800,679	702,614
Commitments	11		
Shareholders' equity			
Share capital		482,336	493,602
Contributed surplus		11,693	10,884
Retained earnings		247,756	346,478
Accumulated other comprehensive income		6,312	13,202
Total shareholders' equity		748,097	864,166
Total liabilities and shareholders' equity		1,548,776	1,566,780

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

Dollarama Inc.

Consolidated Interim Statement of Changes in Shareholders' Equity

For the 13-week periods ended

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

	Note	Number of common shares	Share capital $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive income (loss) $	Total $
Balance – February 2, 2014		69,478,869	493,602	10,884	346,478	13,202	864,166
Net earnings for the period		-	-	-	53,224	-	53,224
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax of $2,513		-	-	-	-	(6,890)	(6,890)
Repurchase and cancellation of shares	7	(1,790,230)	(12,717)	-	(141,089)	-	(153,806)
Dividends declared		-	-	-	(10,857)	-	(10,857)
Share-based compensation	8	-	-	1,317	-	-	1,317
Issuance of common shares		39,477	943	-	-	-	943
Reclassification related to exercise of stock options		-	508	(508)	-	-	-
Balance – May 4, 2014		67,728,116	482,336	11,693	247,756	6,312	748,097
Balance – February 3, 2013		73,090,470	517,306	8,157	403,266	2,761	931,490
Net earnings for the period		-	-	-	45,645	-	45,645
Other comprehensive income							
Unrealized gain on derivative financial instruments, net of reclassification adjustment and income tax of $(814)		-	-	-	-	2,237	2,237
Dividends declared		-	-	-	(10,242)	-	(10,242)
Share-based compensation	8	-	-	548	-	-	548
Issuance of common shares		71,262	927	-	-	-	927
Reclassification related to exercise of stock options		-	834	(834)	-	-	-
Balance – May 5, 2013		73,161,732	519,067	7,871	438,669	4,998	970,605

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

Dollarama Inc.

Consolidated Interim Statement of Net Earnings and Comprehensive Income

For the 13-week periods ended

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

	Note	May 4, 2014	May 5, 2013
Sales		501,141	448,120
Cost of sales		323,646	287,446
Gross profit		177,495	160,674
General, administrative and store operating expenses		91,295	84,406
Depreciation and amortization		8,785	11,229
Operating income		77,415	65,039
Net financing costs		4,485	2,313
Earnings before income taxes		72,930	62,726
Provision for income taxes	9	19,706	17,081
Net earnings for the period		53,224	45,645
Other comprehensive income (loss)			
Items to be reclassified subsequently to net earnings			
Unrealized gain (loss) on derivative financial instruments, net of reclassification adjustment		(9,403)	3,051
Income taxes relating to component of other comprehensive income (loss)		2,513	(814)
Total other comprehensive income (loss), net of income taxes		(6,890)	2,237
Total comprehensive income for the period		46,334	47,882
Earnings per common share			
Basic net earnings per common share		$0.78	$0.62
Diluted net earnings per common share	10	$0.78	$0.62
Weighted average number of common shares outstanding during the period (*thousands*)	10	68,360	73,102
Weighted average number of diluted common shares outstanding during the period (*thousands*)	10	68,612	73,274

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

Dollarama Inc.

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

	Note	May 4, 2014	May 5, 2013
Cash flows			
Operating activities			
Net earnings for the period		53,224	45,645
Adjustments for			
Depreciation and amortization		8,785	11,229
Amortization of debt issue costs		231	128
Excess of receipts over amount recognized on derivative financial instruments		555	5,543
Recognition of deferred leasing costs		153	79
Recognition of deferred tenant allowances		(974)	(818)
Deferred lease inducements		863	1,028
Deferred tenant allowances		2,122	1,144
Share-based compensation	8	1,317	548
Accrued interest on long-term debt		3,085	-
Deferred income taxes		1,101	797
Loss (gain) on disposal of assets		(72)	24
		70,390	65,347
Changes in non-cash working capital components	13	(52,033)	(52,603)
Net cash generated from operating activities		18,357	12,744
Investing activities			
Additions to property and equipment		(17,146)	(18,527)
Additions to intangible assets		(2,175)	(1,523)
Proceeds on disposal of property and equipment		134	68
Net cash used by investing activities		(19,187)	(19,982)
Financing activities			
Proceeds from long-term debt	6	140,000	2,058
Proceeds from exercised options		943	927
Payment of debt issue costs		-	(62)
Repayment of finance lease		(232)	(177)
Dividends paid		(9,823)	(8,099)
Repurchase and cancellation of shares		(164,138)	-
Net cash used by financing activities		(33,250)	(5,353)
Decrease in cash and cash equivalents		(34,080)	(12,591)
Cash and cash equivalents – Beginning of period		71,470	52,566
Cash and cash equivalents – End of period		37,390	39,975
Cash payment of interest		665	1,162
Cash payment of income taxes		30,631	33,705

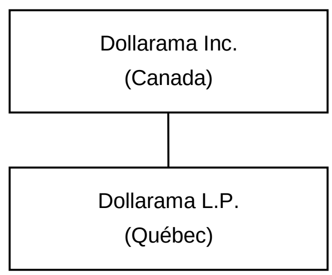
The accompanying notes are an integral part of the condensed interim consolidated financial statements.

1 General information

Dollarama Inc. (the "Corporation") was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation operates dollar stores in Canada that sell all items for $3 or less. As at May 4, 2014, the Corporation maintains retail operations in every Canadian province. The Corporation's corporate headquarters, distribution centre and warehouses are located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange ("TSX") and is incorporated and domiciled in Canada.

The Corporation's head and registered office is located at 5805 Royalmount Avenue, Montreal, Quebec H4P 0A1.

As at May 4, 2014, the significant entities within the legal structure of the Corporation are as follows:



Dollarama L.P. operates the chain of stores and performs related logistical and administrative support activities.

2 Basis of preparation

The Corporation prepares its condensed interim consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended February 2, 2014 ("Fiscal 2014"), which have been prepared in accordance with IFRS as issued by the IASB. In management's opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issue on June 12, 2014.

3 Summary of significant accounting policies

These condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in note 3 of the Fiscal 2014 consolidated financial statements. Information on significant new accounting standards and amendments issued but not yet adopted is described in note 4 of the Fiscal 2014 consolidated financial statements.

4 Critical accounting estimates and judgments

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions using judgment that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense during the reporting period. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In preparing these condensed interim consolidated financial statements, the significant estimates and judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for Fiscal 2014 (refer to note 6 of the Fiscal 2014 consolidated financial statements), with the exception of a change in the estimated useful life of store and warehouse equipment and leasehold improvements.

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.

Leasehold improvements

Prior to February 3, 2014, substantially all of the Corporation's leasehold improvements were being depreciated on a straight-line basis over the term of the lease, which was on average a 10-year period from the date of inception of the lease. As a result of a review of its leasehold improvements, effective February 3, 2014, the Corporation increased the estimated useful life of substantially all of its leasehold improvements. The change was driven by new information about the economic life of these assets, including the increasing number of leases extending into the first renewal option. Leasehold improvements that were not already fully depreciated are now being depreciated on a straight-line basis over a period of approximately 15 years from the date of inception of the lease. Management now believes the first renewal option on leases is reasonably assured of being exercised.

Store and warehouse equipment

The Corporation also extended the range of the estimated useful life of substantially all of its store and warehouse equipment, which, prior to February 3, 2014, were being depreciated on a straight-line basis over a range of eight to ten years. The change was driven by new information about the economic life of these assets. Store and warehouse equipment that were not already fully depreciated are now being depreciated on a straight-line basis over their estimated useful lives, which now range from ten to fifteen years.

The effect of these changes to the estimated useful life of leasehold improvements and store and warehouse equipment was a decrease of approximately $4,000 in depreciation expense for the 13-week period ended May 4, 2014. The $4,000 decrease is comprised of a $2,500 decrease in depreciation expense for leasehold improvements and a $1,500 decrease in depreciation expense for store and warehouse equipment.

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

5 Derivative financial instruments

Fair value of financial instruments

The three levels of fair value hierarchy under which the Corporation's financial instruments are valued are the following:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

A summary of the aggregate contractual nominal value, statement of financial position location and estimated fair values of derivative financial instruments as at May 4, 2014 and February 2, 2014 is as follows:

	Contractual nominal value US$	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
		Location	Significant other observable inputs (Level 2)	Recurring
Hedging instruments				
Foreign exchange forward contracts	90,119	Current assets	3,302	Cash flow hedge
Foreign exchange forward contracts	241,576	Current liabilities	(1,805)	Cash flow hedge
As at May 4, 2014	331,695		1,497	
Hedging instruments				
Foreign exchange forward contracts	145,814	Current assets	11,455	Cash flow hedge
As at February 2, 2014	145,814		11,455	

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

For foreign exchange forward contracts, the Corporation formally documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedging transactions.

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

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

6 Long-term debt

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

	May 4, 2014	Feb 2, 2014
Senior unsecured notes bearing interest at a fixed annual rate of 3.095% payable in equal semi-annual instalments, maturing November 5, 2018	406,102	403,017
Unsecured revolving credit facility maturing December 14, 2018	140,000	-
Less: Unamortized debt issue costs	(4,323)	(4,554)
	541,779	398,463
Current portion	(6,102)	(3,017)
	535,677	395,446

As at May 4, 2014, letters of credit outstanding under the unsecured revolving credit facility, issued for the purchase of inventories, amounted to $696 (February 2, 2014 – $756).

As at May 4, 2014, the carrying value of the senior unsecured notes maturing November 5, 2018 was $406,102 (February 2, 2014 – $403,017). The fair value as at May 4, 2014 was determined to be $407,228 valued as a level 2 in the fair value hierarchy (February 2, 2014 – $405,868). The fair value was observed from Bloomberg.

7 Share capital

Normal course issuer bid (“2013-2014 NCIB”)

Total number of common shares repurchased for cancellation under the 2013-2014 NCIB during the 13-week period ended May 4, 2014 amounted to 1,790,230 common shares for a total cash consideration of $153,806 (May 5, 2013 – $0). For the 13-week period ended May 4, 2014, the Corporation’s share capital was reduced by $12,717 and the remaining $141,089 was accounted for as a reduction of retained earnings (May 5, 2013 – $0).

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

8 Share-based compensation

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

	May 4, 2014		May 5, 2013	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Outstanding – beginning of period	904,674	62.00	452,281	35.22
Granted	322,000	88.78	576,000	72.13
Exercised	(46,200)	33.48	(78,730)	18.54
Outstanding – end of period	1,180,474	70.42	949,551	58.99
Exercisable – end of period	174,088	56.39	78,316	30.04

During the 13-week period ended May 4, 2014, the Corporation recognized a share-based compensation expense of $1,317 (May 5, 2013 - $548).

Information relating to share options outstanding as at May 4, 2014 is as follows:

	Options outstanding			Options exercisable		
Range of exercise prices	Weighted average remaining life (in months)	Number of options	Weighted average exercise price ($)	Weighted average remaining life (in months)	Number of options	Weighted average exercise price ($)
$11.99-$17.50	60	13,274	15.63	58	10,088	15.05
$17.51-$26.55	71	26,000	24.66	74	4,000	24.90
$26.56-$37.77	84	21,800	31.02	84	8,600	30.97
$37.78-$54.01	93	174,600	44.05	93	57,000	43.73
$54.02-$81.94	107	622,800	72.78	107	94,400	72.10
$81.95-$88.78	119	322,000	88.78	-	-	-
	107	1,180,474	70.42	98	174,088	56.39

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

8 Share-based compensation (cont'd)

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

	May 4, 2014	May 5, 2013
Dividend yield	0.7%	0.7%
Risk-free interest rate	1.9%	1.4%
Expected life	6.4 years	6.5 years
Expected volatility	20.3%	20.1%
Weighted average fair value of share options estimated at the grant date	$19.85	$15.25

9 Income taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the 13-week period ended May 4, 2014 was 26.7% (May 5, 2013 – 26.7%). The Corporation's effective income tax rate for the 13-week period ended May 4, 2014 was 27.0% (May 5, 2013 - 27.2%).

10 Earnings per common share

Diluted net earnings per share for the periods ended on the dates provided below was calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares as follows:

	May 4, 2014	May 5, 2013
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per share	$53,224	$45,645
Weighted average number of common shares outstanding during the period (*thousands*)	68,360	73,102
Assumed share options exercised (*thousands*)	252	172
Weighted average number of common shares for diluted net earnings per share *(thousands)*	68,612	73,274
Diluted net earnings per common share	$0.78	$0.62

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

11 Commitments

As at May 4, 2014, contractual obligations for operating leases amounted to approximately $859,813 (May 5, 2013 – $804,592). The leases extend over various periods up to the year 2039.

The basic rent and contingent rent expense of operating leases for stores, warehouses, distribution centre and corporate headquarters included in the interim consolidated statement of net earnings and comprehensive income are as follows:

	May 4, 2014	May 5, 2013
Basic rent	34,023	30,750
Contingent rent	951	937
	34,974	31,687

As at May 4, 2014, the Corporation's finance lease obligation amounted to $2,274 (May 5, 2013 – $427). During the period, the Corporation recorded interest expense of $26 (May 5, 2013 – $11) on the finance lease.

12 Related party transactions

Expenses charged by entities controlled by a director, which comprise mainly rent, totalled $5,218 for the 13-week period ended May 4, 2014 (May 5, 2013 – $5,174).

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

13 Interim consolidated statement of cash flows information

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

	May 4, 2014	May 5, 2013
Accounts receivable	(699)	189
Deposits and prepaid expenses	(16,259)	(13,558)
Merchandise inventories	3,050	6,266
Accounts payable and accrued liabilities	(26,099)	(28,079)
Income taxes payable	(12,026)	(17,421)
	(52,033)	(52,603)

14 Events after the reporting period

Dividend

On June 12, 2014, the Corporation's Board of Directors announced that it had approved a quarterly dividend for holders of its common shares of $0.16 per common share. The Corporation's quarterly dividend will be paid on August 6, 2014 to shareholders of record at the close of business on July 4, 2014 and is designated as an "eligible dividend" for Canadian tax purposes.

Renewal of Normal Course Issuer Bid

On June 12, 2014, the Corporation's Board of Directors announced that it had approved the renewal of the normal course issuer bid and that the Corporation had received approval from the TSX to purchase, for cancellation, up to 2,341,929 common shares, representing 3.5% of the 66,912,276 common shares issued and outstanding as at the close of markets on June 11, 2014 (the "2014-2015 NCIB"). Purchases may commence on June 17, 2014 and will terminate no later than June 16, 2015. The Corporation also announced that it had entered into an automatic purchase plan agreement with a broker to allow for the purchase of its common shares under the 2014-2015 NCIB at times when the Corporation ordinarily would not be active in the market due to self-imposed trading blackout periods. Outside of these pre-determined blackout periods, common shares will be purchased based on management's discretion, in compliance with TSX rules and applicable securities laws.

Credit Facility

Effective May 16, 2014, the Corporation cancelled $100,000 of the $350,000 aggregate amount available under the unsecured revolving credit facility maturing December 14, 2018, which portion was not drawn by the Corporation on that date, in order to reduce standby fees payable on the unutilized portion.

Floating rate senior unsecured notes

On May 16, 2014, the Corporation issued floating rate senior unsecured notes due May 16, 2017 (the "Notes") by way of private placement in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The Notes were issued at par for aggregate gross proceeds of $150,000 and bear interest at a rate equal to the 3-month bankers' acceptance rate (CDOR) plus 54 basis points (or 0.54%), to be set quarterly on the 16th day of May, August, November and February of each year. Interest is payable in cash quarterly, in arrears, over the three-year term on the 16th day of May, August, November and February of each year, commencing August 16, 2014. The Notes are direct unsecured obligations of the Corporation and rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Corporation. The proceeds of the offering were used to repay indebtedness outstanding under the Corporation's unsecured revolving credit facility and for general corporate purposes.