Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week and 39-week periods ended October 30, 2022 and October 31, 2021

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

Dollarama Inc.

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

	Note	October 30, 2022 $	January 30, 2022 $
Assets			
Current assets			
Cash		559,159	71,058
Accounts receivable		40,962	26,260
Prepaid expenses		8,811	13,135
Inventories		1,007,108	590,927
Derivative financial instruments	9	41,352	15,987
		1,657,392	717,367
Non-current assets			
Right-of-use assets	5	1,588,828	1,480,255
Property, plant and equipment		782,540	761,876
Intangible assets		162,096	164,066
Derivative financial instruments	9	-	290
Goodwill		727,782	727,782
Equity-accounted investment		260,562	211,926
Total assets		5,179,200	4,063,562
Liabilities and shareholders' equity (deficit)			
Current liabilities			
Accounts payable and accrued liabilities		309,022	283,125
Short-term borrowings	6	244,280	89,386
Dividend payable		15,895	14,891
Derivative financial instruments	9	9,161	3,435
Income taxes payable		61,578	62,516
Current portion of long-term debt	6	268,808	257,674
Current portion of lease liabilities	5	210,469	200,864
		1,119,213	911,891
Non-current liabilities			
Non-current portion of long-term debt	6	2,232,623	1,539,240
Non-current portion of lease liabilities	5	1,632,673	1,526,564
Deferred income taxes		153,872	151,901
Total liabilities		5,138,381	4,129,596
Shareholders' equity (deficit)			
Share capital	7	491,146	479,446
Contributed surplus	7	38,477	32,924
Deficit		(533,876)	(578,079)
Accumulated other comprehensive income (loss)		45,072	(325)
Total shareholders' equity (deficit)		40,819	(66,034)
Total liabilities and shareholders' equity (deficit)		5,179,200	4,063,562

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

Dollarama Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity
For the 39-week periods ended
(Unaudited, expressed in thousands of Canadian dollars, except share amounts)

	Note	Number of common shares	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance – January 30, 2022	7	292,813,569	479,446	32,924	(578,079)	(325)	(66,034)
Net earnings		-	-	-	540,575	-	540,575
Other comprehensive income		-	-	-	-	61,747	61,747
Total comprehensive income		-	-	-	540,575	61,747	602,322
Transfer of realized cash flow hedge gains to inventory		-	-	-	-	(16,350)	(16,350)
Dividends declared		-	-	-	(48,085)	-	(48,085)
Repurchase and cancellation of common shares	7	(6,108,544)	(10,217)	-	(448,287)	-	(458,504)
Share-based compensation	7	-	-	9,654	-	-	9,654
Issuance of common shares	7	543,850	17,816	-	-	-	17,816
Reclassification for the exercise of share options	7	-	4,101	(4,101)	-	-	-
Balance – October 30, 2022		287,248,875	491,146	38,477	(533,876)	45,072	40,819
Balance – January 31, 2021	7	310,266,429	485,487	28,527	(149,983)	(29,177)	334,854
Net earnings		-	-	-	443,203	-	443,203
Other comprehensive loss		-	-	-	-	(22,730)	(22,730)
Total comprehensive income (loss)		-	-	-	443,203	(22,730)	420,473
Transfer of realized cash flow hedge losses to inventory		-	-	-	-	27,120	27,120
Dividends declared		-	-	-	(45,881)	-	(45,881)
Repurchase and cancellation of common shares	7	(13,086,173)	(21,015)	-	(720,430)	-	(741,445)
Share-based compensation	7	-	-	6,462	-	-	6,462
Issuance of common shares	7	628,700	16,939	-	-	-	16,939
Reclassification for the exercise of share options	7	-	3,731	(3,731)	-	-	-
Balance – October 31, 2021		297,808,956	485,142	31,258	(473,091)	(24,787)	18,522

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

Dollarama Inc.

Interim Consolidated Statements of Net Earnings and Comprehensive Income
For the 13-week and 39-week periods ended
(Unaudited, expressed in thousands of Canadian dollars, except share amounts)

	Note	13-week periods ended		39-week periods ended	
		October 30, 2022	**October 31, 2021**	**October 30, 2022**	**October 31, 2021**
		$	**$**	**$**	**$**
Sales		1,289,574	1,122,267	3,579,518	3,105,861
Cost of sales	12	730,812	623,480	2,038,832	1,756,974
Gross profit		558,762	498,787	1,540,686	1,348,887
General, administrative and store operating expenses		181,754	159,076	510,703	474,841
Depreciation and amortization	12	83,563	75,375	245,514	219,962
Share of net earnings of equity-accounted investment		(9,210)	(7,311)	(25,627)	(14,814)
Operating income		302,655	271,647	810,096	668,898
Financing costs		30,357	23,054	81,380	68,056
Earnings before income taxes		272,298	248,593	728,716	600,842
Income taxes	8	70,704	65,192	188,141	157,639
Net earnings		201,594	183,401	540,575	443,203
Other comprehensive income					
Items that may be reclassified subsequently to net earnings					
Realized gains on financial instruments not subject to basis adjustment		9,245	-	9,245	723
Reclassification of amortization of net gains on financial instruments not subject to basis adjustments		(154)	(133)	(420)	(302)
Foreign currency translation adjustments		16,507	(1,376)	17,186	(5,971)
Share of other comprehensive income (loss) of equity-accounted investment		1,238	(1,079)	2,509	(1,144)
Income tax recovery (expense) relating to these items		(2,407)	35	(2,337)	80
Items that will not be reclassified subsequently to net earnings					
Unrealized gain (loss) on derivative financial instruments subject to basis adjustments		44,965	(4,080)	48,338	(21,334)
Income tax recovery (expense) relating to these items		(11,992)	1,089	(12,774)	5,218
Total other comprehensive income (loss), net of income taxes		57,402	(5,544)	61,747	(22,730)
Total comprehensive income		258,996	177,857	602,322	420,473
Earnings per common share					
Basic net earnings per common share	10	$0.70	$0.61	$1.86	$1.45
Diluted net earnings per common share	10	$0.70	$0.61	$1.85	$1.45
Weighted average number of common shares outstanding (*thousands*)	10	287,837	301,135	290,347	305,105
Weighted average number of diluted common shares outstanding (*thousands*)	10	289,636	302,573	292,105	306,544

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

Dollarama Inc.

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

	Note	13-week periods ended October 30, 2022	13-week periods ended October 31, 2021	39-week periods ended October 30, 2022	39-week periods ended October 31, 2021
		$	$	$	$
Operating activities					
Net earnings		201,594	183,401	540,575	443,203
Adjustments to reconcile net earnings to net cash generated from operating activities:					
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	12	83,563	75,375	245,514	219,962
Amortization of debt issue costs		733	553	1,916	1,745
Share-based compensation	7	3,395	2,078	9,654	6,462
Financing costs on short-term borrowings and long-term debt and realized gains on financial instruments		19,827	8,414	20,151	9,009
Deferred income taxes		-	10,327	(4,821)	15,706
Share of net earnings of equity-accounted investment		(9,210)	(7,311)	(25,627)	(14,814)
Other		913	(806)	(348)	(2,259)
		300,815	272,031	787,014	679,014
Changes in non-cash working capital components	13	(174,633)	81,480	(408,716)	73,141
Net cash generated from operating activities		126,182	353,511	378,298	752,155
Investing activities					
Additions to property, plant and equipment		(31,370)	(29,980)	(89,683)	(94,352)
Additions to intangible assets		(4,477)	(5,248)	(14,586)	(15,927)
Proceeds from disposal of property, plant and equipment		117	201	169	572
Net cash used in investing activities		(35,730)	(35,027)	(104,100)	(109,707)
Financing activities					
Proceeds from long-term debt issued (1.871% Fixed Rate Notes)	6	-	-	-	375,000
Proceeds from long-term debt issued (2.443% Fixed Rate Notes)	6	-	-	-	375,000
Proceeds from long-term debt issued (5.084% Fixed Rate Notes)	6	250,000	-	250,000	-
Proceeds from long-term debt issued (5.165% Fixed Rate Notes)	6	450,000	-	450,000	-
Net proceeds (repayment) from short-term borrowings	6	(156,984)	-	157,204	-
Repayment of the Series 3 Floating Rate Notes	6	-	-	-	(300,000)
Repayment of 2.337% Fixed Rate Notes	6	-	-	-	(525,000)
Payment of debt issue costs		(3,109)	-	(3,847)	(4,174)
Principal elements of lease liabilities	5	(51,940)	(47,927)	(151,686)	(135,518)
Issuance of common shares	7	2,164	4,782	17,816	16,939
Dividends paid		(15,984)	(15,311)	(47,080)	(45,395)
Repurchase and cancellation of common shares	7	(76,305)	(294,509)	(458,504)	(741,445)
Net cash generated from (used in) financing activities		397,842	(352,965)	213,903	(984,593)
Change in cash		488,294	(34,481)	488,101	(342,145)
Cash – beginning of period		70,865	131,480	71,058	439,144
Cash – end of period		559,159	96,999	559,159	96,999

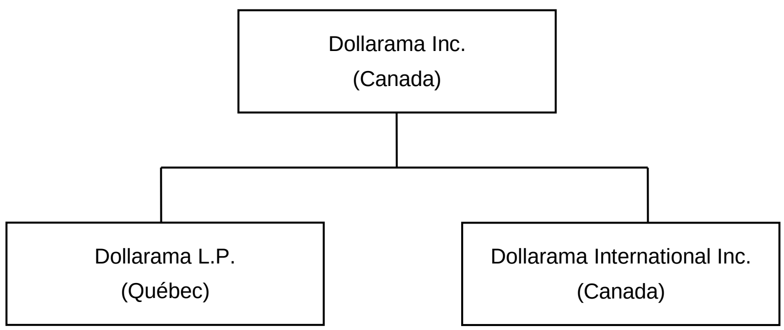
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1 General information

Dollarama Inc. (the "Corporation") was formed on October 20, 2004 under the *Canada Business Corporations Act*. The Corporation offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to $5.00 in-store and online in Canada. As at October 30, 2022, the Corporation maintains retail operations in every Canadian province as well as the Yukon and Northwest Territories.

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

As at October 30, 2022, the significant entities within the legal structure of the Corporation are as follows:



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

Dollarama International Inc. ("Dollarama International") has retail operations in Latin America through its 50.1% equity investment in Dollarcity, a value retailer headquartered in Panama. Dollarcity offers a broad assortment of general merchandise, consumable products and seasonal items at select, fixed price points up to US$4.00 (or the equivalent in local currency) in stores located in El Salvador, Guatemala, Colombia and Peru.

2 Basis of preparation

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Corporation (the "Board of Directors") for issue on December 7, 2022.

The Corporation prepares its condensed interim consolidated financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended January 30, 2022 ("Fiscal 2022"), which have been prepared in accordance with IFRS as issued by the IASB. In management's opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

Seasonality of operations

The Corporation's sales generally increase ahead of major holidays, with December representing the highest proportion of sales, but otherwise experience limited seasonal fluctuations. However, the occurrence of certain events that are beyond the Corporation's control, such as unusually adverse weather or an epidemic or pandemic outbreak (like the COVID-19 pandemic), and that cause disruption in its operations could materially adversely affect the business and financial results of the Corporation. Consequently, results for the 13-week and 39-week periods ended October 30, 2022 may not be representative of results for subsequent quarters or for the full fiscal year.

3 Summary of significant accounting policies

These unaudited condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in Note 3 to the Fiscal 2022 audited consolidated financial statements.

4 Critical accounting estimates and judgments

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

These unaudited condensed interim consolidated financial statements have been prepared using the critical accounting estimates and judgments as outlined in Note 5 to the Fiscal 2022 audited consolidated financial statements.

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

5 Leases

As at October 30, 2022, the Corporation owned one store, one distribution centre, one warehouse and leased 1,461 stores, its head office, five warehouses and some equipment.

a) Additions to right-of-use assets

Additions to the right-of-use assets during the 13-week and 39-week periods ended October 30, 2022 amounted to $94,512 and $272,546, respectively (13-week and 39-week periods ended October 31, 2021 – $110,008 and $247,677, respectively).

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

	13-week periods ended		39-week periods ended	
	October 30, 2022 $	October 31, 2021 $	October 30, 2022 $	October 31, 2021 $
Depreciation of right-of-use assets	54,583	49,070	160,105	142,989
Gain on lease remeasurements	(275)	(617)	(1,278)	(1,922)
Interest on lease liabilities	13,166	11,567	37,733	34,495
Variable lease expenses not included in the measurement of lease liabilities	23,432	23,570	74,604	71,360
Expenses relating to short-term leases	3,594	4,591	11,263	14,230

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

	13-week periods ended		39-week periods ended	
	October 30, 2022 $	October 31, 2021 $	October 30, 2022 $	October 31, 2021 $
Lease cash flows				
Fixed payments	66,761	60,867	194,503	178,254
Variable payments	22,898	23,102	75,395	69,590
Short-term leases	3,594	4,591	11,263	14,230
Tenant incentives received	(1,655)	(1,373)	(5,084)	(8,241)
	91,598	87,187	276,077	253,833
Principal elements of lease liabilities				
Fixed payments	66,761	60,867	194,503	178,254
Tenant incentives received	(1,655)	(1,373)	(5,084)	(8,241)
Interest on lease liabilities	(13,166)	(11,567)	(37,733)	(34,495)
	51,940	47,927	151,686	135,518

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

6 Debt

Long-term debt outstanding consists of the following as at:	**October 30, 2022 $**	**January 30, 2022 $**
Senior Unsecured Notes (the "Senior Unsecured Notes") bearing interest at:		
Fixed annual rate of 5.165% payable in equal semi-annual instalments, maturing April 26, 2030 (the "5.165% Fixed Rate Notes")	450,000	-
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029 (the "2.443% Fixed Rate Notes")	375,000	375,000
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027 (the "1.505% Fixed Rate Notes")	300,000	300,000
Fixed annual rate of 1.871% payable in equal semi-annual instalments, maturing July 8, 2026 (the "1.871% Fixed Rate Notes")	375,000	375,000
Fixed annual rate of 5.084% payable in equal semi-annual instalments, maturing October 27, 2025 (the "5.084% Fixed Rate Notes")	250,000	-
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.55% Fixed Rate Notes")	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the "2.203% Fixed Rate Notes")	250,000	250,000
Less: Unamortized debt issue costs, including $1,872 (January 30, 2022 – $1,632) for the credit facility	(9,940)	(8,009)
Accrued interest on the Senior Unsecured Notes	18,815	7,850
Fair value hedge – basis adjustment on interest rate swap	(7,444)	(2,927)
	2,501,431	1,796,914
Current portion (includes unamortized debt issue costs, accrued interest on the Senior Unsecured Notes, and the Senior Unsecured Notes with a maturity date falling within the next 52-week period, when applicable)	(268,808)	(257,674)
	2,232,623	1,539,240

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

6 Debt (cont'd)

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at October 30, 2022 and January 30, 2022. The fair values of the Senior Unsecured Notes were determined as a level 2 in the fair value hierarchy.

	October 30, 2022		January 30, 2022	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
Fixed Rate Notes				
5.165% Fixed Rate Notes	448,118	447,800	-	-
2.443% Fixed Rate Notes	376,231	319,035	373,809	361,913
1.505% Fixed Rate Notes	299,312	254,427	300,277	280,650
1.871% Fixed Rate Notes	375,925	335,261	373,948	363,675
5.084% Fixed Rate Notes	249,172	249,668	-	-
3.55% Fixed Rate Notes	509,409	492,565	502,387	512,950
2.203% Fixed Rate Notes	252,580	249,873	251,052	251,600
	2,510,747	2,348,629	1,801,473	1,770,788

Fixed Rate Notes

On October 4, 2022, the Corporation issued the 5.165% Fixed Rate Notes and the 5.084% Fixed Rate Notes by way of private placement, in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 5.165% Fixed Rate Notes were issued at par for aggregate gross proceeds of $450,000 and bear interest at a fixed rate of 5.165% per annum, payable in semi-annual instalments, on April 26 and October 26 of each year until maturity on April 26, 2030.

The 5.084% Fixed Rate Notes were issued at par for aggregate gross proceeds of $250,000 and bear interest at a fixed rate of 5.084% per annum, payable in semi-annual instalments, on April 27 and October 27 of each year, until maturity on October 27, 2025. The 5.165% Fixed Rate Notes and the 5.084% Fixed Rate Notes were assigned a rating of BBB, with a stable trend, by DBRS Limited.

The Corporation used the net proceeds of these offerings to repay the $250,000 aggregate principal amount of 2.203% Fixed Rate Notes matured on November 10, 2022, to repay a portion of its outstanding USCP Notes (as hereinafter defined) and for general corporate purposes. During the period, the bond forward contracts used as hedging instruments for the refinancing of the 2.203% Fixed Rate Notes generated a net gain of $10,400, of which $9,200 was considered effective and recorded to other comprehensive income in line with the Corporation's hedging strategy. The gain will be reclassified to net earnings in line with the interest payments on the newly issued 5.165% Fixed Rate Notes.

Credit Agreement

On July 5, 2022, the Corporation and the lenders entered into a fifth amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to, among other things, (i) convert the credit facilities to sustainability-linked credit facilities ("SLL"), (ii) increase the size of Facility B by $250,000 for a total amount of $450,000, bringing the total credit available under the four facilities from $800,000 to $1,050,000 (collectively, the "Credit Facility"), and (iii) extend the term of Facility A in the amount of $250,000 from July 6, 2026 to

6 Debt (cont'd)

July 5, 2027, extend the term of Facility B, in the amount of $ 450,000, from July 5, 2024 to July 5, 2025, extend the term of Facility C, in the amount of $50,000, from July 5, 2024 to July 5, 2025, and extend the term of Facility D, in the amount of $300,000, from July 6, 2022 to July 5, 2023.

The SLL is tied to two specific sustainability performance targets related to the Corporation's overall Environmental, Social and Governance strategy and which are linked to incentive pricing terms, namely: i) Climate Change and Energy Management; Reduction of Scope 1 and Scope 2 greenhouse gas emissions intensity and ii) Diversity, Equity and Inclusion: Increase of female gender representation in management positions. Under the TARCA, the Corporation may, under certain circumstances and subject to receipt of additional commitments from existing lenders or other eligible institutions, request increases to committed facilities up to an aggregate amount, together with all then-existing commitments, of $1,500,000. The TARCA requires the Corporation to respect a minimum interest coverage ratio and a maximum leverage ratio, each tested quarterly on a consolidated basis. The Corporation has the option to borrow in Canadian or U.S. dollars.

The Credit Facility remains guaranteed by Dollarama L.P. and Dollarama GP Inc. (collectively, with the Corporation, the "Credit Parties"). The TARCA 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 TARCA 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 October 30, 2022 and January 30, 2022, no amount was outstanding under the TARCA. As at October 30, 2022, the Corporation had $1,048,818 available under its Credit Facility (January 30, 2022 –$798,730), of which $244,280 were reserved to serve as a backstop for outstanding amounts under the US commercial paper program (January 30, 2022 – $89,386). As at October 30, 2022, there were letters of credit issued for the purchase of inventories which amounted to $1,182 (January 30, 2022 – $1,270) and the Corporation was in compliance with all of its financial covenants.

Short-term borrowings

Under the terms of its US commercial paper program, the Corporation may issue, from time to time, on a private placement basis, unsecured commercial paper notes with maturities not in excess of 397 days from the date of issue (the "USCP Notes"). On July 7, 2022, the US commercial paper program was upsized from US$500,000 to US$700,000. As a result, the aggregate principal amount of USCP Notes outstanding at any one time under the US commercial paper program, as amended, may not exceed US$700,000. The Corporation uses derivative financial instruments to convert the net proceeds from the issuance of USCP Notes into Canadian dollars and uses those proceeds for general corporate purposes.

The USCP Notes are direct unsecured obligations of the Corporation and rank equally with all of its other unsecured and unsubordinated indebtedness. The USCP Notes are unconditionally guaranteed by Dollarama L.P. and Dollarama GP Inc., each a wholly-owned subsidiary of the Corporation. The Corporation's upsized Credit Facility will continue to serve as a liquidity backstop for the repayment of the USCP Notes.

As at October 30, 2022, the USCP Notes outstanding had carrying values that approximated their fair values, and their fair value was determined as a level 2 in the fair value hierarchy. As at October 30, 2022, the amount outstanding under the US commercial paper program was US$180,278 ($244,280) (January 30, 2022 – US$70,000 ($89,386)).

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

7 Shareholders' equity (deficit)

a) Share capital

Normal course issuer bid

On July 5, 2022, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 18,713,765 common shares, representing 7.5% of the public float as at the close of markets on June 30, 2022, during the 12-month period from July 7, 2022 to July 6, 2023 (the "2022-2023 NCIB").

The total number of common shares repurchased for cancellation under the 2022-2023 NCIB in effect during the 13-week period ended October 30, 2022 amounted to 972,847 common shares (October 31, 2021 – 5,266,219), for a total cash consideration of $76,305 (October 31, 2021 – $294,509). For the 13-week period ended October 30, 2022, the Corporation's share capital was reduced by $1,657 (October 31, 2021 – $8,558) and the remaining $74,648 (October 31, 2021 – $285,953) was accounted for as an increase in deficit.

The total number of common shares repurchased for cancellation under the 2022-2023 NCIB and the normal course issuer bid previously in effect during the 39-week period ended October 30, 2022 amounted to 6,108,544 common shares (October 31, 2021 – 13,086,173), for a total cash consideration of $458,504 (October 31, 2021 – $741,445). For the 39-week period ended October 30, 2022, the Corporation's share capital was reduced by $10,217 (October 31, 2021 – $21,015) and the remaining $448,287 (October 31, 2021 – $720,430) was accounted for as an increase in deficit.

b) Contributed surplus

Share-based compensation

Performance share units (PSU)

During the 13-week and 39-week periods ended October 30, 2022, the Corporation recognized a share-based compensation expense for PSUs of $2,033 and $5,548 (October 31, 2021 – $490 and $1,142), respectively.

Outstanding PSUs for the 39-week periods ended on the date indicated below are as follows:

	October 30, 2022	October 31, 2021
Outstanding – beginning of period	103,953	-
Granted	74,564	103,953
Vested (1)	-	-
Outstanding – end of period	178,517	103,953

(1) Vesting varies from 0% to 200% depending on performance against the criteria at the end of the three-year performance period.

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

7 Shareholders' equity (deficit) (cont'd)

Share options

During the 13-week and 39-week periods ended October 30, 2022, the Corporation recognized a share-based compensation expense for share options of $1,362 and $4,106, respectively (13-week and 39-week periods ended October 31, 2021 – $1,588 and $5,320, respectively).

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

	October 30, 2022		October 31, 2021	
	Number of share options	**Weighted average exercise price ($)**	**Number of share options**	**Weighted average exercise price ($)**
Outstanding – beginning of period	3,819,100	37.28	4,229,500	33.81
Granted	252,435	73.79	396,000	56.50
Exercised	(543,850)	32.76	(628,700)	26.94
Forfeited	(105,000)	45.57	(82,500)	46.65
Outstanding – end of period	3,422,685	40.44	3,914,300	36.94
Exercisable – end of period	2,180,250	32.69	2,254,200	29.14

8 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the 13-week and 39-week periods ended October 30, 2022 was 26.5% (October 31, 2021 – 26.5%). The Corporation's effective income tax rate for the 13-week and 39-week periods ended October 30, 2022 was 26% and 25.8%, respectively (October 31, 2021 – 26.2% and 26.2%, respectively).

9 Financial instruments

The Corporation uses derivative financial instruments in the management of its foreign currency and interest rate exposure. The Corporation documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions.

A summary of the aggregate contractual nominal value, weighted average contract rate or interest rate, as applicable, statement of financial position location and estimated fair values of derivative financial instruments as at October 30, 2022 and January 30, 2022 is as follows:

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

9 Financial instruments (cont'd)

	Contractual nominal value	Weighted average contract rate/Interest rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD/CAD	USD/CAD/ Interest rate	Location	Significant other observable inputs (Level 2)	Recurring
	$			$	
As at October 30, 2022					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	470,000	1.27	Current assets	40,540	Cash flow hedge
USD Foreign exchange forward contracts	50,000	1.33	Current liabilities	(62)	Cash flow hedge
USD Zero cost collar contracts	8,400	1.24[(1)] – 1.31[(2)]	Current assets	422	Cash flow hedge
	528,400			40,900	
Hedging instruments for the US commercial paper program					
USD Foreign exchange forward contracts	15,070	1.33	Current assets	390	Cash flow hedge
USD Foreign exchange forward contracts	165,208	1.37	Current liabilities	(1,654)	Cash flow hedge
	180,278			(1,264)	
Hedging instruments for the fixed to floating interest rate notes					
Interest rate swap contracts	200,000	CDOR[(3)]+ 2.73%	Current liabilities	(7,445)	Fair value hedge
Total	908,678			32,191	
As at January 30, 2022					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	525,000	1.25	Current assets	14,544	Cash flow hedge
USD Foreign exchange forward contracts	10,000	1.25	Non-current assets	290	Cash flow hedge
USD Foreign exchange forward contracts	50,000	1.29	Current liabilities	(506)	Cash flow hedge
USD Zero cost collar contracts	40,000	1.22[(1)] – 1.29[(2)]	Current assets	450	Cash flow hedge
USD Zero cost collar contracts	5,000	1.25[(1)] – 1.32[(2)]	Current liabilities	(2)	Cash flow hedge
	630,000			14,776	
Hedging instruments for the US commercial paper program					
USD Foreign exchange forward contracts	70,000	1.26	Current assets	993	Cash flow hedge
	70,000			993	
Hedging instruments for the fixed to floating interest rate notes					
Interest rate swap contracts	200,000	CDOR[(3)]+ 2.73%	Current liabilities	(2,927)	Fair value hedge
	200,000			(2,927)	
Total	900,000			12,842	

(1) Put strike
(2) Call strike
(3) 3-month CDOR

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

9 Financial instruments (cont'd)

For the 13-week and 39-week periods ended October 30, 2022, accumulated fair value gains of $6,679 and $7,449, respectively, (13-week and 39-week periods ended October 31, 2021 – accumulated fair value losses of $12,594 and $35,541, respectively) on USD foreign exchange forward contracts and USD zero cost collar contracts recorded in the carrying value of inventory were reclassified from inventory to the cost of sales in the interim consolidated statement of net earnings and comprehensive income.

10 Earnings per common share

Diluted net earnings per common share for the 13-week and 39-week periods ended on the dates indicated below were calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares as follows:

	13-week periods ended		**39-week periods ended**	
	October 30, 2022	**October 31, 2021**	**October 30, 2022**	**October 31, 2021**
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$201,594	$183,401	$540,575	$443,203
Weighted average number of common shares outstanding during the period (*thousands*)	287,837	301,135	290,347	305,105
Assumed share options exercised (*thousands*)	1,799	1,438	1,758	1,439
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	289,636	302,573	292,105	306,544
Diluted net earnings per common share	$0.70	$0.61	$1.85	$1.45

As at October 30, 2022, 252,435 options have an anti-dilutive effect since the average market price of the underlying shares was lower than the sum of the exercise price and the unearned shared-based compensation of those share options under the treasury stock method (October 31, 2021 – 453,000).

11 Related party transactions

a) Rossy family

As at October 30, 2022, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $29,305 (January 30, 2022 – $34,730).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $1,633 and $5,242 for the 13-week and 39-week periods ended October 30, 2022, respectively (13-week and 39-week periods ended October 31, 2021 – $1,396 and $4,681, respectively).

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

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

11 Related party transactions (cont'd)

b) Dollarcity

Since 2013, Dollarama International enters into arrangements with Dollarcity for the sale of products to consumers located outside of Canada. When the licensing and services agreement entered into in 2013 expired on February 4, 2022, Dollarama International entered into a new sourcing agreement and a new services agreement with Dollarcity, each having an initial term of five years, subject to automatic renewal for successive one-year periods, unless terminated by either party at least 60 days before the close of the then-current term.

As at October 30, 2022, the account receivable from Dollarcity for the goods sold and services provided under the sourcing agreement and services agreement, both entered into on February 4, 2022, totalled $33,880 (January 30, 2022 – $15,965 under the 2013 licensing and services agreement), which amount is partly guaranteed by a letter of credit up to US$10,000 ($13,596) (January 30, 2022 – US$10,000 ($12,770)). For the 13-week and 39-week periods ended October 30, 2022, the sales to Dollarcity amounted to $15,226 and $35,589, respectively (13-week and 39-week periods ended October 31, 2021 – $10,745 and $28,258, respectively), which represents approximately 1% of the Corporation's total consolidated sales.

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

12 Expenses by nature included in the interim consolidated statement of net earnings and comprehensive income

	13-week periods ended		39-week periods ended	
	October 30, 2022	**October 31, 2021**	**October 30, 2022**	**October 31, 2021**
	$	**$**	**$**	**$**
Cost of sales				
Cost of goods sold, labour, transport and other costs	692,165	586,915	1,926,702	1,647,029
Occupancy costs	38,647	36,565	112,130	109,945
Total cost of sales	730,812	623,480	2,038,832	1,756,974
Depreciation and amortization				
Depreciation of property, plant and equipment and right-of-use assets (1)	78,038	70,238	228,958	204,873
Amortization of intangible assets	5,525	5,137	16,556	15,089
Total depreciation and amortization	83,563	75,375	245,514	219,962
Employee benefits	145,987	126,223	397,335	373,816

(1) Includes depreciation expenses relating to the warehouses and distribution center totalling $3,140 and $9,287 for the 13-week and 39-week periods ended October 30, 2022 respectively (October 31, 2021 – $3,081 and $9,055, respectively).

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

13 Details of statement of cash flows

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

	13-week periods ended		39-week periods ended	
	October 30, 2022	October 31, 2021	October 30, 2022	October 31, 2021
	$	$	$	$
Accounts receivable	(4,496)	(3,596)	(12,862)	(5,631)
Prepaid expenses	3,193	2,088	4,325	(2,640)
Prepaid income taxes	-	1,418	-	-
Inventories	(183,676)	(12,902)	(416,180)	31,451
Accounts payable and accrued liabilities	(22,706)	58,059	19,388	26,523
Income taxes payable	33,052	36,413	(3,387)	23,438
	(174,633)	81,480	(408,716)	73,141
Cash paid for income taxes	37,647	17,039	196,347	118,648
Cash paid for interest	23,112	14,682	72,712	59,752
Cash received for interest	2,239	1,170	4,153	3,277

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

14 Event after the reporting period

Quarterly cash dividend

On December 7, 2022, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of $0.0553 per common share. This dividend is payable on February 3, 2023, to shareholders of record at the close of business on January 6, 2023. The dividend is designated as an “eligible dividend” for Canadian tax purposes.

Dollarama to Acquire Properties Strategically Located Near Logistics Operations

The Corporation has entered into an agreement to acquire three contiguous industrial properties in the Town of Mount Royal, Quebec, for a total cash consideration of $87,300, subject to customary closing adjustments. The properties are strategically situated near the Corporation’s centralized logistics operations and adjacent to its distribution centre. Dollarama intends to redevelop the site to support future logistics needs as it pursues its previously disclosed network growth objective of 2,000 stores in Canada by 2031. Subject to the satisfaction of certain due diligence and other customary closing conditions, the transaction is expected to close in the first half of the Corporation’s fiscal year ending January 28, 2024.