Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week and 26-week periods ended July 30, 2023 and July 31, 2022

(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	July 30, 2023 $	January 29, 2023 $
Assets			
Current assets			
Cash and cash equivalents		252,480	101,261
Accounts receivable		34,206	56,290
Prepaid expenses		17,289	23,462
Inventories		910,934	957,172
Derivative financial instruments	9	15,842	18,762
		1,230,751	1,156,947
Non-current assets			
Right-of-use assets	5	1,745,383	1,699,755
Property, plant and equipment		827,812	802,750
Intangible assets		166,174	164,654
Goodwill		727,782	727,782
Equity-accounted investment		301,858	267,768
Total assets		4,999,760	4,819,656
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		310,273	336,862
Dividend payable		20,063	15,828
Derivative financial instruments	9	4,807	8,490
Income taxes payable		42,118	72,572
Current portion of long-term debt	6	514,870	510,315
Current portion of lease liabilities	5	231,698	218,807
		1,123,829	1,162,874
Non-current liabilities			
Non-current portion of long-term debt	6	1,742,259	1,741,588
Non-current portion of lease liabilities	5	1,785,844	1,741,936
Deferred income taxes		144,238	144,848
Total liabilities		4,796,170	4,791,246
Shareholders' equity			
Share capital	7	516,057	488,074
Contributed surplus	7	42,641	42,678
Deficit		(371,664)	(514,078)
Accumulated other comprehensive income		16,556	11,736
Total shareholders' equity		203,590	28,410
Total liabilities and shareholders' equity		4,999,760	4,819,656

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

Dollarama Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the 26-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 29, 2023	7	284,505,648	488,074	42,678	(514,078)	11,736	28,410
Net earnings		-	-	-	425,635	-	425,635
Other comprehensive income		-	-	-	-	17,407	17,407
Total comprehensive income		-	-	-	425,635	17,407	443,042
Transfer of realized cash flow hedge gains to inventory, net of taxes		-	-	-	-	(12,587)	(12,587)
Dividends declared		-	-	-	(40,270)	-	(40,270)
Repurchase and cancellation of common shares	7	(2,858,160)	(5,162)	-	(242,951)	-	(248,113)
Share-based compensation	7	-	-	6,111	-	-	6,111
Issuance of common shares	7	1,016,613	26,997	-	-	-	26,997
Reclassification for the exercise of share options	7	-	6,148	(6,148)	-	-	-
Balance – July 30, 2023		282,664,101	516,057	42,641	(371,664)	16,556	203,590
Balance – January 30, 2022	7	292,813,569	479,446	32,924	(578,079)	(325)	(66,034)
Net earnings		-	-	-	338,981	-	338,981
Other comprehensive income		-	-	-	-	4,345	4,345
Total comprehensive income		-	-	-	338,981	4,345	343,326
Transfer of realized cash flow hedge gains to inventory, net of taxes		-	-	-	-	(7,693)	(7,693)
Dividends declared		-	-	-	(32,190)	-	(32,190)
Repurchase and cancellation of common shares	7	(5,135,697)	(8,560)	-	(373,639)	-	(382,199)
Share-based compensation	7	-	-	6,259	-	-	6,259
Issuance of common shares	7	477,750	15,652	-	-	-	15,652
Reclassification for the exercise of share options	7	-	3,611	(3,611)	-	-	-
Balance – July 31, 2022		288,155,622	490,149	35,572	(644,927)	(3,673)	(122,879)

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 26-week periods ended
(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	13-week periods ended July 30, 2023	13-week periods ended July 31, 2022	26-week periods ended July 30, 2023	26-week periods ended July 31, 2022
		$	$	$	$
Sales		1,455,936	1,217,060	2,750,485	2,289,944
Cost of sales	12	817,081	687,028	1,565,888	1,308,020
Gross profit		638,855	530,032	1,184,597	981,924
General, administrative and store operating expenses		198,360	168,324	393,958	328,949
Depreciation and amortization	12	85,110	81,979	170,748	161,951
Share of net earnings of equity-accounted investment		(11,371)	(7,680)	(24,496)	(16,417)
Operating income		366,756	287,409	644,387	507,441
Financing costs		36,068	26,668	72,753	51,023
Earnings before income taxes		330,688	260,741	571,634	456,418
Income taxes	8	84,926	67,262	145,999	117,437
Net earnings		245,762	193,479	425,635	338,981
Other comprehensive income					
Items that may be reclassified subsequently to net earnings					
Reclassification of amortization of net gains on financial instruments not subject to basis adjustments		(599)	(133)	(1,199)	(266)
Foreign currency translation adjustments		(7,213)	(925)	(1,418)	679
Share of other comprehensive income (loss) of equity-accounted investment		8,974	(2,333)	9,195	1,271
Income tax recovery relating to these items		158	35	317	70
Items that will not be reclassified subsequently to net earnings					
Unrealized gains (losses) on derivative financial instruments subject to basis adjustments		2,118	(5,976)	14,292	3,373
Income tax recovery (expense) relating to these items		(56)	1,676	(3,780)	(782)
Total other comprehensive income (loss), net of income taxes		3,382	(7,656)	17,407	4,345
Total comprehensive income		249,144	185,823	443,042	343,326
Earnings per common share					
Basic net earnings per common share	10	$0.86	$0.67	$1.50	$1.16
Diluted net earnings per common share	10	$0.86	$0.66	$1.49	$1.16
Weighted average number of common shares outstanding (*thousands*)	10	284,366	290,482	284,588	291,602
Weighted average number of diluted common shares outstanding (*thousands*)	10	285,243	292,173	285,789	293,329

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 26-week periods ended
(Unaudited, expressed in thousands of Canadian dollars)

	Note	13-week periods ended July 30, 2023 $	13-week periods ended July 31, 2022 $	26-week periods ended July 30, 2023 $	26-week periods ended July 31, 2022 $
Operating activities					
Net earnings		245,762	193,479	425,635	338,981
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	90,437	81,979	179,075	161,951
Share-based compensation	7	2,461	3,057	6,111	6,259
Financing costs		36,068	26,668	72,753	51,023
Deferred income taxes		135	(359)	135	(4,821)
Share of net earnings of equity-accounted investment		(11,371)	(7,680)	(24,496)	(16,417)
Interest received		2,880	916	10,369	1,936
Other		554	(367)	1,507	(1,000)
		366,926	297,693	671,089	537,912
Changes in non-cash working capital components	13	33,175	(153,583)	12,092	(235,197)
Net cash generated from operating activities		400,101	144,110	683,181	302,715
Investing activities					
Additions to property, plant and equipment		(34,426)	(31,600)	(76,056)	(58,313)
Additions to intangible assets		(7,387)	(5,479)	(12,840)	(10,109)
Proceeds from disposal of property, plant and equipment		253	34	410	52
Net cash used in investing activities		(41,560)	(37,045)	(88,486)	(68,370)
Financing activities					
Proceeds from short-term borrowings		-	266,491	-	314,188
Interest paid on long-term debt and short-term borrowings	6	(22,441)	(22,228)	(48,563)	(26,033)
Payment of debt issue costs		(481)	(738)	(481)	(738)
Net payment of lease liabilities	5	(71,482)	(61,879)	(137,281)	(124,312)
Issuance of common shares	7	4,600	1,647	26,997	15,652
Dividends paid		(20,207)	(16,206)	(36,035)	(31,096)
Repurchase and cancellation of common shares	7	(248,113)	(274,861)	(248,113)	(382,199)
Net cash used in financing activities		(358,124)	(107,774)	(443,476)	(234,538)
Change in cash and cash equivalents		417	(709)	151,219	(193)
Cash and cash equivalents – beginning of period		252,063	71,574	101,261	71,058
Cash and cash equivalents – end of period		252,480	70,865	252,480	70,865
Supplemental information					
Interest paid on lease liabilities		(16,277)	(12,546)	(31,898)	(24,567)

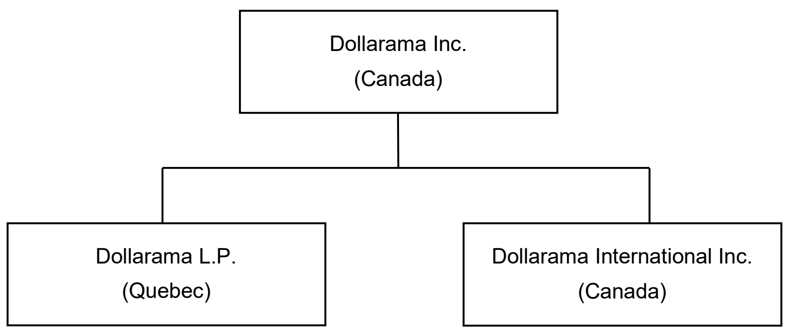
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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 July 30, 2023, the Corporation maintains retail operations in every Canadian province as well as in the Yukon and Northwest Territories.

The Corporation’s head and registered office is located at 5805 Royalmount Avenue, Town of Mount Royal, 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 July 30, 2023, 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

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 29, 2023 ("Fiscal 2023"), 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.

During Fiscal 2023, in order to continue providing relevant and reliable information to the users of these financial statements, the Corporation modified its policy in relation to the classification of financing costs within the consolidated statements of cash flow, in line with other Canadian issuers. Interest paid has been reclassified from operating activities to financing activities. Consequently, some reclassifications in the presentation of the comparative information have been performed to ensure consistency with current period presentation. For the 13-week and 26-week periods ended on July 31, 2022, the cash inflow from operating activities increased respectively by $34,774 and $50,599 while the cash outflows from financing activities increased by the same amount.

These unaudited condensed interim consolidated financial statements were approved by the board of directors of the Corporation (the "Board of Directors") for issue on September 13, 2023.

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, 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 26-week periods ended July 30, 2023 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 2023 audited consolidated financial statements.

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

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 2023 audited consolidated financial statements.

5 Leases

As at July 30, 2023, the Corporation owned one store, one distribution centre, one warehouse and leased 1,524 stores, its head office and six warehouses.

As at July 30, 2023, changes in right-of-use assets were as follows:

	July 30, 2023 $	**July 31, 2022 $**
Balance, beginning of period	1,699,755	1,480,255
Additions	163,881	177,665
Terminations and other adjustments	(1,243)	(2,674)
Depreciation	(117,010)	(105,522)
Balance, end of period	**1,745,383**	**1,549,724**

As at July 30, 2023, changes in lease liabilities were as follows:

	July 30, 2023 $	**July 31, 2022 $**
Balance, beginning of period	1,960,743	1,727,428
Additions	163,881	177,665
Interest expense on lease liabilities	31,898	24,567
Disposals and other adjustments	(1,699)	(3,676)
Net payment of lease liabilities	(137,281)	(124,313)
Balance, end of period	2,017,542	1,801,671
Current portion	**231,698**	**208,861**
Non-current portion	**1,785,844**	**1,592,810**

During the 13-week and 26-week periods ended July 30, 2023, the Corporation expensed $28,355 and $58,549 (13-week and 26-week periods ended July 31, 2022 – $25,135 and $51,172), respectively, of variable lease payments, which are not included in the lease liabilities. The Corporation also expensed $3,617 and $6,410 (13-week and 26-week periods ended July 31, 2022 – $3,831 and $7,669), respectively, of lease payments relating to short-term leases or leases with underlying low-value asset for which the payments were not included in the lease liabilities.

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

6 Debt

Long-term debt outstanding consists of the following as at:	July 30, 2023 $	January 29, 2023 $
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	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	250,000
Fixed annual rate of 3.550% payable in equal semi-annual instalments, maturing November 6, 2023 (the "3.550% Fixed Rate Notes")	500,000	500,000
Less: Unamortized debt issue costs, including $1,603 (January 29, 2023 – $1,609) for the credit facility	(7,985)	(9,107)
Accrued interest on the Senior Unsecured Notes	17,697	17,177
Fair value hedge - basis adjustment on interest rate swap	(2,583)	(6,167)
	2,257,129	2,251,903
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)	(514,870)	(510,315)
	1,742,259	1,741,588

The table below provides the carrying values and fair values of the Senior Unsecured Notes as at July 30, 2023 and January 29, 2023. The fair values of the Senior Unsecured Notes were determined as a level 2 in the fair value hierarchy.

	July 30, 2023		January 29, 2023	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Fixed Rate Notes				
5.165% Fixed Rate Notes	454,050	449,249	453,969	465,107
2.443% Fixed Rate Notes	374,089	324,450	373,994	332,276
1.505% Fixed Rate Notes	300,604	259,272	300,494	263,856
1.871% Fixed Rate Notes	374,405	340,538	374,251	345,536
5.084% Fixed Rate Notes	252,508	247,855	252,413	253,258
3.550% Fixed Rate Notes	505,659	497,305	504,558	494,545
	2,261,315	2,118,669	2,259,679	2,154,578

6 Debt (cont'd)

Credit Agreement

On July 5, 2023, the Corporation and the lenders entered into a sixth amending agreement to the Third Amended and Restated Credit Agreement (the "TARCA") in order to, among other things, extend the terms of its revolving credit facilities (collectively, the "Credit Facility"). Specifically, (i) the term of Facility A, in the amount of $250,000, was extended from July 5, 2027 to July 5, 2028, (ii) the term of Facility B, in the amount of $450,000, was extended from July 5, 2025 to July 6, 2026, (iii) the term of Facility C, in the amount of $50,000, was extended from July 5, 2025 to July 6, 2026, and (iv) the term of Facility D, in the amount of $300,000, was extended from July 5, 2023 to July 3, 2024.

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 is 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, in certain circumstances, 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 July 30, 2023 and January 29, 2023, no amount was outstanding under the TARCA. As at July 30, 2023, $1,048,838 was available under its Credit Facility (January 29, 2023 – $1,048,623) and there were letters of credit issued for the purchase of inventories which amounted to $1,162 (January 29, 2023 – $1,377). As at July 30, 2023, the Corporation was in compliance with all of its financial covenants.

Short-term borrowings

Under the terms of its US commercial paper program initially launched in February 2020, the Corporation may issue, from time to time, on a private placement basis in reliance upon exemptions from registration and prospectus requirements under applicable securities legislation, 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. 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.

6 Debt (cont'd)

The USCP Notes are direct unsecured obligations of the Corporation and rank equally and *pari passu* 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 Credit Facility serves as a liquidity backstop for the repayment of the USCP Notes.

As at July 30, 2023, no amount was outstanding under the US commercial paper program (January 29, 2023 – nil).

7 Shareholders' equity

a) Share capital

Normal course issuer bid

On July 5, 2023, the Corporation announced the renewal of its normal course issuer bid and the approval from the TSX to repurchase for cancellation up to 13,695,242 common shares, representing approximately 4.8% of the 283,376,026 common shares issued and outstanding as at June 30, 2023, during the 12-month period from July 7, 2023 to July 6, 2024 (the "2023-2024 NCIB").

The total number of common shares repurchased for cancellation under the 2023-2024 NCIB and the normal course issuer bid previously in effect during the 13-week and 26-week periods ended July 30, 2023 amounted to 2,858,160 common shares (13-week and 26-week periods ended July 31, 2022 – 3,690,894 and 5,135,697), for a total cash consideration of $248,113 (13-week and 26-week periods ended July 31, 2022 – $274,861 and $382,199). For the 13-week and 26-week periods ended July 30, 2023, the Corporation's share capital decreased by $5,162 (13-week and 26-week periods ended July 31, 2022 – $6,186 and $8,560) and the remaining $242,951 (13-week and 26-week periods ended July 31, 2022 – $268,675 and $373,639) was accounted for as an increase in deficit.

b) Contributed surplus

Share-based compensation

Performance share units (PSUs)

During the 13-week and 26-week periods ended July 30, 2023, the Corporation recognized a share-based compensation expense for PSUs of $892 and $3,113 (13-week and 26-week periods ended July 31, 2022 – $2,033 and $3,515), respectively.

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

7 Shareholders' equity (cont'd)

Outstanding PSUs for the 26-week periods ended on the date indicated below are as follows:

	July 30, 2023	July 31, 2022
Outstanding – beginning of period	171,294	99,339
Granted	74,190	74,773
Vested [1]	-	-
Forfeited	(1,655)	(1,426)
Outstanding – end of period	243,829	172,686

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

Share options

During the 13-week and 26-week periods ended July 30, 2023, the Corporation recognized a share-based compensation expense for share options of $1,569 and $2,998, respectively (13-week and 26-week periods ended July 31, 2022 – $1,024 and $2,744, respectively).

Outstanding and exercisable share options for the 26-week periods ended on the dates indicated below are as follows:

	July 30, 2023		July 31, 2022	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding – beginning of period	3,358,385	40.79	3,819,100	37.28
Granted	247,335	81.45	252,435	73.79
Exercised	(1,016,613)	26.56	(477,750)	32.76
Forfeited	(12,646)	53.94	(86,700)	45.08
Outstanding – end of period	2,576,461	50.24	3,507,085	40.33
Exercisable – end of period	1,528,196	42.34	2,240,950	32.65

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 26-week periods ended July 30, 2023 was 26.5% (July 31, 2022 – 26.5%). The Corporation's effective income tax rate for the 13-week and 26-week periods ended July 30, 2023 was 25.7% and 25.5%, respectively (13-week and 26-week periods ended July 31, 2022 – 25.8% and 25.7%, respectively).

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

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 July 30, 2023 and January 29, 2023 is as follows:

	Contractual nominal value	Weighted average contract 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 July 30, 2023					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	180,000	1.28	Current assets	5,568	Cash flow hedge
USD Foreign exchange forward contracts	185,000	1.34	Current liabilities	(2,224)	Cash flow hedge
	365,000			3,344	
Hedging instruments for the fixed to floating interest rate notes					
CAD interest rate swap contracts	200,000	CDOR [(1)] + 2.73%	Current liabilities	(2,583)	Fair value hedge
	200,000			(2,583)	
Hedging instruments for the forecasted fixed rate note issuances					
CAD Bond forward sale contracts	225,000	2.59%	Current assets	10,274	Cash flow hedge
	225,000			10,274	
Total	790,000			11,035	
As at January 29, 2023					
Hedging instruments for the forecasted U.S. dollar merchandise purchases					
USD Foreign exchange forward contracts	361,000	1.27	Current assets	18,762	Cash flow hedge
USD Foreign exchange forward contracts	110,000	1.35	Current liabilities	(2,323)	Cash flow hedge
	471,000			16,439	
Hedging instruments for the fixed to floating interest rate notes					
CAD interest rate swap contracts	200,000	CDOR [(1)] + 2.73%	Current liabilities	(6,167)	Fair value hedge
	200,000			(6,167)	
Total	671,000			10,272	

[(1)] 3-month CDOR

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

9 Financial instruments (cont'd)

For the 13-week and 26-week periods ended July 30, 2023, accumulated fair value gains of $10,459 and $24,088, respectively, (13-week and 26-week periods ended July 31, 2022 – accumulated fair value gains of $2,834 and $770, respectively) on USD foreign exchange forward contracts recorded in the carrying value of inventory were reclassified from inventory to the cost of sales in the condensed 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 26-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		26-week periods ended	
	July 30, 2023	**July 31, 2022**	**July 30, 2023**	**July 31, 2022**
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$245,762	$193,479	$425,635	$338,981
Weighted average number of common shares outstanding during the period (thousands)	284,366	290,482	284,588	291,602
Assumed share options exercised (thousands)	877	1,691	1,201	1,727
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	285,243	292,173	285,789	293,329
Diluted net earnings per common share	$0.86	$0.66	$1.49	$1.16

As at July 30, 2023, 492,911 options (July 31, 2022 – 252,435) 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 share-based compensation of those share options under the treasury stock method.

11 Related party transactions

a) Rossy family

As at July 30, 2023, the outstanding balance of lease liabilities owed to entities controlled by the Rossy family totalled $20,853 (January 29, 2023 – $26,635).

Rental expenses charged by entities controlled by the Rossy family but not included in lease liabilities totalled $1,942 and $4,325 for the 13-week and 26-week periods ended July 30, 2023, respectively (13-week and 26-week periods ended July 31, 2022 – $1,528 and $3,609, respectively).

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

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 July 30, 2023, the account receivable from Dollarcity for the goods sold and services provided under the sourcing agreement and service agreement, both entered into on February 4, 2022, totalled $24,443 (January 29, 2023 – $50,519), which amount is guaranteed by a letter of credit up to US$20,000 ($26,474) (January 29, 2023 – US$20,000 ($26,622)). For the 13-week and 26-week periods ended July 30, 2023, the sales to Dollarcity that were shipped directly from the Corporation's warehouses amounted to $6,080 and $15,763 respectively (13-week and 26-week periods ended July 31, 2022 – $11,212 and $20,363 respectively), which also includes the net consideration received for sales in which the Corporation is acting as an intermediary (representing approximately 1% of the Corporation's total consolidated sales).

Dollarama International, a wholly-owned subsidiary of the Corporation, holds a 50.1% interest in Central American Retail Sourcing Inc. ("CARS"), the parent company of the entities that operate the Dollarcity business. 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.

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

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

	13-week periods ended		26-week periods ended	
	July 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
	$	$	$	$
Cost of sales				
Cost of goods sold, labour, transport and other costs	771,053	651,786	1,474,100	1,234,537
Occupancy costs	40,701	35,242	83,461	73,483
Depreciation of property, plant and equipment and right-of-use assets relating to warehouses and distribution center	5,327	-	8,327	-
Total cost of sales	817,081	687,028	1,565,888	1,308,020
Depreciation and amortization				
Depreciation of property, plant and equipment and right-of-use assets [(1)]	79,407	76,434	159,428	150,920
Amortization of intangible assets	5,703	5,545	11,320	11,031
Total depreciation and amortization	85,110	81,979	170,748	161,951

(1) For the 13-week and 26-week periods ended July 31, 2022, includes depreciation expenses relating to the warehouses and distribution centre totalling $3,085 and $6,147, respectively.

Employee benefits	147,309	129,819	296,558	251,348

13 Details of statement of cash flows

The changes in non-cash working capital components for the 13-week and 26-week periods ended on the dates indicated below are as follows:

	13-week periods ended		26-week periods ended	
	July 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
	$	$	$	$
Accounts receivable	11,248	(2,202)	21,745	(8,361)
Prepaid expenses	(930)	1,205	6,173	1,132
Inventories	26,753	(176,718)	46,240	(232,504)
Accounts payable and accrued liabilities	(15,017)	33,300	(31,956)	40,975
Income taxes payable	11,121	(9,168)	(30,110)	(36,439)
	33,175	(153,583)	12,092	(235,197)
Net cash paid for income taxes	73,675	76,789	175,978	158,700

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

14 Events after the reporting period

Closing of Acquisition of Properties Located Near Logistics Operations

On August 16, 2023, the Corporation closed its previously announced acquisition of three contiguous industrial properties in the Town of Mount Royal, Quebec, for a total cash consideration of $88,072, which takes into account closing adjustments. The properties are situated near the Corporation’s centralized logistics operations and adjacent to its distribution centre. The acquisition was paid with available cash on hand.

Quarterly cash dividend

On September 13, 2023, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of $0.0708 per common share. This dividend is payable on November 3, 2023, to shareholders of record at the close of business on October 6, 2023. The dividend is designated as an “eligible dividend” for Canadian tax purposes.