ARITZIA

Annual Report 2018

Aritzia is a vertically integrated, innovative design house of exclusive fashion brands.

We believe in high-quality, beautifully designed product.
We believe in aspirational environments and experiences.
And we believe that all of this should come at a price
that is truly attainable.

From our Founder, Chief Executive Officer & Chairman

Fellow Shareholders:

After another successful year for Aritzia I want to express my appreciation for your continued support and ongoing confidence in our business and our team.

Coming up to two years operating as a public company, I have on occasion been asked how things have been going since we have been public. There is no doubt that the retail landscape has been challenging for a number of companies, however, in difficult times, well positioned companies can take advantage of opportunities, and we are enjoying this enviable position in the present environment. Our performance has been exceptional and we are on track to meet or exceed all of the targets that we laid out at our IPO. The driver of this exceptional performance is our powerful business model combined with the incredible team that executes on that model.

Being a public company has not altered the way we operate the business. We are focused on creating sustainable long term value. Our decisions are considered, and we invest in infrastructure to support our growth. We pride ourselves on flawless, best-in-class execution. We will never be accused of rushing into anything, which means our mistakes are few and relatively inexpensive. Over three decades of success is proof that this approach works. We appreciate the investors who have put their faith in us and our approach to the business.

Our powerful business model

We have built a powerful business model anchored by a simple mantra: we are in the fashion business. To be successful in this industry we believe you must be good at fashion and good at business. Unlike most in the industry we are good at both. That coupled with our model has stood the test of time. We attribute Aritzia's consistent financial performance to our first-rate execution of our model's three fundamental business functions.

1. Differentiated global sourcing strategy

We have a differentiated global sourcing strategy that allows us to continually refine our supply chain elevating our product, increasing the value to our customer and growing our gross margin. Our product teams plan, develop and design our seasonal collections, then partner directly with our mills, our suppliers and our manufacturers to deliver exceptional value at attainable price points.

2. Innovative creative development

Our innovative creative development covers our product, our stores/website, and our marketing/communications. Our innovative design house offering a strategic mix of exclusive brands, combined with a refined and proven merchandise strategy, ensure we provide a balance assortment of high quality, beautifully designed and constructed products that our customer desires. Our stores and website deliver on both form and function creating an unrivaled customer experience. Our communications and marketing strategies are both brand propelling and sales driving through both traditional and digital channels.

3. Aspirational omni-channel shopping experience

We offer our products to our customers through a seamless omni-channel approach and delight our customers with an aspirational shopping experience both in our premier real estate locations and on Aritzia.com. We focus on every detail of delivering exceptional customer service no matter where they choose to shop our brand.

Aritzia's three-dimensional competency is the exception in our industry; it is very rare to have the deep expertise we enjoy across all three of these areas. Underpinning all our efforts is a commitment to the infrastructure, discipline and agility we need to capitalize on the opportunities ahead and drive long-term value. We challenge the notion that fashion businesses can either be good at retail, or eCommerce, but not both. We are delivering best-in-class experience and operating profitably in both online and in-store channels equally.

The keys to our success have always been to focus on our powerful business model, understand how external factors affect us, and develop strategies to take advantage of these changes. Thanks to this deliberately methodical approach, Aritzia has had another tremendous year. Here are a few of the highlights we achieved:

Financial growth

• Our final quarter of the year marked the highest fourth quarter net revenue in the company's history, a remarkable milestone. This was our 14th consecutive quarter of comparable sales growth.

• Newly implemented eCommerce tools deepened our understanding of what our clients want and set the stage for a seamless, omni-channel experience. We refined Aritzia.com and are now using AI to provide personalized product recommendations, increasing our clicks on recommendations by over 20%. We won the 2017 Salesforce award for the strongest online sales growth.

• A full slate of Aritzia, Wilfred and Babaton store openings included impressive new Aritzia flagships in Los Angeles, Chicago and San Francisco that continue to drive strong sales performance.

Brand

• After 20 plus years we unveiled our new logo and elevated packaging that capture the considered design for which Aritzia is known. Clean and modern, our updated logo has a timeless quality that can endure for the foreseeable future. With our retail and eCommerce packaging, we created an engaging experience for our customer and celebrated our tradition of using original art and photography as our creative vehicle.

• Our beautiful product showcased an overarching focus on quality. We elevated and expanded our portfolio of exclusive brands, as well as our outerwear program. We expanded into new categories and, with our leather program, had the most successful product launch in Aritzia history.

• We secured over 3,000 media placements, many featured in top-tier outlets, including more than 20 placements on Vogue.com. We dressed over 50 VIPs, including Bella Hadid, Kylie Jenner, Karlie Kloss, Malia Obama, Diane Kruger, Jessica Alba, Meghan Markle – the newly minted Duchess of Sussex, and our own first lady Sophie Trudeau who were photographed wearing Aritzia multiple times in the last year.

Culture and People

• We have the benefit of an unusually large proportion of people with long tenures in our organization. We realize that this is not the norm in today's environment and are proud to have created such an enduring culture. Propelled by the efforts of this highly experienced group, Aritzia's methodical approach to business has been honed over years and has helped deliver on our enduring success.

• This past year 800 of our people benefitted from our development program, Aritzia University, AU for You, completing personal development training to elevate their careers, comprehensive training to help them define and develop their leadership potential and prepare for the next step in their careers.

• We expanded the Aritzia talent pool across all levels and workplaces. We welcomed new executives in eCommerce, marketing and people, as well as senior leadership in supply chain and retail. We were also very proud to have been voted a Best Place to Work by Indeed.com.

Operations and Infrastructure

• After 20 years, we seamlessly replaced our legacy point of sale system—a critical building block for our success. The new system is now live in every single one of our stores, serving as a foundation for the omni-channel experience by providing visibility into inventory and a single view of the customer.

• Our supply chain network expanded to accommodate our growing sales. We are almost tripling the size of our Vancouver distribution centre and are on track to relocate to the new facility this fall. Distribution and fulfillment has now become a core competency and competitive advantage for us at Aritzia.

• Numerous eCommerce platform enhancements and an ongoing refinement of procedures and systems ensure that we have a solid and scalable foundation for our continued growth.

Our growth strategies

Over the past 30 years, the verticalization of retail and the globalization of trade have transformed the retail environment. Aritzia's business model takes full advantage of both of these disruptions. More recently, our industry has again been disrupted by the rise of digital technology, and we are embracing this latest change as well. The shift to digital does not fundamentally change our core business model, rather it impacts the strategies we use to execute on our model. Our digital strategy involves more than just our technology and eCommerce business; it runs through everything we do. From the design of our product to the service we deliver in our stores, we are deploying powerful digital tools to heighten our customer's experience with our brand. Our digital evolution will ultimately enable us to predict her needs and exceed her expectations.

We will continue to focus our near-term growth strategy on the North American market, where we see tremendous opportunity. We see significant potential to drive our eCommerce channel and capitalize on our updated point of sale system to provide a seamless omni-channel experience. We will be adding to our premier real estate portfolio reaching new markets and expanding stores in Canada and the United States. We will continue to build on our portfolio of exclusive brands, design beautiful and innovative products, pursue category expansions such as our much anticipated denim program and drive sourcing efficiencies.

As I look back on this year and forward to our future, I can confidently say that we are as well positioned as anyone in the industry to take advantage of the opportunities in front of us. We are not over-stored, and we have world-class infrastructure, a loyal, passionate customer base, beautiful high quality product and a beloved brand. We believe the value proposition we offer is better than what we are seeing anywhere in the industry. We have the best team we have ever had—the highest skilled and the most dedicated stretching across the organization from our distribution centers, to our support offices, to our stores.

Returning for a moment to our status as a public company, naturally, we have also received some questions regarding our valuation. I am disappointed that the stock price has not reflected our performance since we have been public. My commitment to you is that we will remain focused on creating value for our customers, employees, partners and investors in equal measure. We will continue to work hard and make all the right decisions for the long term and continue to deliver exceptional results. Over time, I trust that our stock price will ultimately reflect our outstanding performance.

To close, I would like to express my appreciation to our people for everything that you do. Aritzia simply would not be where we are without you. I could not be more excited about what we will achieve in the year ahead, and for many years to come.

Thanks to all of you for taking this journey with us.

Brian Hill

A Portfolio of Exclusive Brands:

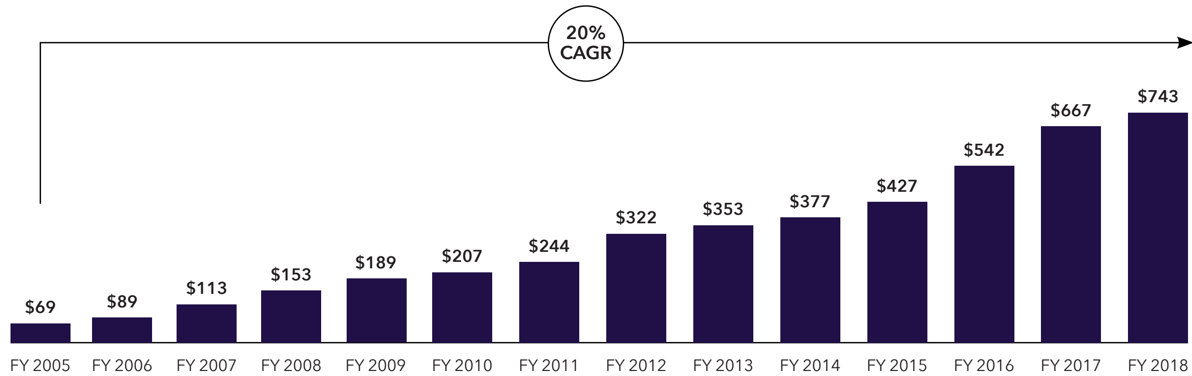
We conceive, create, develop our own brands, and sell them under the Aritzia banner. Approaching each brand as an independent label with its own aesthetic, we address a broad range of style preferences and lifestyle requirements. Our exclusive brands currently represent over 90% of our net revenue.

BABATON Fall 1994	Tna Fall 1997	wilfred Spring 2006
TALULA Spring 1996	GOLDEN TNA Fall 2015	wilfred free Spring 2009
BABATON 1—01 Winter 2015	The Constant. Spring 2017	le fou wilfred Fall 2009
The Group BABATON Fall 2006	SUNDAY BEST Fall 2017	little moon Spring 2017

A Record of Consistent Growth:

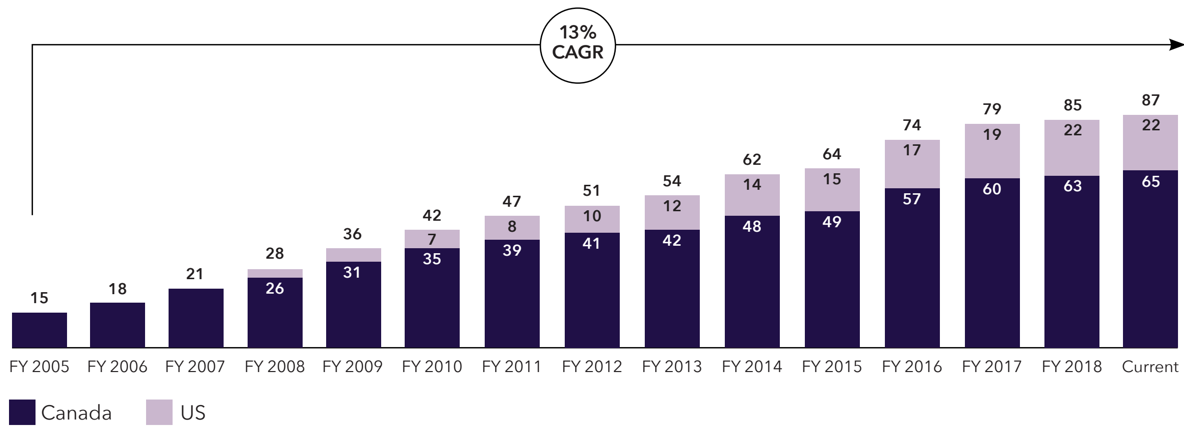
Net Revenue Growth (C$ millions)

Aritzia has a proven track record of consistent net revenue growth, with strong net revenue growth every year for the last 21 years.



Measured Store Growth

We have never closed an Aritzia store in our 33-year history – a testament to our disciplined and measured store growth strategy.



Differentiated global sourcing strategy:

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Innovative creative development:

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Selected Financial Metrics[1]:

6.6% comparable sales growth in Fiscal 2018, following 14.1% in Fiscal 2017

14 consecutive quarters of positive comparable sales growth

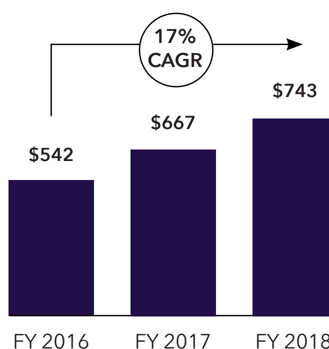
Gross profit margin remained at 39.8% in Fiscal 2018, similar to Fiscal 2017

Significant free cash flow generation – Adjusted EBITDA grew 12.8% to $132.7 million in Fiscal 2018

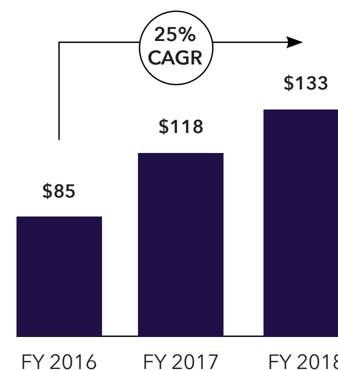
1 In addition to using financial measures prescribed under International Financial Reporting Standards ("IFRS"), this Annual Report makes reference to certain non-IFRS measures, including certain retail industry metrics. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Please refer to the section entitled "Non-IFRS Measures" in the Management's Discussion & Analysis within this Annual Report for a discussion of the definitions, components, reconciliations, and use of these measures.

2 Figures adjusted to exclude stock-based compensation and unrealized FX (gains) losses on forward contracts.

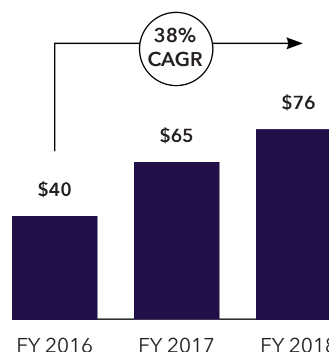
Net Revenue (C$ millions)



Adjusted EBITDA[2] (C$ millions)



Adjusted Net Income[2] (C$ millions)



Management's Discussion & Analysis

ARITZIA

Aritzia Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended February 25, 2018

May 10, 2018

The following Management's Discussion and Analysis ("MD&A") dated May 10, 2018 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Aritzia Inc. (together with its consolidated subsidiaries, referred to herein as "Aritzia", the "Company", "we", "us" or "our"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the fourth quarter and the fiscal year ended February 25, 2018. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and accompanying notes for Fiscal 2018 (as hereinafter defined).

Basis of Presentation

Our audited annual consolidated financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), using the accounting policies described therein. All amounts are presented in thousands of Canadian dollars unless otherwise indicated. We manage our business on the basis of one operating and reportable segment.

All references in this MD&A to "Q4 2018" are to our 13-week period ended February 25, 2018, and to "Q4 2017" are to our 13-week period ended February 26, 2017. All references in this MD&A to "Fiscal 2018" are to our 52-week period ended February 25, 2018, to "Fiscal 2017" are to our 52-week period ended February 26, 2017 and to "Fiscal 2016" are to our 52-week period ended February 28, 2016. In addition, references to "Q1 2018" are to our 13-week period ended May 28, 2017, to "Q2 2018" are to our 13-week period ended August 27, 2017, and to "Q3 2018" are to our 13-week period ended November 26, 2017.

The audited annual consolidated financial statements and accompanying notes for Fiscal 2018 and this MD&A were authorized by the Company's Board of Directors.

Non-IFRS Measures Including Retail Industry Metrics

This MD&A makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Net Income per diluted share" and "gross profit margin". This MD&A also makes reference to "comparable sales growth", which is a commonly used operating metric in the retail industry but may be calculated differently compared to other retailers. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, we changed our calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1. These non-IFRS measures, including retail industry metrics, are used to provide investors with supplemental measures of our operating performance and thus

highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures, including retail industry metrics, in the evaluation of issuers. Our management also uses non-IFRS measures, including retail industry metrics, in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see the "How We Assess the Performance of Our Business" and "Selected Consolidated Financial Information" sections of this MD&A.

Forward-Looking Information

Certain statements made in this MD&A may constitute forward-looking information under applicable securities laws. These statements may relate to our future financial outlook and anticipated events or results and include, but are not limited to, expectations regarding positive comparable sales growth for the first quarter of 2019, expectations regarding the quality of our products and our channel-agnostic customer experience, expectations regarding our technology and infrastructure, statements related to the Company's normal course issuer bid, outlook for revenue growth and Adjusted EBITDA margin in fiscal 2019 as further described below, the expansion and repositioning of our store locations, the launch of our own denim brand in Fall/Winter 2018, expectations regarding the Company meeting or exceeding its stated fiscal 2021 performance targets, and other statements that are not historical facts. Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities is forward-looking information. As the context requires, this may include certain targets as disclosed in the prospectus for our initial public offering, which are based on the factors and assumptions, and subject to the risks, as set out therein and herein. See also the "Outlook" section of this MD&A.

Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may" "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology. Forward-looking statements are current as of the date of this MD&A and are based on applicable estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, we do not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. There can be no assurance that such estimates and assumptions will prove to be correct.

Implicit in forward-looking statements in respect of the Company's expectations for fiscal 2019 to deliver low to mid-teens revenue growth and consistent Adjusted EBITDA margin, as compared to fiscal 2018, are certain current assumptions, including, among others, the opening of five to six new stores including the Babaton store in Square One Shopping Centre in Toronto, and the Aritzia store in Cross Iron Mills in Calgary, the expansion or repositioning of four to five stores, the continued ability to drive growth in our eCommerce business, gross profit margin benefit from sourcing initiatives will be offset by the higher raw material costs for the Fall/Winter season, SG&A will grow proportionately with revenue growth in fiscal 2019, the continued investments in people, technology and infrastructure, primarily related to eCommerce, net capital expenditures in the range of $55 million to $60 million with approximately 50% for store network expansion, taxation rates consistent with historical levels, assumptions regarding the overall retail environment and currency exchange rates for fiscal 2019. Specifically, we have assumed the following exchange rates for fiscal 2019: USD:CAD = 1:1.30.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the expansion and enhancement of our store network; the growth of our eCommerce business; our ability to drive comparable sales growth; our ability to maintain, enhance, and grow our appeal within our addressable market; our ability to drive ongoing development and innovation of our exclusive brands and product categories; our ability to continue directly sourcing from third party mills, trim suppliers and manufacturers for our exclusive brands; our ability to build our international presence; our ability to retain key personnel; our ability to maintain and expand distribution capabilities; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes

and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the "Risk Factors" section of this MD&A and in the Company's annual information form dated May 10, 2018 for the fiscal year ended February 25, 2018 (the "AIF"). A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. These factors are not intended to represent a complete list of the factors that could adversely affect the Company's results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. These factors should be considered carefully.

The purpose of the forward-looking statements is to provide the reader with a description of management's current expectations regarding the Company's financial performance and they may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Overview

Aritzia is a vertically integrated, innovative design house of exclusive fashion brands. We design apparel and accessories for our collection of exclusive brands and sell them under the Aritzia banner. We conceive, create, develop and sell a strategic mix of women's fashion products directly to our customers with a depth of design and quality that provides compelling value. Our unique multi-brand portfolio and product mix affords us enhanced flexibility to address evolving fashion trends and enables us to appeal to our customers across multiple life stages, resulting in strong and enduring customer loyalty.

We connect our customers to the energy of our culture through the products we sell, the environments we create and the ways in which we communicate. We currently operate 65 stores in Canada and 22 stores in the United States, averaging approximately 6,000 square feet, all of which are in prime locations within high performing retail malls and high streets. We sell our products exclusively through our stores and *aritzia.com*, giving us complete control of the presentation of our brand and the relationships with our customers. This strategy allows us to present our brand in a consistent manner, including pricing, marketing and product presentation. We strive to offer our customers an aspirational shopping experience and exceptional level of service at every interaction. Our culture is highly focused on the customer, and our sales associates and eCommerce support teams are trained to provide shopping experiences that are personalized to exceed our customers' wants and needs.

Initial Public Offering

On October 3, 2016, we successfully closed our initial public offering (the "IPO") of our subordinate voting shares (the "Shares") at a price of $16.00 per Share through a secondary sale of shares by our principal shareholders. Our principal shareholders sold 25,000,000 Shares under the IPO for total gross proceeds of $400.0 million. The Shares are listed for trading on the Toronto Stock Exchange under the symbol "ATZ".

The underwriters were granted an over-allotment option (the "Over-Allotment Option") to purchase up to an additional 3,750,000 Shares from our principal shareholders at a price of $16.00 per Share. The Over-Allotment Option was fully exercised after the IPO and raised additional gross proceeds of $60.0 million for the selling shareholders. Underwriting fees were paid by the selling shareholders and other expenses related to the IPO of approximately $7.7 million were incurred and are being paid by us.

In connection with and immediately prior to the IPO, each Class A and Class C common share was exchanged for either one multiple voting share or one Share. Our Class B and Class D common shares and preferred shares were removed from our authorized share capital. Our authorized share capital consists of (i) an unlimited number of Shares, (ii) an unlimited number of multiple voting shares and (iii) an unlimited number of preferred shares, issuable in series.

Following the foregoing share exchanges, all of our issued and outstanding multiple voting shares and Shares were consolidated on an approximately one-to-0.5932 basis. In connection with the IPO, options to acquire Class A and Class D common shares were also consolidated on an approximately one-to-0.5932 basis for options exercisable to acquire Shares at a post-consolidated exercise price such that the in-the-money value of such options remained unchanged.

Concurrent with the IPO, amendments to our credit facilities with our syndicate of lenders became effective. See the section entitled "Liquidity and Capital Resources – Credit Facilities".

Secondary Offering

On January 26, 2017, we successfully closed a secondary offering (the "Secondary Offering") of our Shares by certain of our shareholders at a price of $17.45 per Share, as well as a concurrent block trade by a group of our employees (the "Concurrent Block Trade"). Our shareholders sold 20,100,000 Shares under the Secondary Offering and our employees sold 1,788,366 Shares under the Concurrent Block Trade for total gross proceeds of $382.0 million. Underwriting fees were paid by the selling shareholders and other expenses related to the Secondary Offering of approximately $0.8 million were incurred and paid by us.

Financial Highlights

We refer the reader to the section entitled "How We Assess the Performance of Our Business" of this MD&A for the definition of the items discussed below and, when applicable, to the section entitled "Selected Consolidated Financial Information" for reconciliations of non-IFRS measures with the most directly comparable IFRS measure.

Q4 2018 Compared to Q4 2017

Select financial highlights include the following:

- Net revenue increased by 11.9% to $219.8 million from $196.4 million in Q4 2017. The weakening of the U.S. dollar year-over-year in the quarter negatively impacted net revenue growth by approximately 130 basis points, or $2.8 million.

- Comparable sales growth[(1)] was 6.0%, following 12.3% comparable sales growth in Q4 2017.

- Gross profit margin was 37.9% in Q4 2018, compared to 38.4% in Q4 2017. This decrease was due primarily to higher occupancy costs.

- SG&A expenses increased by 2.6% to $50.7 million from $49.5 million in Q4 2017. Excluding the impact of Secondary Offering costs of approximately $0.9 million incurred in Q4 2017, SG&A expenses increased by 4.4%, but decreased as a percentage of net revenue to 23.1% compared to a normalized 24.7% in Q4 2017.

Notes:

(1) Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, we changed our calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1. The prior fiscal quarters have been recalculated using the new constant currency calculation (see "Summary of Consolidated Quarterly Results and Certain Performance Measures").

- Other income, net was $0.3 million in Q4 2018, compared to other expense, net of $1.6 million in Q4 2017.

- Adjusted EBITDA increased by 18.0% to $38.1 million from $32.3 million in Q4 2017. Adjusted EBITDA was 17.3% of net revenue, compared to 16.4% of net revenue in Q4 2017.

- Stock-based compensation of $5.6 million was expensed in Q4 2018, compared to $4.4 million expensed in Q4 2017.

- Income tax expense of $10.0 million was expensed in Q4 2018, compared to $7.0 million expensed in Q4 2017. Included in the Q4 2018 income tax expense is a $1.5 million charge relating to the U.S. Tax Cuts and Jobs Act ("U.S. tax reform").

- Net income increased by 37.9% to $15.9 million from $11.5 million in Q4 2017.

- Adjusted Net Income increased by 23.0% to $22.5 million, or $0.19 per diluted share (treasury stock method[(2)]), from $18.3 million or $0.16 per diluted share (treasury stock method[(3)]) in Q4 2017.

- We opened one new store (South Coast Plaza in Southern California) and expanded or relocated two stores (Westfield Center in San Francisco and Kingsway Mall in Edmonton) during Q4 2018.

Fiscal 2018 Compared to Fiscal 2017

Select financial highlights include the following:

- Net revenue increased by 11.4% to $743.3 million from $667.2 million in Fiscal 2017.

- Comparable sales growth[(1)] was 6.6%, following 14.1% comparable sales growth in Fiscal 2017.

- Gross profit margin remained flat at 39.8% compared to Fiscal 2017.

- SG&A expenses increased by 2.8% to $183.9 million from $178.8 million in Fiscal 2017. Excluding the impact of IPO and Secondary Offering costs of approximately $8.6 million incurred in Fiscal 2017, SG&A expenses increased by 8.0%, but decreased as a percentage of net revenue to 24.7% compared to a normalized 25.5% in Fiscal 2017.

- Other expense, net was $1.9 million in Fiscal 2018, compared to other income, net of $1.4 million in Fiscal 2017.

- Adjusted EBITDA increased by 12.8% to $132.7 million from $117.7 million in Fiscal 2017. Adjusted EBITDA was 17.9% of net revenue, compared to 17.6% of net revenue in Fiscal 2017.

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(2) Adjusted Net Income per diluted share for Q4 2018 and Fiscal 2018 is a non-IFRS measure and is calculated by dividing Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at February 25, 2018 (or 117,252,533 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

(3) Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017 is a non-IFRS measure and is calculated by dividing Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at February 26, 2017 (or 117,408,845 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

- Stock-based compensation expense was $17.2 million in Fiscal 2018, compared to $103.0 million expensed in Fiscal 2017. In Fiscal 2017, stock-based compensation expense included the fair value accounting of our legacy time-based options and the triggering of our legacy performance-based options in connection with the IPO.

- Net income was $57.1 million in Fiscal 2018, compared to a net loss of $56.1 million in Fiscal 2017 primarily due to the aforementioned stock-based compensation expense in Fiscal 2017.

- Adjusted Net Income increased by 17.5% to $75.9 million, or $0.65 per diluted share (treasury stock method[(2)]), from $64.6 million, or $0.55 per diluted share (treasury stock method[(3)]) in Fiscal 2017.

- We opened six new stores and expanded or relocated seven stores during Fiscal 2018. At the end of Fiscal 2018, we had 63 stores in Canada and 22 stores in the United States.

Subsequent Event

On May 10, 2018, we announced a normal course issuer bid, under which we are authorized to purchase up to 5,429,658 of our Shares, representing approximately 10% of the public float, during the twelve month period commencing May 15, 2018 and ending May 14, 2019. Any Shares purchased under the normal course issuer bid will be cancelled.

Summary of Factors Affecting Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below. See also the "Risk Factors" section of this MD&A and in our AIF.

Our Brand

Aritzia is a growing, vertically integrated, innovative design house and fashion brand that creates and develops fashion apparel. We have become a well known and deeply loved brand by our customers in Canada with growing customer awareness and affinity in the United States and outside of North America. Maintaining, enhancing and growing our brand appeal within our addressable market is critical to our continued success. Any loss of brand appeal may adversely affect our business and financial results.

Product Innovation and Merchandise Planning Strategy

We believe that our differentiated multi-brand strategy is a key driver of our continued year-over-year net revenue growth and comparable sales growth. Each of our exclusive brands is treated as an independent label with its own vision and aesthetic point of view, and is supported by our own dedicated in-house design team focused on creating beautiful products. A highlight of our Spring 2018 collection included our recently launched leather program. We are excited to launch our own denim brand in Fall/Winter 2018 to capitalize on the strong fashion trends in this category. Our demand-driven merchandise planning, buying and inventory strategies have been developed and refined over many years, and are designed to ensure that we have the right product, at the right time, at the right price, in the right quantity and in the right place.

Store Network Expansion and Enhancement

We have a meaningful opportunity to continue to grow our store network across North America, particularly in the United States. In addition to opening new Aritzia and exclusive brand stores (e.g. Wilfred, Babaton and TNA), we have generated attractive returns on capital by enhancing elements of our existing stores (including footprint, layout and assortment) through carefully considered store expansions and repositions. As a result of our disciplined real estate selection process and compelling store economics, we have never closed an Aritzia store in our 33-year history.

The following table summarizes the change in our store count for the periods indicated.

	Q4 2018	Q4 2017	Fiscal 2018	Fiscal 2017
Number of stores, beginning of period	84	77	79	74
New stores	1	2	6	5
Number of stores, end of period	85	79	85	79
Stores expanded or repositioned	2	-	7	5

Subsequent to year end, we opened our Babaton Square One store located in Toronto and our CrossIron Mills store located in Calgary. We also are in the process of expanding our Soho store located in New York and repositioning our Southgate store located in Edmonton.

eCommerce Growth

Our eCommerce business was launched in fiscal 2013 and quickly surpassed our growth expectations with continued growth in online traffic during Fiscal 2018.

We believe the following factors will support the net revenue growth of *aritzia.com*:

- *Drive our omni-channel growth and capabilities* – Our customers shop both online and in-stores, and we believe there are synergies between our store network and aritzia.com, with the success of each channel benefiting the other through increased brand awareness and affinity. The successful implementation of our new point-of-sale system is the foundation for a multi-year strategy that is intended to align our people, processes and systems so our customers can shop and receive our products through any of our channels they choose.

- *Capitalizing on digital marketing channels to acquire new customers* - We are directing resources with a renewed focus on digital marketing, including programs centred on search engine optimization, social and email programs.

- *Increasing the use of data analytics to improve online conversion and customer loyalty through increased personalization* – We are in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance our understanding of our customers. This includes optimizing our online operations to enhance personalization which we believe will drive higher conversion and customer loyalty.

- *Enhancing our international eCommerce business* – Our work to enhance our international website, together with our ability to ship to international markets via aritzia.com is setting the foundation for future expansion by gaining brand awareness, gathering intelligence, and identifying international markets to expand our store network.

Sourcing and Production

We contract and maintain direct relationships with a diversified base of independent suppliers and manufacturers for our exclusive brands, which provide us with the flexibility to source high quality materials and products at competitive costs. We source the majority of our raw materials directly from suppliers and manufacturers, which we believe to be best-in-class, located primarily in Asia and Europe that uphold our standards for quality, lead time and cost. By partnering closely with long-standing manufacturers as well as adding new innovative and scalable manufacturers, we have been able to drive lower product costs. We also maintain a formalized quality assurance program whereby we inspect our manufacturers' factories to ensure quality control. We engage independent expert service providers to conduct factory audits for compliance with local laws and regulations and global standards

Infrastructure Investments

We continue to strategically invest ahead of our growth plans. At the end of Fiscal 2017, we implemented a set of enhancements to our new human resource information system, which included the implementation of employee self-service, and time and absence management. Since then we launched additional capabilities of this system to better enable strategic human capital decisions.

In October 2017, we successfully completed the implementation of our new point-of-sale (POS) system in all of our Canadian stores and our customer care centre following the POS system implementation in our US stores in September 2017. The new POS system provides us with a robust platform on which to build and evolve the services and experience we offer to our customers. It has provided us with world class infrastructure, labour efficiencies, greater access to more reliable data and specifically, a foundation to evolve our omni-channel and clienteling capabilities. The new POS system provides near real-time visibility to inventory and sales data. This has already allowed us to respond more nimbly in managing our inventory to maximize sales, as well as begin providing true omni-channel capabilities to give customers even more flexibility in how they shop and receive Aritzia products.

In April 2017, we expanded our Columbus area distribution centre capacity from 45,000 square feet to 138,000 square feet. We also began the process of relocating and expanding our Greater Vancouver distribution centre, from our existing 83,000 square foot facility into a new 223,000 square foot flagship facility. We believe the new flagship distribution centre is on track to be operational by the Fall of 2018 which will provide increased efficiencies and help us to advance omni-channel efforts.

We are also working to drive our digital strategy, which is creating additional opportunities throughout the organization as we use digital tools to heighten our customers' overall experience with the brand. Our focus on building our digital infrastructure impacts everything we do. In our view, digital is about more than just our technology and eCommerce business, it runs through the business all the way from design to the service we deliver in stores.

We also continue to expand our talent pool across the organization. We're continuing to find exceptional talent at all levels to facilitate our expected future growth. In the third quarter, we added key executives in People, Marketing, and eCommerce, as well as senior level talent in product and distribution.

These investments in systems and infrastructure are expected to drive increased efficiencies and enable our growth for the long term.

Consumer Trends

The women's apparel industry is subject to shifts in consumer trends, preferences and consumer spending and our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. Our differentiated multi-brand strategy gives us control over our products and provides us with the flexibility to optimize our brand mix as needed to address changes in consumer demand and fashion preferences, which has been a critical driver of the consistency of our growth. Our diversified mix of exclusive brands satisfies a broad range of fashion needs, which allows us to attract a wide customer base and increases our addressable market. Our revenue is also impacted by discretionary spending by consumers, which is affected by many factors that are beyond our control, including, but not limited to, general economic conditions, consumer disposable income levels, consumer confidence levels, consumer debt, the cost of basic necessities and other goods and the effects of weather or natural disasters. We believe that our track record demonstrates the success of our exclusive brand strategy at responding to changes in fashion demands through all stages of economic cycles.

Seasonality

Our business is seasonal, with a higher proportion of net revenue and operating cash flows generated during the second half of the fiscal year, which includes the back-to-school and holiday seasons. We also have higher working capital requirements in the periods preceding the launch of new seasons as we receive and pay for new inventory. We manage our working capital needs through cash flow from operations and our Revolving Credit Facility (defined herein).

Average quarterly share of annual net revenue over the last three completed fiscal years is as follows:

First fiscal quarter	19%
Second fiscal quarter	23%
Third fiscal quarter	28%
Fourth fiscal quarter	30%
Yearly total	100%

Weather

Extreme weather conditions in the areas in which our stores are located could adversely affect our business and financial results. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and thereby reduce our revenue and profitability. This is potentially mitigated by our customers' ability to buy our products through *aritzia.com*. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions, which could adversely affect sales of these seasonal items.

Competition

We operate in the women's apparel industry, primarily within the North American market. We are strategically positioned in a customer market segment of the global fashion landscape between fast fashion and affordable luxury. We compete on the basis of several factors that include our strategic mix of exclusive brands, offering high quality products at an attainable price point, our proven and sophisticated merchandise planning strategy, our focus on providing exceptional customer service, our premier real estate portfolio and our market positioning. We believe the industry is evolving to benefit players like us that have the scale needed to leverage their infrastructure and capabilities in areas such as brand equity creation, real estate selection, store design, supply chain and eCommerce.

Foreign Exchange

The majority of our net revenue is derived in Canadian dollars while the vast majority of our cost of goods sold is denominated in U.S. dollars. Fluctuations in the exchange rate of the Canadian dollar versus the U.S. dollar could materially affect our gross profit margins and operating results. We use foreign currency forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada, but there can be no assurances that such strategies will prove to be successful. See "Financial Instruments" and "Risk Factors" sections of this MD&A.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of financial and operating measures that affect our operating results.

Net Revenue

Net revenue primarily reflects our sale of merchandise, less returns and discounts. Retail revenue is recognized when the customer receives and pays for the merchandise at the point of sale, net of an estimated allowance for returns. For merchandise that is ordered and paid in a store and subsequently picked up by the customer, revenue is deferred until the customer receives the merchandise. eCommerce revenue is recognized at the estimated date of receipt of the merchandise by the customer, net of an estimated allowance for returns. Revenues are reported net of sales taxes collected from various governmental agencies.

Comparable Sales Growth

Comparable sales growth is a retail industry metric used to compare the percentage change in sales derived from the established stores of a certain period as compared to the sales from the same stores in the same period in the prior year. Comparable sales growth helps to explain our revenue growth in established stores and eCommerce, which may not otherwise be apparent when relying solely on net revenues. Comparable sales is calculated based on revenue (net of sales tax, returns and discounts) from stores that have been opened for at least 56 weeks including eCommerce revenue (net of sales tax, returns and discounts), and excludes stores that were expanded or repositioned, stores in centres where we opened a new additional store and stores significantly impacted by nearby construction and other similar disruptions during this period. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, we changed our calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1. The prior fiscal quarters have been recalculated using the new constant currency calculation (see "Summary of Consolidated Quarterly Results and Certain Performance Measures"). Our comparable sales growth may be calculated differently compared to other retailers.

Gross Profit

Gross profit reflects our net revenue less cost of goods sold. Cost of goods sold includes inventory and product-related costs and occupancy costs, as well as depreciation expense for our stores and distribution centres. Our cost of goods sold may include different costs compared to other retailers. Gross profit as a percentage of net revenue (gross profit margin) is impacted by the components of cost of goods sold, product mix and markdowns. We define gross profit margin as our gross profit divided by our net revenues.

Selling, General and Administrative ("SG&A") Expenses

Our SG&A expenses consist of selling expenses that are generally variable with net revenue and general and administrative operating expenses that are primarily fixed. Our SG&A expenses also include depreciation and amortization expenses for all support office assets and intangible assets. We expect our SG&A expenses to increase as we continue to open new stores, grow our eCommerce business, increase brand awareness and invest in our infrastructure and people.

SG&A expenses as a percentage of net revenue is usually higher in the lower-volume first and second quarters, and lower in the higher-volume third and fourth quarters because a portion of these costs are relatively fixed. Our SG&A expenses may include different expenses compared to other retailers.

EBITDA

We define EBITDA as consolidated net income (loss) before depreciation and amortization, finance expense and income tax expense.

Adjusted EBITDA

We believe Adjusted EBITDA is a useful measure of operating performance, as it provides a more relevant picture of operating results in that it excludes the effects of financing and investing activities by removing the effects of interest, depreciation and amortization, expenses that are not reflective of underlying business performance and other one-time or non-recurring expenses. We use Adjusted EBITDA to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted EBITDA as consolidated net income (loss) before depreciation and amortization, finance expense and income tax expense, adjusted for the impact of certain items, including non-cash items such as stock-based compensation expense, unrealized foreign exchange gains or losses on forward contracts and other items we consider non-recurring and not representative of our ongoing operating performance. Because Adjusted EBITDA excludes certain non-cash items, we believe that it is less susceptible to variances in actual performance resulting from depreciation and amortization and other non-cash charges.

Adjusted Net Income (per diluted share)

We believe Adjusted Net Income (per diluted share) is a useful measure of performance, as it provides a more relevant picture of results by excluding the effects of expenses that are not reflective of underlying business performance and other one-time or non-recurring expenses. We use Adjusted Net Income to facilitate a comparison of our performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business. We define Adjusted Net Income as consolidated net income (loss), adjusted for the impact of certain items, including non-cash items such as stock-based compensation expense, unrealized foreign exchange gains or losses on forward contracts and other items we consider non-recurring and not representative of our ongoing operating performance, net of related tax effects. We define Adjusted Net Income per diluted share by dividing Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at the end of the relevant period.

Selected Consolidated Financial Information

The following table summarizes our recent results of operations for the periods and fiscal years indicated. The selected consolidated financial information set out below for Fiscal 2018, Fiscal 2017 and Fiscal 2016 has been derived from our audited annual consolidated financial statements and related notes. The selected consolidated financial information set out below for Q4 2018 and Q4 2017 is unaudited.

	Q4 2018 13 weeks		Q4 2017 13 weeks		Fiscal 2018 52 weeks		Fiscal 2017 52 weeks		Fiscal 2016 52 weeks	
	(in thousands of Canadian dollars, unless otherwise noted)									
Consolidated Statements of Operations:										
Net revenue	$ 219,804	100.0%	$ 196,396	100.0%	$ 743,267	100.0%	$ 667,181	100.0%	$ 542,463	100.0%
Cost of goods sold	136,519	62.1%	121,028	61.6%	447,776	60.2%	401,658	60.2%	344,095	63.4%
Gross profit	83,285	37.9%	75,368	38.4%	295,491	39.8%	265,523	39.8%	198,368	36.6%
Operating expenses										
Selling, general and administrative	50,738	23.1%	49,471	25.2%	183,857	24.7%	178,773	26.8%	135,111	24.9%
Stock-based compensation expense	5,599	2.5%	4,413	2.2%	17,240	2.3%	103,044	15.4%	10,651	2.0%
Income (loss) from operations	26,948	12.3%	21,484	10.9%	94,394	12.7%	(16,294)	(2.4%)	52,606	9.7%
Finance expense	1,318	0.6%	1,339	0.7%	5,221	0.7%	10,455	1.6%	10,995	2.0%
Other (income) expense, net	(291)	(0.1%)	1,589	0.8%	1,890	0.3%	(1,362)	(0.2%)	(3,512)	(0.6%)
Income (loss) before income taxes	25,921	11.8%	18,556	9.4%	87,283	11.7%	(25,387)	(3.8%)	45,123	8.3%
Income tax expense	10,020	4.6%	7,028	3.6%	30,190	4.1%	30,722	4.6%	12,751	2.4%
Net income (loss)	$ 15,901	7.2%	$ 11,528	5.9%	$ 57,093	7.7%	$ (56,109)	(8.4%)	$ 32,372	6.0%
Other Performance Measures:										
Year-over-year net revenue growth	11.9%		17.4%		11.4%		23.0%		26.9%	
Comparable sales growth	6.0%		12.3%		6.6%		14.1%		16.8%	
Capital expenditures (excluding proceeds from leasehold inducements)	$ 18,784		$ 11,610		$ 66,330		$ 31,136		$ 28,183	
Number of stores, end of period	85		79		85		79		74	
New stores added	1		2		6		5		10	
Stores expanded or repositioned	2		-		7		5		2	

The following table provides a reconciliation of net income (loss) to EBITDA, Adjusted EBITDA and Adjusted Net Income, Adjusted Net Income per Diluted share and Comparable Sales to Net Revenue for the periods indicated.

	Q4 2018 13 weeks	Q4 2017 13 weeks	Fiscal 2018 52 weeks	Fiscal 2017 52 weeks	Fiscal 2016 52 weeks
	(in thousands of Canadian dollars unless otherwise noted)				
Reconciliation of Net Income (Loss) to Adjusted EBITDA:					
Net income (loss)	$ 15,901	$ 11,528	$ 57,093	$ (56,109)	$ 32,372
Depreciation and amortization	5,961	5,362	22,844	21,129	18,200
Finance expense	1,318	1,339	5,221	10,455	10,995
Income tax expense	10,020	7,028	30,190	30,722	12,751
EBITDA	33,200	25,257	115,348	6,197	74,318
Adjustments to EBITDA:					
Stock-based compensation expense	5,599	4,413	17,240	103,044	10,651
Unrealized foreign exchange (gain) loss on forward contracts	(698)	1,730	(233)	(181)	-
IPO and Secondary Offering costs	-	881	(115)	8,604	-
Other non-recurring items[1]	-	-	476	-	-
Adjusted EBITDA	$ 38,101	$ 32,281	$ 132,716	$ 117,664	$ 84,969
Adjusted EBITDA as a Percentage of Net Revenue	17.3%	16.4%	17.9%	17.6%	15.7%
Reconciliation of Net Income (Loss) to Adjusted Net Income:					
Net income (loss)	$ 15,901	$ 11,528	$ 57,093	$ (56,109)	$ 32,372
Adjustments to net income (loss):					
Stock-based compensation expense	5,599	4,413	17,240	103,044	10,651
Unrealized foreign exchange (gain) loss on forward contracts	(698)	1,730	(233)	(181)	-
IPO and Secondary Offering costs	-	881	(115)	8,604	-
Refinancing costs related to debt modification at the IPO	-	-	-	2,867	-
Other non-recurring items[1]	-	-	476	-	-
U.S. tax reform impact[2]	1,503	-	1,503	-	-
Related tax effects	184	(268)	(30)	6,402	(2,741)
Adjusted Net Income	$ 22,489	$ 18,284	$ 75,934	$ 64,627	$ 40,282
Adjusted Net Income as a Percentage of Net Revenue	10.2%	9.3%	10.2%	9.7%	7.4%
Adjusted Net Income per Diluted Share [3][4]	$ 0.19	$ 0.16	$ 0.65	$ 0.55	$ 0.34

Notes:

(1) Other non-recurring items include separation costs related to a senior Company executive departure.

(2) On December 22, 2017, the US Tax Cuts and Jobs Act ("U.S. tax reform") was enacted, reducing the United States federal corporate income tax rate from 35% to 21%. As a result, our US deferred income tax asset was remeasured at the reduced rate, resulting in a nonrecurring charge of $1.5 million to deferred income tax expense.

(3) Adjusted Net Income per diluted share for Q4 2018 and Fiscal 2018 is a non-IFRS measure and is calculated by dividing Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at February 25, 2018 (or 117,252,533 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

(4) Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017 is a non-IFRS measure and is calculated by dividing Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at February 26, 2017 (or 117,408,845 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

	Q4 2018 13 weeks	Q4 2017 13 weeks	Fiscal 2018 52 weeks	Fiscal 2017 52 weeks	Fiscal 2016 52 weeks
			(in thousands of Canadian dollars)		
Reconciliation of Comparable Sales to Net Revenue:					
Comparable sales[5]	$ 160,897	$ 141,881	$ 540,915	$ 478,517	$ 418,626
Non-comparable sales	58,907	54,515	202,352	188,664	123,837
Net revenue	$ 219,804	$ 196,396	$ 743,267	$ 667,181	$ 542,463

Note:

(5) The comparable sales for a given period represents revenue (net of sales tax, returns and discounts) from stores that have been opened for at least 56 weeks including eCommerce revenue (net of sales tax, returns and discounts) within that given period. This information is provided to give context for comparable sales in such given period as compared to net revenue reported in our financial statements. Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, we changed our calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1. See relevant definition in "How We Assess the Performance of Our Business" of this MD&A.

	Q4 2018 13 weeks	Q4 2017 13 weeks	Fiscal 2018 52 weeks	Fiscal 2017 52 weeks
Reconciliation of Diluted Shares (for purposes of Adjusted Net Income per diluted share) to Shares Outstanding:				
Weighted average number of basic shares outstanding	111,562,636	107,612,377	110,180,126	104,787,171
Adjustment to account for difference in weighted average number of shares outstanding and actual number of shares outstanding	468,707	1,160,084	1,851,217	3,985,290
Total number of shares outstanding	112,031,343	108,772,461	112,031,343	108,772,461
Dilutive share options under the treasury stock method	5,221,190	8,636,384	5,221,190	8,636,384
Total number of diluted shares for purposes of Adjusted Net Income per diluted share[6][7]	117,252,533	117,408,845	117,252,533	117,408,845

Notes:

(6) Total number of diluted shares for purposes of calculating Adjusted Net Income per diluted share for Q4 2018 and Fiscal 2018 is a non-IFRS measure and is calculated by dividing taking the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at February 25, 2018 (or 117,252,533 diluted shares).

(7) Total number of diluted shares for purposes of calculating Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017 is a non-IFRS measure and is calculated by dividing taking the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at February 26, 2017 (or 117,408,845 diluted shares).

The following table provides selected financial position data for the periods indicated.

		As at February 25, 2018	As at February 26, 2017
Selected Consolidated Financial Position Data:			
Total assets	$	567,678 $	486,845
Total non-current liabilities		176,948	183,728

Results of Operations

Analysis of Results for Q4 2018 to Q4 2017

The following section provides an overview of our financial performance during Q4 2018 compared to Q4 2017.

Net Revenue

Net revenue increased by 11.9% to $219.8 million in Q4 2018, compared to $196.4 million in Q4 2017. The net revenue increase was primarily driven by the addition of six new store openings and seven expanded or repositioned stores since the fourth quarter of Fiscal 2017, as well as comparable sales growth of 6.0%, delivering our 14th consecutive quarter of positive comparable sales growth, resulting from continued momentum in our eCommerce business. The weakening of the U.S. dollar year-over-year in the quarter negatively impacted net revenue growth by approximately 130 basis points, or $2.8 million.

Gross Profit

Gross profit increased by 10.5% to $83.3 million, or 37.9% of net revenue in Q4 2018, compared to $75.4 million, or 38.4% of net revenue in Q4 2017. Our gross profit margin was affected by increased occupancy costs in Q4 2018, including $0.5 million related to our new Vancouver distribution centre under construction. Gross profit margin benefited from the weakening of the U.S. dollar year-over-year and along with continued product cost improvements related to sourcing initiatives, offset by a slightly higher mix of end-of-season sale merchandise compared to last year.

We will continue to incur rent expense for our new distribution centre until its planned opening in the Fall of 2018, which as expected, will temporarily inflate our reported cost of goods sold.

SG&A Expenses

SG&A expenses increased by 2.6% to $50.7 million in Q4 2018, compared to $49.5 million in Q4 2017.

Excluding the impact of Secondary Offering costs of approximately $0.9 million incurred during Q4 2017, SG&A expenses were $48.6 million in Q4 2017. This increase in SG&A expenses was primarily due to variable selling expenses driven by higher sales volume.

SG&A expenses were 23.1% of net revenue in Q4 2018, compared to a normalized 24.7% of net revenue in Q4 2017, after excluding the impact of the aforementioned offering costs. This decrease in SG&A expenses as a percentage of net revenue during the quarter was primarily due to leveraging of selling labor costs and the timing of investments in people and technology.

Other (Income) Expense, net

Other income, net was $0.3 million in Q4 2018, compared to other expense, net of $1.6 million in Q4 2017.

Other income, net of $0.3 million in Q4 2018 primarily relates to:

- unrealized foreign exchange gains on forward contracts of $0.7 million; and
- interest income of $0.3 million, partially offset by
- realized foreign exchange losses on the settlement of forward contracts of $0.7 million.

Other expenses, net of $1.6 million in Q4 2017 primarily relates to:

- unrealized foreign exchange losses on forward contracts of $1.7 million; and
- unrealized and realized operational foreign exchange losses of $0.7 million, partially offset by
- realized foreign exchange gains on the settlement of forward contracts of $0.7 million; and
- interest income of $0.1 million.

Adjusted EBITDA

Adjusted EBITDA increased by 18.0% to $38.1 million, or 17.3% of net revenue in Q4 2018, compared to $32.3 million, or 16.4% of net revenue in Q4 2017, primarily due to the factors discussed above.

Included in Adjusted EBITDA is the aforementioned straight-line rent expense from our new distribution centre under construction of $0.5 million during Q4 2018.

Stock-Based Compensation Expense

Stock-based compensation of $5.6 million was expensed in Q4 2018, compared to $4.4 million in Q4 2017.

Included in Q4 2018 is $1.2 million in expenses related to the accounting for options under our legacy option plan and $4.4 million in expenses primarily related to the accounting for options under our new option plan. Included in the expense for options under our new option plan was $2.3 million recognized from the cancellation of 671,889 time-based options granted to a director and officer. The cancellation of these options results in accelerated vesting in accordance with IFRS 2.

Included in Q4 2017 is $2.3 million in expenses related to the accounting for options under our legacy option plan and $2.1 million in expenses primarily related to the accounting for options under our new option plan.

Finance Expense

Finance expense remained flat at $1.3 million in Q4 2018 and Q4 2017.

Income Tax Expense

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 rates for Q4 2018 and Q4 2017 were 26.4% and 26.3%, respectively.

Income tax expense was $10.0 million in Q4 2018, compared to $7.0 million in Q4 2017 and the effective tax rates for Q4 2018 and Q4 2017 were 38.7% and 37.9%, respectively. The increase in the income tax expense is due to an increase in net income before taxes, and a remeasurement of deferred tax assets due to the U.S. tax reform resulting in a non-recurring charge of $1.5 million to deferred income tax expense. Similarly, the increase in the effective tax rate when compared to Q4 2017 is also primarily driven by this remeasurement adjustment.

Net Income

Net income was $15.9 million in Q4 2018, compared to net income of $11.5 million in Q4 2017. This increase is primarily the result of an 11.9% increase in net revenue and an increase in other income, net, partially offset by a

decrease in gross profit margin, along with an increase in SG&A expenses, stock-based compensation expense and income tax expense.

Adjusted Net Income

Adjusted Net Income increased by 23.0% to $22.5 million, or $0.19 per diluted share (treasury stock method[(4)]) in Q4 2018, compared to $18.3 million, or $0.16 per diluted share (treasury stock method[(5)]) in Q4 2017, primarily due to the factors discussed above. Adjusted net income in Q4 2018 also excludes the impact of a non-recurring charge of $1.5 million to deferred income tax expense from the enactment of the U.S. tax reform.

Included in Adjusted Net Income is the aforementioned straight-line rent expense from our new distribution centre under construction of $0.5 million, net of related tax effects, during Q4 2018.

Analysis of Results for Fiscal 2018 to Fiscal 2017

The following section provides an overview of our financial performance during Fiscal 2018 compared to Fiscal 2017.

Net Revenue

Net revenue increased by 11.4% to $743.3 million in Fiscal 2018 from $667.2 million in Fiscal 2017. The increase was primarily driven by the revenue from new, expanded and repositioned stores and comparable sales growth of 6.6%, resulting from continued momentum in our eCommerce business.

Gross Profit

Gross profit increased by 11.3% to $295.5 million, or 39.8% of net revenue in Fiscal 2018, compared to $265.5 million, or 39.8% of net revenue in Fiscal 2017. The benefit to gross profit margin of product supply chain initiatives and the weakening of the U.S. dollar were offset by increased occupancy costs. The higher occupancy costs were the result of rent expense from the new Vancouver distribution centre and flagship stores under construction of $4.7 million in the aggregate during Fiscal 2018. Fiscal 2017 included rent expense from a flagship store under construction of $0.3 million.

We will continue to incur rent expense for our new distribution centre until its planned opening in the Fall of 2018, which as expected, will temporarily inflate our reported cost of goods.

SG&A Expenses

SG&A expenses increased by 2.8% to $183.9 million in Fiscal 2018, compared to $178.8 million in Fiscal 2017.

Excluding the impact of IPO costs and Secondary Offering costs of approximately $8.6 million incurred during Fiscal 2017, SG&A expenses were $170.2 million in Fiscal 2017. The increase in SG&A expenses was primarily due to variable selling expenses driven by higher sales volume.

SG&A expenses decreased to 24.7% of net revenue in Fiscal 2018, compared to a normalized 25.5% of net revenue in Fiscal 2017 excluding the impact of the aforementioned offering costs.

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(4) Adjusted Net Income per diluted share for Q4 2018 and Fiscal 2018 is a non-IFRS measure and is calculated by dividing Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at February 25, 2018 (or 117,252,533 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

(5) Adjusted Net Income per diluted share for Q4 2017 and Fiscal 2017 is a non-IFRS measure and is calculated by dividing Adjusted Net Income by the total number of outstanding shares plus the total number of dilutive share options that would be included under the treasury stock method as at February 26, 2017 (or 117,408,845 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

Other Expense (Income), net

Other expense, net was $1.9 million in Fiscal 2018, compared to other income, net of $1.4 million in Fiscal 2017.

Other expense, net of $1.9 million in Fiscal 2018 primarily relates to:

- realized foreign exchange losses on the settlement of forward contracts of $2.2 million; and
- realized and unrealized operational foreign exchange losses of $0.8 million, partially offset by
- interest income of $0.9 million; and
- unrealized foreign exchange gains on forward contracts of $0.2 million.

Other income, net of $1.4 million in Fiscal 2017 primarily relates to:

- realized foreign exchange gains on the settlement of our forward contracts of $1.4 million; and
- unrealized foreign exchange gains on forward contracts of $0.2 million; and
- interest income of $0.2 million, partially offset by
- realized and unrealized operational foreign exchange losses of $0.4 million.

Adjusted EBITDA

Adjusted EBITDA increased by 12.8% to $132.7 million, or 17.9% of net revenue in Fiscal 2018, compared to $117.7 million, or 17.6% of net revenue in Fiscal 2017, primarily due to the factors discussed above.

Included in Adjusted EBITDA is the aforementioned straight-line rent expense from our new distribution centre and flagship stores under construction of $4.7 million in the aggregate during Fiscal 2018. Fiscal 2017 included rent expense from a flagship store under construction of $0.3 million.

Stock-Based Compensation Expense

Stock-based compensation of $17.2 million was expensed in Fiscal 2018, compared to $103.0 million in Fiscal 2017.

Included in Fiscal 2018 is $5.7 million in expenses related to the accounting for options under our legacy option plan and $11.5 million in expenses primarily related to the accounting of options under our new option plan.

Stock-based compensation of $103.0 million was expensed in Fiscal 2017 due to the accounting of time-based and performance-based options under the legacy option plan in conjunction with the IPO. In Fiscal 2017, stock-based compensation of approximately $76.1 million was expensed relating to the accounting for fair value adjustments on our time-based option plan, driven by the increase in valuation of our Shares in connection with the IPO. At the end of Q2 2017, we also concluded that it was probable that the performance conditions relating to our performance-based options would be achieved in connection with the IPO. As a result, we also recognized stock-based compensation expense for our performance-based options in the amount of $23.6 million in Fiscal 2017.

Finance Expense

Finance expense was $5.2 million in Fiscal 2018, compared to $10.5 million in Fiscal 2017. The decrease was primarily driven by the write-off of deferred financing costs of $2.9 million associated with the amendment of our credit facilities concurrent with the closing of the IPO in Q3 2017, as well as lower average debt outstanding and lower average interest rates in Fiscal 2018.

Income Tax Expense

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 rates for Fiscal 2018 and Fiscal 2017 were 26.4% and 26.3%, respectively.

Income tax expense was $30.2 million in Fiscal 2018, compared to $30.7 million in Fiscal 2017 and the effective tax rates for Fiscal 2018 and Fiscal 2017 were 34.6% and (121.0%), respectively. The increase in the effective tax rate

when compared to the statutory rate is due to stock-based compensation expense not being deductible for tax purposes and a remeasurement of deferred tax assets at the reduced U.S. federal income tax rate due to the U.S. tax reform. In Fiscal 2017, stock-based compensation was also not a deductible expense, resulting in an increased income tax expense over a loss before income taxes and an effective tax rate of (121.0%).

Net Income (Loss)

Net income for Fiscal 2018 was $57.1 million, compared to net loss of $56.1 million in Fiscal 2017. This increase is primarily the result of an 11.4% increase in net revenue and a decrease in stock-based compensation expense, finance expense and income tax expense, partially offset by higher SG&A expenses and other expense (income), net.

Adjusted Net Income

Adjusted Net Income increased by 17.5% to $75.9 million, or $0.65 per diluted share (treasury stock method[(4)]) in Fiscal 2018, compared to $64.6 million, or $0.55 per diluted share (treasury stock method[(5)]) in Fiscal 2017, primarily due to the factors discussed above. Adjusted net income in Fiscal 2018 also excludes the impact of a non-recurring charge of $1.5 million to deferred income tax expense from the enactment of the U.S. tax reform.

Included in Adjusted Net Income is the aforementioned straight-line rent expense from our new distribution centre and flagship stores under construction of $4.7 million, net of related tax effects, in the aggregate during Fiscal 2018. Fiscal 2017 included rent expense from a flagship store under construction of $0.3 million, net of related tax effects.

Summary of Consolidated Quarterly Results and Certain Performance Measures

The following table summarizes the results of our operations for the last eight most recently completed quarters. This unaudited quarterly information, other than Adjusted EBITDA, Adjusted Net Income and comparable sales growth, has been prepared in accordance with IFRS. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

	Fiscal 2018				Fiscal 2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(in thousands of Canadian dollars)							
Consolidated Statements of Operations:								
Net revenue	$ 219,804	$ 204,449	$ 173,968	$ 145,046	$ 196,396	$ 186,460	$ 157,918	$ 126,407
Gross profit	83,285	91,538	63,130	57,538	75,368	82,273	56,671	51,211
Income (loss) from operations	26,948	39,904	15,514	12,028	21,484	29,844	(80,686)	13,064
Net income (loss)	$ 15,901	$ 28,073	$ 4,990	$ 8,129	$ 11,528	$ (8,097)	$ (67,288)	$ 7,748
Percentage of Net Revenue:								
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	37.9%	44.8%	36.3%	39.7%	38.4%	44.1%	35.9%	40.5%
Income (loss) from operations	12.3%	19.5%	8.9%	8.3%	10.9%	16.0%	(51.1%)	10.3%
Net income (loss)	7.2%	13.7%	2.9%	5.6%	5.9%	(4.3%)	(42.6%)	6.1%
Adjusted EBITDA[1]	38,101	49,962	20,700	23,953	32,281	45,427	19,809	20,147
Adjusted Net Income[1]	22,489	30,595	10,380	12,470	18,284	27,457	9,281	9,605
Other Performance Measures:								
Comparable Sales Growth – constant currency[1][2]	6.0%	6.3%	5.4%	9.3%	12.3%	15.1%	16.4%	12.8%
Comparable Sales Growth – prior methodology[1][2]	6.1%	6.3%	5.3%	9.3%	11.5%	15.2%	16.9%	12.9%
Stores								
Number of stores, beginning of period	84	83	81	79	77	75	74	74
New stores	1	1	2	2	2	2	1	-
Number of stores, end of period	85	84	83	81	79	77	75	74
Stores expanded or repositioned	2	3	1	1	-	2	1	2

Note:

(1) See "How We Assess the Performance of Our Business" for definitions of Adjusted EBITDA, Adjusted Net Income and Comparable Sales Growth, which are non-IFRS measures including Retail Industry Metrics. See also "Non-IFRS Measures".

(2) Our comparable sales growth calculation excludes the impact of foreign currency fluctuations. Beginning Q1 2018, we changed our calculation methodology by applying the prior year's average quarterly exchange rate to both current year and prior year comparable sales to achieve a consistent basis for comparison. Prior to Q1 2018, comparable sales growth was calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1. The prior fiscal quarters have been recalculated using the new constant currency calculation.

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, capital expenditures and debt service requirements. We believe that cash generated from operations, together with amounts available under our credit facilities (defined herein), are expected to be sufficient to meet our future operating expenses, capital expenditures and future debt service requirements. Our ability to fund operating expenses, capital expenditures and future debt service requirements will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See "Summary of Factors Affecting Performance" and "Risk Factors" of this MD&A for additional information. We review investment opportunities in the normal course of our business and may make select investments to implement our business strategy when suitable opportunities arise. Historically, the funding for any such investments has come from cash flows from operating activities and/or our credit facilities.

Credit Facilities

As at February 25, 2018, the aggregate amount outstanding under our term credit facility was $118.7 million, maturing on May 13, 2019 ("Term Credit Facility"). A $70.0 million revolving credit facility is also available as part of this facility ("Revolving Credit Facility" and together with the Term Credit Facility, the "Credit Facilities"). No amounts were drawn on the Revolving Credit Facility as at February 25, 2018. Scheduled mandatory repayments of the Term Credit Facility will be $19.2 million in February 2019, with the balance due on the maturity date of May 13, 2019. In addition, the Term Credit Facility requires mandatory loan prepayments by us of principal and interest if certain events occur. See "Contractual Obligations – Off-Balance Sheet Arrangements and Commitments" for letters of credit issued.

Concurrent with the IPO, amendments to our Credit Facilities with our syndicate of lenders became effective. Each of the Credit Facilities has various interest rate charge options that are based on Canadian prime rates, base rates and LIBOR rates plus the applicable margin from time to time in effect. The amendment included allowing us to enter into bi-lateral letters of credit agreements of up to $75.0 million with different lenders, lowering the applicable margin on interest rates and amending other terms and conditions.

On March 29, 2017 and July 25, 2017, we entered into trade finance agreements for letters of credit, $50.0 million with HSBC and $25.0 million with CIBC, respectively, all secured *pari passu* with the Credit Facilities. The interest rate is between 1.17% and 2.00%.

The credit agreement contains restrictive covenants customary for credit facilities of this nature, including restrictions on us and each credit facility guarantor, subject to certain exceptions, to incur indebtedness, grant liens, merge, amalgamate or consolidate with other companies, transfer, lease or otherwise dispose of all or substantially all of its assets, liquidate or dissolve, engage in any material business other than the fashion retail business, make investments, acquisitions, loans, advances or guarantees, make any restricted payments, enter into transactions with affiliates, repay indebtedness, enter into restrictive agreements, enter into sale-leaseback transactions, ensure pension plan compliance, sell or discount receivables, enter into agreements with unconditional purchase obligations, issue shares, create or acquire a subsidiary or make any hostile acquisitions.

Cash Flows

The following table presents cash flows for the periods and fiscal years indicated.

	Q4 2018 13 weeks	Q4 2017 13 weeks	Fiscal 2018 52 weeks	Fiscal 2017 52 weeks
	(in thousands of Canadian dollars)			
Net cash generated from operating activities	$ 38,809	$ 30,176	$ 105,358	$ 112,102
Net cash (used in) generated from financing activities	(12,694)	1,785	(5,974)	(5,060)
Net cash used in investing activities	(18,784)	(11,610)	(66,330)	(31,136)
Effect of exchange rate changes on cash and cash equivalents	(35)	(223)	(106)	35
Increase in cash and cash equivalents	$ 7,296	$ 20,128	$ 32,948	$ 75,941

Analysis of Cash Flows for the Fourth Quarter and Fiscal 2018

Cash Flows Generated from Operating Activities

For Q4 2018, cash flows generated from operating activities totalled $38.8 million, compared to $30.2 million in Q4 2017. This increase was primarily attributable to higher Adjusted EBITDA and a lower use of working capital due to the timing of certain payments.

For Fiscal 2018, cash flows generated from operating activities totalled $105.4 million, compared to $112.1 million for Fiscal 2017. This decrease was primarily due to higher income taxes paid during Fiscal 2018 and a higher use of working capital due to the timing of certain payments, partially offset by higher Adjusted EBITDA and lower offering costs in Fiscal 2018.

Cash Flows (Used in) Generated from Financing Activities

For Q4 2018, cash flows used in financing activities totalled $12.7 million, compared to cash flows of $1.8 million generated in Q4 2017. This increase was primarily due to a repayment on our Credit Facilities made in Q4 2018, partially offset by higher net proceeds received from options exercised in Q4 2018.

For Fiscal 2018, cash flows used in financing activities totalled $6.0 million, compared to $5.1 million in Fiscal 2017. This increase was primarily due to higher repayments on our Credit Facilities made in Fiscal 2018, partially offset by higher net proceeds received from options exercised in Fiscal 2018.

Cash Flows Used in Investing Activities

For Q4 2018, cash flows used in investing activities totalled $18.8 million, compared to $11.6 million in Q4 2017. This increase was primarily due to timing of capital expenditures related to new stores and store expansions and repositions, as well as the construction commencement of our expanded distribution centre during Q4 2018.

For Fiscal 2018, cash flows used in investing activities totalled $66.3 million, compared to $31.1 million in Fiscal 2017. This increase was primarily due to timing of capital expenditures related to new stores and store expansions and repositions, as well as the implementation of our new POS system and construction commencement of our distribution centre during Fiscal 2018.

Contractual Obligations

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at February 25, 2018.

	Less than 1 year	1 to 5 years	More than 5 years	Total
	(in thousands of Canadian dollars)			
Accounts payable and accrued liabilities	$ 66,195	$ -	$ -	$ 66,195
Finance lease obligations	399	-	-	399
Assumed interest on long-term debt[1]	4,236	761	-	4,997
Debt[2]	19,127	99,611	-	118,738
Total contractual obligations	$ 89,957	$ 100,372	$ -	$ 190,329

Notes:

(1) Based on interest rate in effect as at February 25, 2018.

(2) The Term Credit Facility requires mandatory loan prepayments by Aritzia of principal and interest if certain events occur.

Off-Balance Sheet Arrangements and Commitments

The following table summarizes our off-balance sheet arrangements and commitments as at February 25, 2018.

	Less than 1 year	1 to 5 years	More than 5 years	Total
	(in thousands of Canadian dollars)			
Operating leases	$ 80,470	$ 314,467	$ 262,713	$ 657,650
Purchase obligations	24,177	-	-	24,177
	$ 104,647	$ 314,467	$ 262,713	$ 681,827

Operating leases for certain of our premises include renewal options, rent escalation clauses and free-rent periods. The operating lease commitment reflects minimum annual commitments for our operating leases for our premises (excluding other occupancy charges and additional rent based on a percentage of revenue).

Our third party manufacturers purchase raw materials on our behalf to be used for future production. As at February 25, 2018, we had $24.2 million of raw materials not already included for use in purchase orders.

We enter into trade letters of credit to facilitate the international purchase of inventory. We also enter into standby letters of credit to secure certain of our obligations, including leases and duties related to import purchases. As at February 25, 2018, letters of credit totalling $20.9 million have been issued.

Other than those items disclosed here and elsewhere in this MD&A and our consolidated financial statements, we do not have any material off-balance sheet arrangements or commitments as at February 25, 2018.

Subsequent to year end, we entered into additional operating leases, increasing the total minimum lease commitments by $46.8 million (excluding other occupancy charges and additional rent based on percentage of sales).

Financial Instruments

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to the U.S. dollar for U.S. dollar merchandise purchases sold in Canada. We currently do not apply hedge accounting. The fair value of the forward contracts is included in prepaid expenses and other current assets or in accounts payable and accrued liabilities, depending on whether they represent assets or liabilities to us. Changes in the fair value of foreign currency forward contracts are recorded in net income (loss). As at February 25, 2018, we had approximately $30.3 million of U.S. dollar denominated forward contracts outstanding at an average forward rate of 1.2494. The forward contracts had a positive fair value of $0.4 million as at February 25, 2018.

Related Party Transactions *(in thousands of Canadian dollars unless otherwise indicated)*

Berkshire Partners LLC ("Berkshire") is the investment manager to private equity funds that indirectly hold an ultimate controlling interest in us. Berkshire provided consulting and management advisory services to us pursuant to a Management Agreement dated December 19, 2005. Concurrent with the closing of the IPO, we terminated the Management Agreement with Berkshire.

During the year ended February 26, 2017, we incurred management fees of $190 for services rendered. Total net reimbursements to Berkshire for travel, lodging and other costs for the year ended February 25, 2018 were $66 (February 26, 2017 - $247).

In connection with the IPO and Secondary Offering, we reimbursed in aggregate $1.4 million in professional fees and other costs to the principal selling shareholders in accordance with our obligations under the registration rights agreement. At February 25, 2018, $652 was included in accounts payable and accrued liabilities (February 26, 2017 - $948).

During the year ended February 25, 2018, we purchased $8.3 million (February 26, 2017 - $10.8 million) of merchandise from a company partially owned by private equity funds managed by Berkshire. In August 2017, Berkshire exited its investment from the merchandise company; as such, purchases from the merchandise company subsequent to August 2017 are not considered related party transactions. At February 26, 2017, $47 was included in accounts payable and accrued liabilities.

During the year ended February 25, 2018, we paid $3.6 million (February 26, 2017 – $2.2 million) for rent of premises and $385 (February 26, 2017 - $nil) for the use of a leased asset wholly or partially owned by companies that are owned by a director and officer of the Company. At February 25, 2018, $100 (February 26, 2017 - $nil) was included in accounts payable and accrued liabilities.

During the year ended February 26, 2017, we provided unsecured loans bearing interest at a rate between 1% to 5% to certain employees, with certain repayment terms. As at February 25, 2018, the outstanding balance on the employee loans was $nil (February 26, 2017 - $125) and was included in accounts receivable and/or other assets.

Transactions with Key Management

Key management includes our directors and executive team. Compensation awarded to key management includes:

	Q4 2018 13 weeks	Q4 2017 13 weeks	Fiscal 2018 52 weeks	Fiscal 2017 52 weeks
	(in thousands of Canadian dollars)			
Salaries, directors' fees and short-term benefits	$ 852	$ 855	$ 3,117	$ 3,084
Stock-based compensation expense	3,326	1,773	7,358	14,781
	$ 4,178	$ 2,628	$ 10,475	$ 17,865

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

The following discusses the most significant accounting judgments and estimates made by management in preparation of the consolidated financial statements:

Valuation of Finished Goods Inventory

Inventory, consisting of finished goods, is stated at the lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventories includes the cost of merchandise and all costs incurred to deliver the inventory to our distribution centres including freight and duty.

We periodically review our inventories and make provisions as necessary to appropriately value obsolete or damaged goods. In addition, as part of inventory valuations, we accrue for inventory shrinkage for lost or stolen items based on historical trends from actual physical inventory counts.

Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The recoverable value is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

For the purposes of assessing impairment, assets are grouped at the lowest levels where there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Stock-Based Compensation Expense

Stock-based compensation expense requires the use of estimates in the Black-Scholes option pricing model. The classification of stock options as an equity-settled or cash-settled plan is influenced by judgment in determining the expected settlement of the option. Judgment is also required in determining the timing of expense recognition for performance-based options.

Income Tax Expense

Income tax expense requires judgment to determine when tax losses, credits and provisions are recognized based on tax rules in various jurisdictions.

Significant New Accounting Standards Adopted

In December 2014, the IASB issued amendments to International Accounting Standard ("IAS") 1, "Presentation of Financial Statements", as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. We adopted IAS 1 for our consolidated financial statements during the year ended February 26, 2017, and no material changes have been made as a result of this amendment to IAS 1.

In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows", which are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. We adopted amendments to IAS 7 for our consolidated financial statements during the year ended February 25, 2018. Implementation of the standard has not had a material effect on the consolidated financial statements.

Significant New Accounting Standards Issued But Not Yet Adopted

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The implementation of the standard is not expected to have a material quantitative impact on the consolidated financial statements. We are currently evaluating the effects of the disclosure requirements of IFRS 15 on our consolidated financial statements and expect to apply the standard in accordance with its future mandatory effective date.

In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments", which reflects all phases of the financial instruments project and replaces IAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of IFRS 9. The new standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. We have determined that the adoption of IFRS 9 will have no material impact on our consolidated financial statements with respect to our historical debt modifications. We are currently evaluating the effects of the disclosure requirements of IFRS 9 on our consolidated financial statements and expect to apply the standard in accordance with its future mandatory effective date.

In January 2016, the IASB issued IFRS 16, "Leases", which sets out a new model for lease accounting replacing IAS 17. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. While we are currently evaluating the impact this new guidance will have on our consolidated financial statements, the recognition of certain leases is expected to increase the assets and liabilities on our consolidated statements of financial position upon adoption. As a result, we expect IFRS 16 to have a fundamental change on the consolidated statements of financial position. We expect to apply the standard in accordance with its future mandatory effective date.

In June 2016, the IASB issued amendments to IFRS 2, "Share-based Payment", clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective prospectively for annual periods beginning on or after January 1, 2018 with early application permitted. We have determined that the adoption of IFRS 2 will have no material impact on our consolidated financial statements.

Outlook

The first quarter of fiscal 2019 is off to a strong start with the Spring and Summer collections being well-received by our customers, putting us on track for sequentially higher comparable sales growth for the quarter.

For fiscal 2019, we expect to deliver low to mid-teens revenue growth and consistent Adjusted EBITDA margin, as compared to Fiscal 2018. This assumes:

- Five to six new stores including the Babaton store in Square One Shopping Centre in Toronto, and the Aritzia store in CrossIron Mills in Calgary both already opened in the first quarter.

- Four to five store expansions or repositions.

- Gross profit margin benefit from sourcing initiatives will be offset by higher raw material costs for the Fall/Winter season.

- SG&A expenses will grow proportionately with revenue growth in fiscal 2019. We will continue to make strategic investments in people, technology and infrastructure, primarily related to eCommerce, to support its long term growth. The majority of investments related to our eCommerce platform improvements are expensed within SG&A.

- Net capital expenditures in the range of $55 million to $60 million with approximately 50% for store network expansion.

- Fiscal 2019 is a 53 week year.

Overall, we remain on track to meet or exceed our stated fiscal 2021 performance targets.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the Company's AIF, which is available on SEDAR at *www.sedar.com*.

In addition, we are exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit and liquidity risk, as summarized below. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance.

Risk management is carried out under practices approved by our Audit Committee. This includes reviewing and making recommendations to the Board on the adequacy of our risk management policies and procedures with regard to identifying the Company's principal risks and implementing appropriate systems and controls to manage these risks. Risk management covers many areas of risk including, but not limited to, foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Foreign Exchange Risk

We source the majority of our raw materials and merchandise from various suppliers in Asia and Europe with the vast majority of purchases denominated in U.S. dollars. Our foreign exchange risk is primarily with respect to the U.S. dollar but we have limited exposure to other currencies as well. We use foreign exchange forward contracts to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada.

Interest Rate Risk

We are exposed to changes in interest rates on our cash and cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates exposes us to cash flow interest rate risk. Debt issued at fixed rates exposes us to fair value interest rate risk. During the period, we had only variable interest rate debt.

Credit Risk

Credit risk refers to the possibility that we can suffer financial losses due to the failure of our counterparties to meet their payment obligations. We are exposed to minimal credit risk. We do not extend credit to customers, but do have some receivable exposure in relation to tenant improvement allowances. To reduce this risk, we enter into leases with landlords with established credit history, and for certain leases, we may offset rent payments until accounts receivable are fully satisfied. We deposit our cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. We only enter into derivative contracts with major financial institutions, as described above, for the purchase of foreign currency forward contracts.

Liquidity risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. We manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our revenue, income and working capital needs. The Revolving Credit Facility is used to maintain liquidity.

Controls and Procedures

Disclosure controls and procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis, including the CEO and the CFO, so that they can make appropriate decisions regarding public disclosure, including information contained in annual and interim filings, including the consolidated financial statements, MD&A, Annual Information Form, and other documents and external communications.

As required by CSA National Instrument 52-109 ("NI 52-109"), Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the adequacy of the design (quarterly) and effective operation (annually) of the Company's disclosure controls and procedures was conducted under the supervision of management, including the CEO and CFO, as of February 25, 2018. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO

and the CFO have concluded that the design and operation of the system of disclosure controls and procedures were effective as at February 25, 2018.

Internal control over financial reporting

Management is also responsible for establishing and maintaining appropriate internal control over financial reporting. The Company's internal control over financial reporting include, but are not limited to, detailed policies and procedures relating to financial accounting and reporting, and controls over systems that process and summarize transactions. The Company's procedures for financial reporting also include the active involvement of qualified financial professionals, senior management and its Audit Committee.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As also required by NI 52-109, management, including the CEO and CFO, evaluated the adequacy of the design (quarterly) and the effective operation (annually) of the Company's internal control over financial reporting as defined in NI 52-109, as at February 25, 2018. In making this assessment, management, including the CEO and CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls, and a conclusion about this evaluation. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the internal controls over financial reporting were effective as at February 25, 2018 in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

Changes in Internal Control Over Financial Reporting

During the quarter and year ended February 25, 2018, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Share Information Prior to the Completion of the IPO

Prior to the completion of the IPO, we had an unlimited authorized number of Class A, B, C and D common shares, with no par value. The Class A, B, C and D common shares were identical, except for an additional 0.001% voting right attached to each Class B common share and no voting right attached to each Class D common share. The Class A, B, C and D common shares ranked *pari passu* in all respects, including the right to receive dividends and upon any distribution of our assets.

Prior to the completion of the IPO, we had 110,987,688 Class A common shares and 62,781,263 Class C common shares issued and outstanding. In addition, there were 28,692,457 options (after giving effect to the cancellation of 898,625 options upon closing), each exercisable for one common share, issued and outstanding. Assuming exercise of all outstanding options, there would have been 202,461,408 common shares issued and outstanding on a fully diluted basis.

Current Share Information

As of May 9, 2018, an aggregate of 56,434,240 Shares, 55,756,002 multiple voting shares and no preferred shares are issued and outstanding. All of the issued and outstanding multiple voting shares are, directly or indirectly, held or controlled by the principal shareholders. As of May 9, 2018, an aggregate of 12,475,874 options to acquire Shares are outstanding.

Additional Information

Additional information relating to the Company, including the Company's AIF, is available on SEDAR at *www.sedar.com*. The Company's Shares are listed for trading on the Toronto Stock Exchange ("TSX") under the symbol "ATZ".

ARITZIA

Aritzia Inc.

Consolidated Financial Statements
February 25, 2018 and February 26, 2017
(in thousands of Canadian dollars)

May 10, 2018

Independent Auditor's Report

To the Shareholders of Aritzia Inc.

We have audited the accompanying consolidated financial statements of Aritzia Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at February 25, 2018 and February 26, 2017 and the consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aritzia Inc. and its subsidiaries as at February 25, 2018 and February 26, 2017 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Aritzia Inc.

Consolidated Statements of Financial Position

As at February 25, 2018 and February 26, 2017

(in thousands of Canadian dollars)

	Note	February 25, 2018	February 26, 2017
Assets			
Current assets			
Cash and cash equivalents		$ $112,475	$ 79,527
Accounts receivable		2,413	2,624
Inventory	*5*	78,833	74,184
Income taxes recoverable		1,728	-
Prepaid expenses and other current assets		15,307	12,743
Total current assets		210,756	169,078
Property and equipment	*6*	135,672	95,695
Intangible assets	*7*	61,387	58,484
Goodwill	*7*	151,682	151,682
Other assets		1,664	2,052
Deferred tax assets	*16*	6,517	9,854
Total assets		$ 567,678	$ 486,845
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	*8*	$ 66,195	$ 50,484
Income taxes payable		–	19,222
Current portion of lease obligations	*6*	399	766
Current portion of long-term debt	*10*	19,127	15,288
Deferred revenue		19,308	15,749
Total current liabilities		105,029	101,509
Other non-current liabilities	*9*	59,566	47,711
Deferred tax liabilities	*16*	17,922	16,555
Lease obligations	*6*	–	983
Long-term debt	*10*	99,460	118,479
Total liabilities		281,977	285,237
Shareholders' Equity			
Share capital	*12*	171,130	131,853
Contributed surplus		76,522	88,612
Retained earnings (deficit)		38,613	(18,480)
Accumulated other comprehensive loss		(564)	(377)
Total shareholders' equity		285,701	201,608
Total liabilities and shareholders' equity		$ 567,678	$ 486,845

Commitments and contingencies (note 18)

Subsequent events (notes 18 and 23)

Approved by the Board of Directors

Brian Hill Director   Marni Payne Director

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

Aritzia Inc.
Consolidated Statements of Operations
For the years ended February 25, 2018 and February 26, 2017

(in thousands of Canadian dollars, except number of shares and per share amounts)

	Note	February 25, 2018	February 26, 2017
Net revenue		$ 743,267	$ 667,181
Cost of goods sold	*15*	447,776	401,658
Gross profit		295,491	265,523
Operating expenses			
Selling, general and administrative		183,857	178,773
Stock-based compensation expense	*13, 15*	17,240	103,044
Income (loss) from operations		94,394	(16,294)
Finance expense	*15*	5,221	10,455
Other expense (income), net		1,890	(1,362)
Income (loss) before income taxes		87,283	(25,387)
Income tax expense	*16*	30,190	30,722
Net income (loss)		$ 57,093	$ (56,109)
Net income (loss) per share			
Basic	*14*	$ 0.52	$ (0.54)
Diluted	*14*	0.49	(0.54)
Weighted average number of shares outstanding *(thousands)*			
Basic	*14*	110,180	104,787
Diluted	*14*	116,280	104,787

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

Aritzia Inc.
Consolidated Statements of Comprehensive Income (Loss)
For the years ended February 25, 2018 and February 26, 2017

(in thousands of Canadian dollars)

	February 25, 2018	February 26, 2017
Net income (loss)	$ 57,093	$ (56,109)
Other comprehensive loss		
Items that are or may be reclassified subsequently to net income:		
Foreign currency translation adjustment	(187)	(59)
Comprehensive income (loss)	$ 56,906	$ (56,168)

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

Aritzia Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended February 25, 2018 and February 26, 2017

(in thousands of Canadian dollars, except number of shares)

	Class A common shares		Class C common shares		Multiple voting shares		Subordinate voting shares		Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total shareholders' equity
	Shares	Amounts	Shares	Amounts	Shares	Amounts	Shares	Amounts				
Balance, February 28, 2016	110,987,688	$ 66,507	62,781,263	$ 8,864	-	$ -	-	$ -	$ -	$ 37,629	$ (318)	$ 112,682
Net loss	-	-	-	-	-	-	-	-	-	(56,109)	-	(56,109)
Share exchange pre-IPO (note 12)	(110,987,688)	(66,507)	(62,781,263)	(8,864)	168,715,036	72,343	5,053,915	3,028	-	-	-	-
Share consolidation (note 12)	-	-	-	-	(68,638,488)	-	(2,056,089)	-	-	-	-	-
Stock-based compensation liability modification to equity (note 13)	-	-	-	-	-	-	-	-	107,215	-	-	107,215
Options exercised (note 13)	-	-	-	-	-	-	5,698,087	56,482	(48,536)	-	-	7,946
Share exchange at IPO (note 12)	-	-	-	-	(24,880,069)	-	24,880,069	-	-	-	-	-
Share exchange at Secondary Offering (note 12)	-	-	-	-	(19,440,477)	-	19,440,477	-	-	-	-	-
Stock-based compensation expense (note 13)	-	-	-	-	-	-	-	-	29,933	-	-	29,933
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	(59)	(59)
Balance, February 26, 2017	-	$ -	-	$ -	55,756,002	$ 72,343	53,016,459	$ 59,510	$ 88,612	$ (18,480)	$ (377)	$ 201,608
Net income	-	-	-	-	-	-	-	-	-	57,093	-	57,093
Options exercised (note 13)	-	-	-	-	-	-	3,258,882	39,277	(29,002)	-	-	10,275
Stock-based compensation expense (note 13)	-	-	-	-	-	-	-	-	16,912	-	-	16,912
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	(187)	(187)
Balance, February 25, 2018	-	$ -	-	$ -	55,756,002	$ 72,343	56,275,341	$ 98,787	$ 76,522	$ 38,613	$ (564)	$ 285,701

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

Aritzia Inc.

Consolidated Statements of Cash Flows

For the years ended February 25, 2018 and February 26, 2017

(in thousands of Canadian dollars)

	Note	February 25, 2018	February 26, 2017
Operating activities			
Net income (loss) for the year		$ 57,093	$ (56,109)
Adjustments for:			
Depreciation and amortization		22,844	21,129
Finance expense		5,221	10,455
Stock-based compensation expense	*13, 15*	17,240	103,044
Amortization of deferred rent		8,370	2,866
Amortization of deferred lease inducements		(3,224)	(2,517)
Unrealized foreign exchange gain on forward contracts	*11*	(233)	(181)
Other		(199)	-
Income tax expense	*16*	30,190	30,722
Proceeds from deferred lease inducements		7,077	8,064
Cash generated before non-cash working capital balances and interest and income taxes		144,379	117,473
Net change in non-cash working capital balances	*20*	13,013	20,814
Cash generated before interest and income taxes		157,392	138,287
Interest paid		(5,314)	(6,958)
Income taxes paid		(46,720)	(19,227)
Net cash generated from operating activities		105,358	112,102
Financing activities			
Repayment of long-term debt	*10*	(15,321)	(11,491)
Repayment of lease obligations	*6*	(928)	(755)
Payment of financing fees	*10*	-	(827)
Proceeds from options exercised	*13*	10,275	8,013
Net cash used in financing activities		(5,974)	(5,060)
Investing activities			
Purchase of property and equipment	*6*	(61,061)	(29,807)
Purchase of intangible assets	*7*	(5,269)	(1,329)
Net cash used in investing activities		(66,330)	(31,136)
Effect of exchange rate changes on cash and cash equivalents		(106)	35
Increase in cash and cash equivalents		32,948	75,941
Cash and cash equivalents - Beginning of year		79,527	3,586
Cash and cash equivalents - End of year		$ 112,475	$ 79,527

Supplemental cash flow information (note 20)

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

(in thousands of Canadian dollars, unless otherwise noted)

1 Nature of operations and basis of presentation

Nature of operations

Aritzia Inc. and its subsidiaries (collectively referred to as the "Company") is a vertically integrated design house of exclusive fashion brands. The Company designs apparel and accessories for its collection of exclusive brands and sells them under the Aritzia banner. The Company's range of women's fashion apparel and accessories addresses a range of style preferences and lifestyle requirements. As at February 25, 2018, there were 85 retail stores (February 26, 2017 – 79 retail stores).

Aritzia Inc. is a corporation governed by the Business Corporations Act (British Columbia). The address of its registered office is 666 Burrard Street, Suite 1700, Vancouver, B.C., Canada, V6C 2X8. On August 10, 2016, the Company changed its name from Aritzia Capital Corporation to Aritzia Inc.

On October 3, 2016, the Company completed an initial public offering (the "IPO") of its subordinate voting shares through a secondary sale of shares by its principal shareholders.

The IPO of 25,000,000 subordinate voting shares at $16.00 per subordinate voting share raised gross proceeds of $400.0 million for the selling shareholders. In addition, such shareholders of the Company granted the underwriters an over-allotment option to purchase from the selling shareholders an additional 3,750,000 subordinate voting shares at an exercise price of $16.00 per subordinate voting share. The over-allotment option was fully exercised after the IPO and raised additional gross proceeds of $60.0 million for the selling shareholders. Underwriting fees were paid by the selling shareholders, and other expenses related to the IPO of approximately $7.7 million were incurred and are being paid by the Company.

On January 26, 2017, the Company completed a secondary offering (the "Secondary Offering") on a bought deal basis of its subordinate voting shares through a secondary sale of shares by certain shareholders, as well as a concurrent block trade by a group of employees of the Company (the "Concurrent Block Trade").

The Secondary Offering of 20,100,000 subordinate voting shares and the sale of 1,788,366 subordinate voting shares through the Concurrent Block Trade raised gross proceeds of $382.0 million for the selling shareholders, at a price of $17.45 per subordinate voting share. Underwriting fees were paid by the selling shareholders, and other expenses related to the Secondary Offering of approximately $0.8 million were incurred and paid by the Company.

The Company's subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol "ATZ".

(in thousands of Canadian dollars, unless otherwise noted)

Basis of preparation

The Company's fiscal year-end is the Sunday closest to the last day of February, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year, which last occurred in fiscal 2013. All references to 2018 and 2017 represent the fiscal years ended February 25, 2018 and February 26, 2017, respectively.

Seasonality of operations

The Company's business is affected by the pattern of seasonality common to most retail apparel businesses. Historically, the Company has recognized a significant portion of its operating profit in the third and fourth fiscal quarters of each year as a result of increased net revenue during the back-to-school and holiday season.

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments, the cash-settled legacy option plan and Deferred Share Units ("DSUs") as disclosed in the accounting policies set out in note 2.

These consolidated financial statements were authorized for issue by the Board of Directors on May 10, 2018.

2 Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Aritzia LP and United States of Aritzia Inc. All intercompany transactions and balances are eliminated on consolidation, and consistent accounting policies are applied across the Company.

Functional and presentation currency

The functional currency for each entity included in these consolidated financial statements is the currency of the primary economic environment in which the entity operates. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

U.S. operations

Assets and liabilities of the Company's U.S. operations have a functional currency of U.S. dollars and are translated into Canadian dollars at the exchange rate in effect at the reporting date. Revenues and

(in thousands of Canadian dollars, unless otherwise noted)

expenses are translated into Canadian dollars at average exchange rates during the reporting period. The resulting unrealized translation gains or losses are included in other comprehensive income (loss).

Translation of other foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currencies at the exchange rate at that date. Other consolidated statement of financial position items denominated in foreign currencies are translated into the functional currencies at the exchange rate prevailing at the respective transaction dates. Revenues and expenses denominated in foreign currencies are translated into the functional currencies at average exchange rates during the period. The resulting gains or losses on translation are included in the determination of net income (loss).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and term deposits with an original maturity of less than three months. At February 25, 2018, the Company had $108.3 million in cash held in term deposits classified as cash equivalents (February 26, 2017 - $68.8 million).

Accounts receivable

Accounts receivable primarily comprise landlord lease inducement receivables and duty drawback receivables from the relevant governmental authorities. The Company records a landlord lease inducement receivable when the Company has fulfilled certain requirements under the lease agreement to be eligible to receive cash. An allowance for doubtful accounts represents management's best estimate of probable credit losses in accounts receivable. Receivables are written off against the allowance when management believes that the amount receivable will not be recovered. At February 25, 2018 and February 26, 2017, the Company recorded no allowance for doubtful accounts.

Prepaid expenses and other current assets

Prepaid expenses and other current assets comprise prepaid expenses, deposits and packaging supplies.

Inventory

Inventory, consisting of finished goods, is stated at lower of cost and net realizable value. Cost is determined using weighted average costs. Cost of inventories includes the cost of merchandise and all costs incurred to deliver inventory to the Company's distribution centres including freight and duty.

The Company periodically reviews its inventories and makes provisions as necessary to appropriately value obsolete or damaged goods. In addition, as part of inventory valuations, the Company accrues for inventory shrinkage for lost or stolen items based on historical trends.

(in thousands of Canadian dollars, unless otherwise noted)

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The Company capitalizes borrowing costs incurred as part of the financing of the acquisition and construction of property and equipment. Maintenance and repairs are expensed as incurred. Cost and related accumulated depreciation for property and equipment are removed from the accounts upon their sale or disposition and the resulting gain or loss is reflected in the results of operations.

Depreciation is recognized in net income (loss) on a straight-line basis over the estimated useful lives of each component of an item of property and equipment, commencing when the assets are ready for use, as follows:

Computer hardware and software	3 - 10 years
Furniture and equipment	3 - 10 years
Leasehold improvements	shorter of lease term and estimated useful life

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. Depreciation expense is recorded in the consolidated statements of operations in cost of goods sold and selling, general and administrative expenses.

Intangible assets

Intangible assets are recorded at cost and include trade names, trademarks, non-competition agreements, retail leases and internally developed computer software.

Significant costs to purchase any trademarks from third parties are capitalized and amortized over the useful lives of the assets. Cost includes all expenditures that are directly attributable to the acquisition or development of the asset.

The Company capitalizes, in intangible assets, direct costs incurred during the application and infrastructure development stages of developing computer software for internal use. All costs incurred during the preliminary project stage, including project scoping, identification and testing of alternatives, are expensed as incurred.

(in thousands of Canadian dollars, unless otherwise noted)

The Aritzia trade name has been determined to have an indefinite life and is not amortized. The remaining intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Other trade names and trademarks	term of registration or up to a maximum of 20 years
Retail leases included in other intangible assets	term of lease
Computer software	3 - 7 years

Estimates of useful lives, residual values and methods of amortization are reviewed annually. Any changes are accounted for prospectively as a change in accounting estimate. Amortization expense is recorded in the consolidated statements of operations in cost of goods sold and selling, general and administrative expenses.

Goodwill

Goodwill represents non-identifiable intangible assets acquired on business combinations.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit or "CGU"). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is reassessed if the terms of the lease are changed.

(in thousands of Canadian dollars, unless otherwise noted)

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. The Company carries on its operations in premises under leases of varying terms, which are accounted for as operating leases. Operating leases are recorded on a straight-line basis over the term of the lease beginning on the possession date. Accordingly, reasonably assured rent escalations are amortized over the lease term, and free-rent periods are allocated to a portion of rent expense. The difference between the recognized rental expense and the total rental payments is reflected in the consolidated statements of financial position as a deferred lease liability. Contingent rental payments based on sales volumes are recorded in the period in which the sales occur.

Tenant allowances are recorded as deferred lease credits on the consolidated statements of financial position and amortized as a reduction of rent expense over the term of the respective leases.

Finance leases

Finance leases are capitalized at the commencement of the lease at the inception-date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance expense in the consolidated statements of operations. An asset under a finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company may be required to settle. The Company's asset retirement obligations are primarily associated with leasehold improvements that the Company is contractually obligated to remove at the end of a lease. At inception of a lease with such conditions, the Company recognizes the best estimate of the fair value of the liability, with a corresponding increase in the carrying value of the related asset. The liability, recorded in other non-current liabilities, is estimated based on a number of assumptions requiring management's judgment, including store closing costs, cost inflation rates and discount rates, and is accreted to its projected future value over time. The capitalized asset is depreciated over its useful life. Upon satisfaction of the asset retirement obligation conditions, differences between the recorded asset retirement obligation liability and the actual retirement costs incurred are recognized as a gain or loss in the consolidated statements of operations.

(in thousands of Canadian dollars, unless otherwise noted)

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire and financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. All financial instruments upon initial recognition are measured at fair value and are classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL"), loans and receivables, other financial liabilities or derivative instruments. Loans and receivables and other financial liabilities are measured at amortized cost and derivative instruments are measured at FVTPL. The following classifications have been applied:

- cash and cash equivalents and accounts receivable are classified as loans and receivables;
- bank indebtedness, accounts payable and accrued liabilities, lease obligations and long-term debt are classified as other financial liabilities; and
- foreign currency forward contracts are classified as financial assets or financial liabilities at FVTPL.

Bank indebtedness and long-term debt are initially recognized at fair value, net of recognized transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

Financial assets and financial liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs based on a company's own assumptions about market participant assumptions using the best information available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 - Valuations based on quoted inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

(in thousands of Canadian dollars, unless otherwise noted)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Share capital

Multiple voting shares and subordinate voting shares are classified as shareholders' equity. Incremental costs directly attributable to the issuance of shares are shown in equity as a deduction, net of tax, from the proceeds of the issuance. When share capital recognized as equity is re-purchased for cancellation, the amount of consideration paid, which includes directly attributable costs, net of tax, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to retained earnings.

Revenue recognition

Net revenue reflects the Company's sales of merchandise, less returns and discounts. Retail revenue is recognized when the customer receives and pays for the merchandise at the point of sale, net of an estimated allowance for returns. For merchandise that is ordered and paid in a store and subsequently picked up by the customer, revenue is deferred until the customer receives the merchandise. eCommerce revenue is recognized at the estimated date of receipt of the merchandise by the customer, net of an estimated allowance for returns. Revenues are reported net of sales taxes collected from various governmental agencies.

Receipts from the sale of gift cards are treated as deferred revenue. When gift cards are redeemed for merchandise, the Company recognizes the related revenue. The Company estimates gift card breakage, to the extent management determines there is no requirement for remitting card balances to government agencies under unclaimed property laws, and recognizes revenue in proportion to actual gift card redemptions as a component of net revenue.

The Company recognizes promotional gift cards as a reduction of revenue upon redemption.

Cost of goods sold

Cost of goods sold includes inventory and product-related costs and occupancy costs, as well as depreciation expense for the Company's stores and distribution centres.

Selling, general and administrative

Selling, general and administrative expenses consist of selling expenses that are generally variable with revenues and general and administrative operating expenses that are primarily fixed. Selling, general and administrative expenses also include depreciation and amortization expense for all support office assets and intangible assets.

(in thousands of Canadian dollars, unless otherwise noted)

Store opening costs

Store opening costs are expensed as incurred.

Employee benefits

Short-term employee benefit obligations, which include wages, salaries, compensated absences and bonuses, are expensed as the related service is provided.

Termination benefits are recognized as an expense when the Company has demonstrated commitment, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Income tax expense

Current and deferred income taxes are recognized in the Company's net income (loss), except to the extent that they relate to a business combination or items recognized directly in equity or other comprehensive income (loss).

Current taxes are recognized for the estimated taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting nor taxable income or loss. In addition, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the asset and liability, using tax rates enacted or substantively enacted at the year-end date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(in thousands of Canadian dollars, unless otherwise noted)

Stock-based compensation expense

Stock Option Plans

The Company has a legacy Equity Incentive Plan (the "Legacy Plan") pursuant to which it has granted time-based and performance-based stock options to directors, employees, consultants and advisors. Concurrent with the IPO, the Company amended and restated the Legacy Plan to comply with public company provisions as required by the Toronto Stock Exchange. The Company also implemented a new stock option plan (the "2016 Option Plan"), pursuant to which it can grant time-based stock options to acquire subordinate voting shares to directors, executive officers, employees and consultants.

The Legacy Plan in effect prior to the IPO provided that the Board of Directors, at its sole discretion, could elect to settle vested time-based options in cash upon the request of an option holder under certain circumstances. As a result of the Company having historically cash-settled vested time-based options for certain option holders prior to the IPO, the Company was considered to have a cash-settled plan.

Prior to the IPO, as a cash-settled plan, the Company was required to record a liability for the potential future settlement of the vested time-based options at each reporting date by reference to the fair value of the liability. The liability was adjusted each reporting period for changes in the fair value of the options, with the corresponding amount reflected in the consolidated statements of operations. The fair value of the liability was determined using the Black-Scholes option pricing model.

The Company had both time-based and performance-based options prior to the IPO. After the IPO, the Company has only time-based options. For awards with service conditions that are subject to graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. In addition, the total amount of compensation expense to be recognized is based on the number of awards expected to vest and is adjusted to reflect those awards that do ultimately vest. For awards with performance conditions, the Company recognizes the compensation expense if and when the Company concludes that it is probable that the performance conditions will be achieved. The Company reassesses the probability of achieving the performance conditions at each reporting date.

Deferred Share Units

In conjunction with the IPO, the Company adopted the Director Deferred Share Unit Program for non-employee board members. DSUs are grants of notional subordinate voting shares that are redeemable for cash based on the market value of the Company's shares and are non-dilutive to shareholders. The cost of the service received as consideration is initially measured based on the market value of the Company's shares at the date of grant. The grant-date fair value is recognized as stock-based compensation expense with a corresponding increase recorded in other liabilities. DSUs are remeasured at each reporting date based on the market value of the Company's shares with changes in fair value recognized as stock-based compensation expense for the proportion of the service that has been rendered at that date.

(in thousands of Canadian dollars, unless otherwise noted)

Net income (loss) per share

Basic net income (loss) per share is calculated by dividing the net income (loss) for the fiscal year attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the year.

In calculating diluted net income (loss) per share for options that can be settled in either shares or cash, the more dilutive of the cash-settled and equity-settled method is used. Diluted net income (loss) per share, assuming cash settlement, is calculated consistent with basic net income (loss) per share, as the accounting for the liability is based on the fair value alternative and cash settlement would not result in the issuance of additional equity instruments. Diluted net income (loss) per share, assuming equity settlement, is calculated for dilutive share options by adjusting the numerator to reflect what income would have been if the grant date fair value was reflected in net income and by adjusting the denominator by the weighted average number of shares that would be included under the treasury stock method.

3 Significant new accounting standards

Standards recently adopted

In December 2014, the IASB issued amendments to International Accounting Standard ("IAS") 1, "Presentation of Financial Statements", as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company adopted IAS 1 for its consolidated financial statements during the year ended February 26, 2017, and no material changes have been made as a result of this amendment to IAS 1.

In January 2016, the IASB issued amendments to IAS 7, "Statement of Cash Flows", which are effective for annual periods beginning on or after January 1, 2017. The amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Company adopted amendments to IAS 7 for its consolidated financial statements during the year ended February 25, 2018. Implementation of the standard has not had a material effect on the consolidated financial statements.

Standards issued but not yet adopted

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The implementation of the standard is not expected to have a material quantitative impact on the consolidated financial statements. The Company is currently evaluating the effects of

(in thousands of Canadian dollars, unless otherwise noted)

disclosure requirements of IFRS 15 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

In July 2014, the IASB issued the final version of IFRS 9, “Financial Instruments”, which reflects all phases of the financial instruments project and replaces IAS 39, “Financial Instruments: Recognition and Measurement”, and all previous versions of IFRS 9. The new standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company has determined that the adoption of IFRS 9 will have no material impact on its consolidated financial statements with respect to its historical debt modifications. The Company is currently evaluating the effects of the disclosure requirements of IFRS 9 on its consolidated financial statements and expects to apply the standard in accordance with its future mandatory effective date.

In January 2016, the IASB issued IFRS 16, “Leases”, which sets out a new model for lease accounting replacing IAS 17. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. While the Company is currently evaluating the impact this new guidance will have on its consolidated financial statements, the recognition of certain leases is expected to increase the assets and liabilities on the consolidated statement of financial position upon adoption. As a result, the Company expects IFRS 16 to have a fundamental change on the consolidated statements of financial position. The Company expects to apply the standard in accordance with its future mandatory effective date.

In June 2016, the IASB issued amendments to IFRS 2, “Share-based Payment”, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective prospectively for annual periods beginning on or after January 1, 2018, with early application permitted. The Company has determined that the adoption of IFRS 2 will have no material impact on its consolidated financial statements.

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4 Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Significant judgments and estimates made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- The provision recorded to remeasure inventories based on the lower of cost and net realizable value (note 5), which is a critical estimate.

- Property and equipment impairment testing, which is influenced by judgment in defining a CGU and determining the indicators of impairment, and estimates used to measure impairment losses, if any (note 6). These estimates include future cash flow projections, growth rates and discount rates.

- Goodwill and indefinite life intangible asset impairment testing, which requires management to make critical estimates in the impairment testing model. On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired. The recoverable value is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates (note 7).

- Stock-based compensation expense, which requires the use of estimates in the Black-Scholes option pricing model (note 13). The classification of stock options as an equity-settled or cash-settled plan is influenced by judgment in determining the expected settlement of the option. Judgement is also required in determining the timing of expense recognition for performance-based options.

- Income taxes, which requires judgment to determine when tax losses, credits and provisions are recognized based on tax rules in various jurisdictions (note 16).

(in thousands of Canadian dollars, unless otherwise noted)

5 Inventory

	February 25, 2018	February 26, 2017
Finished goods	$ 60,385	$ 68,620
Finished goods in transit	18,448	5,564
	$ 78,833	$ 74,184

The Company records a reserve to value inventory to its estimated net realizable value. This resulted in an expense in cost of goods sold of $2.0 million for the year ended February 25, 2018 (February 26, 2017 - $2.6 million). No inventory write-downs recorded in previous periods were reversed.

All of the Company's inventory is pledged as security for the Credit Facilities (note 10).

6 Property and equipment

	Leasehold improvements	Furniture and equipment	Computer hardware	Computer software	Construction-in-progress	Total
Cost						
Balance, February 28, 2016	$ 116,979	$ 25,999	$ 18,366	$ 6,510	$ 4,077	$ 171,931
Additions	15,339	4,920	1,479	919	11,323	33,980
Transfers from construction-in-progress	595	173	4	35	(807)	-
Dispositions	(50)	(16)	(9,135)	(24)	-	(9,225)
Foreign exchange	(1,558)	(239)	(592)	688	(111)	(1,812)
Balance, February 26, 2017	131,305	30,837	10,122	8,128	14,482	194,874
Additions	29,906	7,317	4,000	981	20,194	62,398
Transfers from construction-in-progress	9,844	718	355	8	(10,925)	-
Dispositions	-	(337)	(1,784)	(2,847)	-	(4,968)
Foreign exchange	(1,450)	(321)	(68)	(149)	(402)	(2,390)
Balance, February 25, 2018	$ 169,605	$ 38,214	$ 12,625	$ 6,121	$ 23,349	$ 249,914
Accumulated depreciation						
Balance, February 28, 2016	$ 55,425	$ 15,676	$ 14,768	$ 4,572	$ -	$ 90,441
Depreciation	12,856	3,211	1,652	1,219	-	18,938
Dispositions	(50)	(16)	(9,135)	(24)	-	(9,225)
Foreign exchange	(859)	(155)	(75)	114	-	(975)
Balance, February 26, 2017	67,372	18,716	7,210	5,881	-	99,179
Depreciation	13,846	3,465	2,300	1,321	-	20,932
Dispositions	-	(185)	(1,679)	(2,770)	-	(4,634)
Foreign exchange	(849)	(180)	(66)	(140)	-	(1,235)
Balance, February 25, 2018	$ 80,369	$ 21,816	$ 7,765	$ 4,292	$ -	$ 114,242
Net carrying value						
Balance, February 25, 2018	$ 89,236	$ 16,398	$ 4,860	$ 1,829	$ 23,349	$ 135,672
Balance, February 26, 2017	63,933	12,121	2,912	2,247	14,482	95,695

Construction-in-progress includes store build costs for stores not yet opened and support office projects not put into use.

(in thousands of Canadian dollars, unless otherwise noted)

During the year ended February 25, 2018, interest of $239 was capitalized to assets under construction (February 26, 2017 - $208). These interest costs relating to qualifying assets were capitalized at a weighted average rate of 3.21% (February 26, 2017 - 3.97%).

As at February 25, 2018, an amount of $1.3 million (February 26, 2017 - $2.8 million) of the furniture and equipment, computer hardware and computer software was held under finance leases. Accumulated depreciation relating to this property and equipment amounted to $1.0 million (February 26, 2017 - $1.5 million).

Minimum annual payments for the Company's finance lease obligations are as follows:

2019	$ 408
Thereafter	-
Total minimum lease payments	408
Less: amount representing interest	(9)
	$ 399

7 Goodwill and intangible assets

	Indefinite life trade name	Definite life trade name	Trademarks	Computer software	Other intangible assets	Total intangible assets	Goodwill
Cost							
Balance, February 28, 2016	$ 46,092	$ 17,175	$ 1,709	$ 19,834	$ 3,519	$ 88,329	$ 151,682
Additions	-	-	-	2,076	-	2,076	-
Balance, February 26, 2017	46,092	17,175	1,709	21,910	3,519	90,405	151,682
Additions	-	-	-	4,815	-	4,815	-
Balance, February 25, 2018	$ 46,092	$ 17,175	$ 1,709	$ 26,725	$ 3,519	$ 95,220	$ 151,682
Accumulated amortization							
Balance, February 28, 2016	$ -	$ 8,864	$ 1,709	$ 15,715	$ 3,519	$ 29,807	$ -
Amortization	-	719	-	1,395	-	2,114	-
Balance, February 26, 2017	-	9,583	1,709	17,110	3,519	31,921	-
Amortization	-	657	-	1,255	-	1,912	-
Balance, February 25, 2018	$ -	$ 10,240	$ 1,709	$ 18,365	$ 3,519	$ 33,833	$ -
Net carrying value							
Balance, February 25, 2018	$ 46,092	$ 6,935	$ -	$ 8,360	$ -	$ 61,387	$ 151,682
Balance, February 26, 2017	46,092	7,592	-	4,800	-	58,484	151,682

(in thousands of Canadian dollars, unless otherwise noted)

Until December 19, 2005, the operations of the Company were owned by a private, closely held Canadian company. On December 19, 2005, a company owned by funds managed by Berkshire Partners LLC ("Berkshire") purchased the majority of the operations through a newly created company, Aritzia Capital Corporation. The acquisition transaction was treated as a business combination and the identified assets and liabilities that were acquired were measured at their acquisition date fair values, including goodwill and the indefinite life trade name.

Goodwill and the indefinite life trade name are monitored and allocated to the group of CGUs at a country level, based on the expected future benefits to be derived.

In assessing goodwill and the indefinite life trade name for impairment, the Company compared the aggregate recoverable amount of the assets included in each of the CGUs to their respective carrying amounts. The recoverable amounts have been determined based on the higher of the value in use and fair value less costs of disposal. The Company performed its annual impairment test of goodwill and the indefinite life trade name on the first day of the fourth quarter in fiscal 2018 and fiscal 2017.

The recoverable amount of goodwill and the indefinite life trade name was based on value in use, calculated using discounted cash flows over five years with a terminal value generated from continuing use of the CGUs. Cash flows were projected based on actual operating results and growth assumptions of 2.00% to account for what management believes approximates inflationary increases. A pre-tax discount rate of 15.91% was used in the model.

As at February 25, 2018 and February 26, 2017, management has determined that there was no impairment of goodwill or the indefinite life trade name.

8 Accounts payable and accrued liabilities

	February 25, 2018	February 26, 2017
Trade accounts payable	$ 43,443	$ 30,028
Other non-trade payables	6,709	6,182
Employee benefits payable	16,043	14,274
	$ 66,195	$ 50,484

(in thousands of Canadian dollars, unless otherwise noted)

9 Other non-current liabilities

	February 25, 2018	February 26, 2017
Deferred lease liability	$ 37,529	$ 29,970
Deferred lease inducements	20,617	16,675
Asset retirement obligations	916	889
Director Deferred Share Unit Program liability (note 13)	504	177
	$ 59,566	$ 47,711

10 Bank indebtedness and long-term debt

Concurrent with the closing of the IPO in the year ended February 26, 2017, the Company amended its term loan and revolving credit facility (collectively the "Credit Facilities") with its syndicate of lenders. The amendments included allowing the Company to enter into bilateral letters of credit agreements of up to $75.0 million within different lenders, lowering the applicable margin on interest rates and amending other terms and conditions. As a result of the amendments, the Company wrote off financing fees of $2.9 million related to the previous credit facilities in finance expense for the year ended February 26, 2017 (note 15).

a) Long-term debt

	February 25, 2018	February 26, 2017
Term loan	$ 118,738	$ 134,059
Less: Deferred financing fees	(151)	(292)
Term loan, net of deferred financing fees	118,587	133,767
Less: Current portion	(19,127)	(15,288)
Long-term debt	$ 99,460	$ 118,479

The Company has a term loan of $118.7 million (February 26, 2017 - $134.1 million) that matures on May 13, 2019. The Company has the option to borrow using Banker's Acceptance borrowings ("BA"), LIBO rate borrowings ("LIBO"), or Canadian prime rate borrowings ("Prime") plus a marginal interest rate between 0.75% and 3.00% (February 26, 2017 – 0.75% and 3.00%).

During the year ended February 25, 2018, the Company incurred $4.1 million of interest (February 26, 2017 - $5.6 million), at a weighted average rate of 3.21% (February 26, 2017 – 3.97%). At February 25, 2018, the interest rate on the loan was 3.58% (February 26, 2017 - 2.95%), based on a one-month BA rate.

(in thousands of Canadian dollars, unless otherwise noted)

The term loan requires mandatory loan prepayments by the Company of principal and interest if certain events occur. At February 25, 2018 and February 26, 2017, the Company was not required to make a mandatory loan prepayment.

The Company defers third party costs and creditor fees directly associated with acquiring long-term debt. These deferred costs are classified against long-term debt and bank indebtedness and are amortized as finance expense over the expected life of the related indebtedness using the effective interest rate method.

b) Bank indebtedness

As at February 25, 2018, the Company has a revolving credit facility for operations of $70 million (February 26, 2017 - $70.0 million). The revolving credit facility bears interest at BA, LIBO or Prime plus a marginal rate between 0.75% and 3.00% (February 26, 2017 – 0.75% and 3.00%). The amount available under this facility is reduced by certain open letters of credit (note 18(c)) to $54.1 million (February 26, 2017 - $50.7 million). Up to $5.0 million of the facility can be drawn upon by way of a swingline loan. The swingline loan bears interest at Prime plus a marginal rate between 0.75% and 2.00%. At February 25, 2018 and February 26, 2017, no advances were made under this facility.

During the year ended February 25, 2018, the Company incurred interest of $nil (February 26, 2017 - $0.1 million at an average rate of 5.20%) related to the revolving credit facility.

During the year ended February 25, 2018, the Company entered into $75.0 million of trade finance agreements for letters of credit, secured *pari passu* with the Credit Facilities. The interest rate for the letters of credit is between 1.17% and 2.00%. The amount available under these facilities is reduced by certain open letters of credit (note 18(c)) to $70.0 million (February 26, 2017 - $nil).

The Credit Facilities are collateralized by a first priority lien on all assets, leased real property interests and inventory. In addition, the Company is to maintain certain financial covenants. At February 25, 2018 and February 26, 2017, the Company was in compliance with all financial covenants.

(in thousands of Canadian dollars, unless otherwise noted)

11 Derivative financial instruments

The Company uses foreign currency forward contracts to manage its exposure to fluctuations with respect to the U.S. dollar for U.S. dollar merchandise purchases sold in Canada. The fair value of the forward contracts is included in prepaid expenses and other current assets or in accounts payable and accrued liabilities in the consolidated statements of financial position, depending on whether they represent assets or liabilities to the Company.

The amount recorded in the consolidated statements of operations in other expense (income), net relates to the change in fair value of foreign currency forward contracts during the year ended February 25, 2018, which was a gain of $0.2 million (February 26, 2017 – gain of $0.2 million).

The forward contracts generally have a term of no more than 12 months. The notional amount of these contracts outstanding at February 25, 2018 was $30.3 million U.S. dollars at an average forward rate of 1.2494 (February 26, 2017 - $27.5 million U.S. dollars at an average forward rate of 1.3026).

12 Share capital

Prior to the IPO, the Company's authorized share capital consisted of an unlimited number of Class A, Class B, Class C, Class D common shares and preferred shares. There were 110,987,688 Class A common shares and 62,781,263 Class C common shares issued and outstanding. Neither the Class A common shares nor the Class C common shares issued had a par value.

Immediately prior to the closing of the IPO, all of the outstanding Class A and Class C common shares were exchanged for either one multiple voting share or one subordinate voting share. The Company's Class B and Class D common shares and preferred shares were removed from the Company's authorized share capital. The Company's authorized share capital consists of (i) an unlimited number of subordinate voting shares, (ii) an unlimited number of multiple voting shares and (iii) an unlimited number of preferred shares, issuable in series. Each subordinate voting share is entitled to one vote and each multiple voting share is entitled to 10 votes on all matters upon which holders are entitled to vote.

Following the foregoing share exchanges, all of the Company's issued and outstanding multiple voting shares and subordinate voting shares were consolidated on a one-to-0.5931691091 basis.

Concurrent with the IPO and Secondary Offering, the selling shareholders exchanged a certain number of their multiple voting shares for subordinate voting shares.

As at February 25, 2018, there were 55,756,002 (February 26, 2017 – 55,756,002) multiple voting shares and 56,275,341(February 26, 2017 – 53,016,459) subordinate voting shares issued and outstanding. Neither the multiple voting shares nor the subordinate voting shares issued have a par value.

(in thousands of Canadian dollars, unless otherwise noted)

13 Stock options

The Company has granted stock options under the Legacy Plan and the 2016 Option Plan.

Legacy Plan

Prior to the IPO, the Company had both time-based and performance-based options to acquire Class A or Class D common shares. Time-based and performance-based options annually vest pro-rata on the anniversary of the grant date for a period of up to five years. Vested performance-based options become earned and exercisable upon a liquidation event based upon the majority shareholder's achievement of a certain internal rate of return. As a result of the IPO, a liquidation event was triggered and, as such, certain performance-based options under the Legacy Plan became earned and exercisable.

In connection with the IPO, options to acquire Class A and Class D common shares were also consolidated on a one-to-0.5931691091 basis for options exercisable to acquire subordinate voting shares at a post-consolidated exercise price such that the in-the-money value of such options remained unchanged.

Following completion of the IPO, no additional options will be granted under the Legacy Plan, and the outstanding options under the Legacy Plan are exercisable for subordinate voting shares of the Company. Outstanding stock options have a term of 10 years to 15 years. Transactions for stock options granted under the Legacy Plan for the years ended February 25, 2018 and February 26, 2017 were as follows:

	February 25, 2018			February 26, 2017[1]		
	Number of stock options		Weighted average exercise price	Number of stock options		Weighted average exercise price
Outstanding, at beginning of year	11,288,672	$	3.82	16,766,534	$	2.83
Granted	-		-	874,924		7.09
Exercised	(3,258,882)		3.15	(5,698,087)		1.42
Forfeited	(260,026)		4.28	(121,662)		4.01
Expired	(21,394)		2.36	-		-
Cancelled [2]	-		-	(533,037)		3.56
Outstanding, at end of year	7,748,370	$	4.09	11,288,672	$	3.82
Exercisable, at end of year	5,546,773	$	3.44	7,602,406	$	3.03

(1) This table reflects the options and exercise price after the one-to-0.5931691091 share consolidation which took effect immediately prior to the closing of the IPO.

(2) Upon closing of the IPO, the Company cancelled 533,037 performance-based options under the Legacy Plan.

(in thousands of Canadian dollars, unless otherwise noted)

Information relating to stock options outstanding and exercisable as at February 25, 2018 is as follows:

	Stock options outstanding			Stock options exercisable		
Exercise prices per share	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price
$0.01 to $3.19	2,570,587	2.49	$1.77	2,434,392	2.28	$1.69
$3.20 to $5.07	2,798,502	4.66	$4.29	2,371,593	4.36	$4.37
$5.08 to $7.09	2,379,281	7.84	$6.36	740,788	7.75	$6.20
	7,748,370	4.92	$4.09	5,546,773	3.90	$3.44

a) Time-based options

The Legacy Plan in effect prior to the IPO provided that the Board of Directors, at its sole discretion, could elect to settle vested time-based options in cash upon the request of an option holder under certain circumstances. As a result of the Company having historically cash-settled vested time-based options for certain option holders prior to the IPO, the Company was considered to have a cash-settled plan. As a cash-settled plan, the Company was required to record a liability for the potential future settlement of the vested time-based options at each reporting date by reference to the fair value of the liability. Concurrent with the IPO, the Company amended the Legacy Plan to remove the cash settlement feature as of September 30, 2016. As a result of this modification, the Company accounts for the time-based options as an equity-settled plan from the date of modification.

The fair value of the recorded liability in relation to the time-based options at the date of modification, September 30, 2016, was $107.2 million. This amount has been reclassified to contributed surplus on the consolidated statements of financial position.

The weighted average fair value of the time-based stock options at the date of modification was estimated based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	44.0%
Risk-free interest rate	1.0%
Expected life	1.2 to 5.7 years
Exercise price (post share consolidation)	$0.01 to $7.09
Weighted average fair value of stock options estimated at the date of modification	$11.51

The computation of expected volatility was based on the historical volatility of comparable companies from a representative peer group of publicly traded retail apparel companies. The expected life estimate was determined by management based on a number of factors including vesting terms, exercise behaviour and the contractual term of the options.

(in thousands of Canadian dollars, unless otherwise noted)

For the year ended February 25, 2018, stock-based compensation expense in relation to the time-based options was $4.5 million (February 26, 2017 - $76.1 million). Included in the expense for the year ended February 26, 2017 was an adjustment for the fair value of the options based on an updated estimated share price of the Company up to the date of the plan modification, from being cash-settled to equity-settled, on September 30, 2016.

b) Performance-based options

The performance-based options are equity-settled. As such, the expense associated with performance-based options is recorded as stock-based compensation expense with a corresponding entry made to contributed surplus on the consolidated statements of financial position.

During August 2016, the Company concluded that it is probable that the performance conditions will be achieved and recognized stock-based compensation expense in relation to the performance-based options of $22.5 million during the 13-week period ended August 28, 2016. For the year ended February 25, 2018, the Company recognized stock-based compensation expense of $1.2 million (February 26, 2017 - $23.6 million).

The weighted average fair value of the performance-based stock options at the date of grant was estimated based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	43.1% to 54.8%
Risk-free interest rate	1.0% to 3.5%
Expected life	0.8 to 10.0 years
Exercise price (post share consolidation)	$0.01 to $7.09
Weighted average fair value of stock options estimated at the date of grant	$3.51

2016 Option Plan

Concurrent with the IPO, the Company adopted the 2016 Option Plan pursuant to which it can grant share options to acquire subordinate voting shares to directors, executive officers, employees and consultants. The options vest annually pro-rata on the anniversary of the grant date over a period of five years.

(in thousands of Canadian dollars, unless otherwise noted)

Transactions for stock options granted under the 2016 Option Plan for the years ended February 25, 2018 and February 26, 2017 are as follows:

	February 25, 2018			February 26, 2017		
	Number of stock options		Weighted average exercise price	Number of stock options		Weighted average exercise price
Outstanding, at beginning of year	3,263,759	$	16.12	-	$	-
Granted	2,786,295		13.75	3,263,759		16.12
Forfeited	(430,807)		16.07	-		-
Cancelled	(671,899)		16.00	-		-
Outstanding, at end of year	4,947,348	$	14.80	3,263,759	$	16.12
Exercisable, at end of year	456,929	$	16.14	-	$	-

Information relating to stock options outstanding and exercisable as at February 25, 2018 is as follows:

	Stock options outstanding			Stock options exercisable		
Exercise prices per share	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price
$13.27 to $14.12	2,332,069	6.76	$13.66	-	-	-
$14.13 to $16.60	2,615,279	5.74	$15.82	456,929	5.67	$16.14
	4,947,348	6.22	$14.80	456,929	5.67	$16.14

The weighted average fair value of the time-based stock options granted during the year ended February 25, 2018 was estimated at the date of the grant based on the Black-Scholes option pricing model using the following assumptions:

Dividend yield	0.0%
Expected volatility	42.0% to 43.0%
Risk-free interest rate	1.1% to 2.1%
Expected life	6.0 to 7.0 years
Exercise price	$13.27 to $14.20
Weighted average fair value of share options estimated at the date of grant	$5.96

Stock-based compensation expense in relation to the time-based options under the 2016 Option Plan for the year ended February 25, 2018 was $11.2 million (February 26, 2017 - $3.1 million). Included in the expense for the year ended February 25, 2018 was $2.3 million recognized from the cancellation of 671,889 time-based options granted to a director and officer of the Company. The cancellation of these options resulted in accelerated vesting in accordance with IFRS 2.

(in thousands of Canadian dollars, unless otherwise noted)

Director Deferred Share Unit Program

The Director Deferred Share Unit Program was adopted in conjunction with the IPO for non-employee board members. Each eligible director receives a portion of his or her annual director retainer in DSUs.

The grant of DSUs does not entitle any eligible director to dividends or other distributions on the Company's subordinate voting shares, or to exercise voting rights or any other rights attaching to the ownership of the subordinate voting shares, provided that the Board may determine if and when DSUs are to be credited with dividend equivalents based on the dividend policy of the Company at the relevant time.

DSUs vest when granted, but are not redeemable for cash settlement until the eligible director ceases to be a member of the Board. DSUs are granted quarterly and the Company is required to record a liability for the potential future settlement of the DSUs at each reporting date by reference to the fair value of the liability. The fair value of the recorded liability in relation to the DSUs was $0.5 million at February 25, 2018 (February 26, 2017 - $0.2 million), with the expense recorded as stock-based compensation during the year of $0.3 million (February 26, 2017 - $0.2 million).

14 Net income (loss) per share

a) Basic

Basic net income (loss) per share is calculated by dividing the income (loss) attributable to shareholders of the Company by the weighted average number of multiple voting shares and subordinate voting shares outstanding during the periods ended on the dates provided below. As all the classes of shares are subject to the same distribution rights, the Company performs the net income (loss) per share calculations as if all shares are a single class.

		February 25, 2018		February 26, 2017 [1]
Net income (loss) attributable to shareholders of the Company	$	57,093	$	(56,109)
Weighted average number of shares outstanding during the year *(thousands)*		110,180		104,787
Basic net income (loss) per share	$	0.52	$	(0.54)

(1) The weighted average number of shares outstanding was adjusted after giving effect, on a retrospective basis, to a one-to-0.5931691091 share consolidation that occurred in connection with the IPO.

b) Diluted

In calculating diluted net income (loss) per share for options that can be settled in either shares or cash, the more dilutive of the cash-settled and equity-settled method is used. Accordingly, stock options that are accounted for as cash-settled will require adjustments to the numerator and

(in thousands of Canadian dollars, unless otherwise noted)

denominator if the equity-settled method is determined to have a more dilutive effect. The cash-settled method was more dilutive up to the date of modification for the year ended February 26, 2017.

	February 25, 2018	February 26, 2017[1]
Net income (loss) attributable to shareholders of the Company	$ 57,093	$ (56,109)
Weighted average number of shares for diluted net income (loss) per share *(thousands)*	116,280	104,787
Diluted net income (loss) per share	$ 0.49	$ (0.54)

(1) The weighted average number of shares outstanding was adjusted after giving effect, on a retrospective basis, to a one-to-0.5931691091 share consolidation that occurred in connection with the IPO.

15 Expenses by nature

	Cost of goods sold	
	February 25, 2018	February 26, 2017
Inventory and product-related costs and occupancy costs	$ 429,969	$ 384,543
Depreciation expense	17,807	17,115
	$ 447,776	$ 401,658

	Personnel expenses	
	February 25, 2018	February 26, 2017
Salaries, wages and employee benefits	$ 147,708	$ 139,662
Stock-based compensation expense	17,240	103,044
	$ 164,948	$ 242,706

	Finance expense	
	February 25, 2018	February 26, 2017
Interest expense and banking fees	$ 5,029	$ 6,988
Write-off of deferred financing fees[1]	-	2,867
Amortization of deferred financing fees	192	600
	$ 5,221	$ 10,455

(1) During the year ended February 26, 2017, the Company wrote off financing fees of $2.9 million as a result of the amendment of its Credit Facilities concurrent with the closing of the IPO (note 10).

(in thousands of Canadian dollars, unless otherwise noted)

16 Income taxes

a) Income tax expense

		February 25, 2018		February 26, 2017
Current tax expense				
Current period	$	26,310	$	27,305
Adjustment for prior period		(492)		125
		25,818		27,430
Deferred tax expense				
Origination and reversal of temporary differences		2,273		3,167
Adjustment for prior period		270		54
Changes in substantively enacted tax rates		1,829		71
		4,372		3,292
Income tax expense	$	30,190	$	30,722

On December 22, 2017, the U.S. Tax Cuts and Jobs Act ("U.S. tax reform") was enacted, reducing the United States federal corporate income tax rate from 35% to 21%. As a result, the Company's U.S. deferred income tax asset was remeasured at the reduced rate, resulting in a deferred income tax expense increase of $1.5 million.

b) Reconciliation of effective tax rate

The Company's income tax expense differs from that calculated by applying the combined substantively enacted Canadian federal and provincial statutory income tax rates for the years ended February 25, 2018 and February 26, 2017 of 26.4% and 26.3%, respectively, as follows:

		February 25, 2018		February 26, 2017
Income (loss) before income taxes	$	87,283	$	(25,387)
Expected income tax expense (recovery)	$	23,060	$	(6,687)
Increase (decrease) in income taxes resulting from				
Non-deductible stock-based compensation		4,468		36,089
Other non-deductible amounts		274		703
Foreign tax rate differences		766		321
Changes in substantively enacted tax rates		1,829		71
Adjustment for prior years		(222)		179
Other		15		46
Income tax expense	$	30,190	$	30,722

(in thousands of Canadian dollars, unless otherwise noted)

c) Deferred income tax

The tax effects of the significant temporary differences that comprise deferred tax assets and liabilities as at February 25, 2018 and February 26, 2017 are as follows:

	February 25, 2018	February 26, 2017
Deferred tax assets		
Deferred lease liability	$ 17,067	$ 16,431
Stock-based compensation	135	47
Financing and share issuance costs	1,558	1,815
Accounts payable and accrued liabilities	596	805
Other	2,631	2,688
Total deferred tax assets	21,987	21,786
Deferred tax liabilities		
Goodwill and intangible assets	(20,869)	(18,841)
Property and equipment	(12,485)	(9,577)
Other	(38)	(69)
Total deferred tax liabilities	(33,392)	(28,487)
Net deferred tax liability	$ (11,405)	$ (6,701)

The net change in deferred income tax liabilities is recorded as follows:

	February 25, 2018	February 26, 2017
Deferred tax expense recorded in net income	$ 4,372	$ 3,292
Deferred tax expense recorded in other comprehensive income (loss)	332	279
	$ 4,704	$ 3,571

Of the deferred income tax balances, the Company expects $1.7 million of the deferred tax assets to be recovered within 12 months and $0.2 million of the deferred tax liabilities to be settled within 12 months.

The Company intends to indefinitely reinvest the undistributed earnings of its foreign subsidiaries; accordingly, the Company has not recorded a deferred tax liability on these earnings.

(in thousands of Canadian dollars, unless otherwise noted)

17 Segment information

The Company defines an operating segment on the same basis that it uses to evaluate performance internally and to allocate resources by the Chief Operating Decision Maker (the "CODM"). The Company has determined that the Chief Executive Officer is its CODM and there is one operating segment. Therefore, the Company reports as a single segment. This includes all sales channels accessed by the Company's customers, including sales through the Company's eCommerce website and sales at the Company's stores.

The following table summarizes net revenue by geographic location of customers:

	February 25, 2018	February 26, 2017
Canada	$ 548,728	$ 496,292
United States	194,539	170,889
	$ 743,267	$ 667,181

The Company's non-current, non-financial assets (property and equipment, intangible assets and goodwill) are geographically located as follows:

	February 25, 2018	February 26, 2017
Canada	$ 291,270	$ 274,502
United States	57,471	31,359
	$ 348,741	$ 305,861

18 Commitments and contingencies

a) Operating leases

The Company conducts operations from leased stores, distribution centres and administrative offices. For the year ended February 25, 2018, the rent expense under these operating leases was $103.3 million, including $2.0 million of contingent rent (February 26, 2017 - $86.7 million, including $1.6 million of contingent rent).

Leases for certain of the Company's premises include renewal options, rent escalation clauses, and free-rent periods. Minimum annual commitments for the Company's operating leases for its premises, excluding other occupancy charges and additional rent based on a percentage of sales, are as follows:

Less than 1 year	$ 80,470
Between 1 and 5 years	314,467
More than 5 years	262,713
Total	$ 657,650

(in thousands of Canadian dollars, unless otherwise noted)

Subsequent to year end, the Company entered into additional operating leases, increasing the total minimum lease commitments by $46.8 million (excluding other occupancy charges and additional rent based on percentage of sales).

b) Purchase obligations

At February 25, 2018, the Company had purchase obligations of $24.2 million (February 26, 2017 - $24.8 million), which represent commitments for fabric expected to be used during upcoming seasons, made in the normal course of business.

c) Letters of credit

At February 25, 2018, the Company had open letters of credit of $20.9 million (February 26, 2017 - $19.3 million).

19 Related party transactions

The Company is ultimately controlled by Canada Retail Holdings, L.P., also being the Company's ultimate parent.

The Company entered into the following transactions with related parties:

a) Berkshire is the investment manager to private equity funds that indirectly holds an ultimate controlling interest in the Company. Berkshire provided consulting and management advisory services to the Company pursuant to a Management Agreement dated December 19, 2005. Concurrent with the closing of the IPO, the Company terminated the Management Agreement with Berkshire.

During the year ended February 26, 2017, the Company incurred management fees of $190 for services rendered. Total net reimbursements to Berkshire for travel, lodging and other costs for the year ended February 25, 2018 were $66 (February 26, 2017 - $247).

In connection with the IPO and Secondary Offering, the Company reimbursed in aggregate $1.4 million in professional fees and other costs to the principal selling shareholders in accordance with the Company's obligations under the registration rights agreement. At February 25, 2018, $652 was included in accounts payable and accrued liabilities (February 26, 2017 - $948).

b) During the year ended February 25, 2018, the Company purchased $8.3 million (February 26, 2017 - $10.8 million) of merchandise from a company partially owned by private equity funds managed by Berkshire. In August 2017, Berkshire exited its investment from the merchandise company; as such, purchases from the merchandise company subsequent to August 2017 are not considered related party transactions. At February 26, 2017, $47 was included in accounts payable and accrued liabilities.

c) During the year ended February 25, 2018, the Company paid $3.6 million (February 26, 2017 – $2.2 million) for rent of premises and $385 (February 26, 2017 - $nil) for the use of a leased asset wholly or

(in thousands of Canadian dollars, unless otherwise noted)

partially owned by companies that are owned by a director and officer of the Company. At February 25, 2018, $100 (February 26, 2017 - $nil) was included in accounts payable and accrued liabilities.

d) During the year ended February 26, 2017, the Company provided unsecured loans bearing interest at a rate between 1% to 5% to certain employees, with certain repayment terms. As at February 25, 2018, the outstanding balance on the employee loans was $nil (February 26, 2017 - $125) and was included in accounts receivable and/or other assets.

e) Key management includes the Company's directors and executive team. Compensation awarded to key management includes:

	February 25, 2018	February 26, 2017
Salaries, directors' fees and short-term benefits	$ 3,117	$ 3,084
Stock-based compensation expense [1]	7,358	14,781
	$ 10,475	$ 17,865

[1] Included in the expense for the year ended February 25, 2018 was $2.3 million of expense recognized from the cancellation of 671,889 time-based options granted to a director and officer of the Company. The cancellation of these options resulted in accelerated vesting in accordance with IFRS 2.

20 Supplemental cash flow information

	February 25, 2018	February 26, 2017
Net change in non-cash working capital balances		
Accounts receivable	$ 941	$ 959
Inventory	(5,155)	2,695
Prepaid expenses and other current assets	(2,430)	(2,569)
Other assets	300	1,683
Accounts payable and accrued liabilities	15,638	12,367
Deferred revenue	3,719	5,679
	$ 13,013	$ 20,814
Supplemental cash flow information		
Accrued purchases of property and equipment	$ 6,799	$ 5,859
Accrued purchases of intangible assets	271	729

(in thousands of Canadian dollars, unless otherwise noted)

21 Financial instruments and risk management

The Company is exposed to a variety of financial risks in the normal course of operations including currency, interest rate, credit and liquidity risk, as summarized below. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's consolidated financial performance.

Risk management is carried out under practices approved by the Company's Audit Committee. This includes reviewing and making recommendations to the Board on the adequacy of the Company's risk management policies and procedures with regard to identifying the Company's principal risks and implementing appropriate systems and controls to manage these risks. Risk management covers many areas of risk including, but not limited to, foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Financial instruments by category

The classification of financial instruments and their carrying amounts are as follows:

		February 25, 2018		February 26, 2017
Financial assets				
Cash and cash equivalents	$	112,475	$	79,527
Accounts receivable		2,413		2,624
Foreign currency forward contracts		414		181
Financial liabilities				
Accounts payable and accrued liabilities	$	66,195	$	50,484
Lease obligations		399		1,749
Long-term debt (net of deferred financing fees)		118,587		133,767

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the lease obligations is approximately equal to their carrying value. For the other financial liabilities, the fair value is as follows:

		February 25, 2018		February 26, 2017
Long-term debt (Level 2)	$	118,738	$	134,059
Foreign currency forward contracts (Level 2)		414		181

(in thousands of Canadian dollars, unless otherwise noted)

a) Market risk

Currency risk

The Company is exposed to foreign exchange risk on foreign currency denominated transactions, monetary assets and liabilities denominated in a foreign currency, and net investments in foreign operations. The Company sources the majority of its raw materials and merchandise from various suppliers in Asia and Europe with the vast majority of purchases denominated in U.S. dollars. In addition, the Company operates retail stores in the U.S.A. The Company's foreign exchange risk is primarily with respect to the U.S. dollar but the Company has limited exposure to other currencies as well. Foreign currency forward contracts are used to mitigate risks associated with forecasted U.S. dollar merchandise purchases sold in Canada.

As at February 25, 2018, a $0.01 variation in the Canadian dollar against the U.S. dollar on net monetary accounts in U.S. dollars would, all other variables being constant, have an approximate favourable (or unfavourable) impact of $0.1 million on net income (loss).

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates exposes the Company to cash flow interest rate risk. Debt issued at fixed rates exposes the Company to fair value interest rate risk. During the year, the Company had only variable rate debt. An increase (or decrease) in interest rate by 1% would result in an increase (or decrease) of $1.3 million in interest expense on the Credit Facilities.

b) Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, accounts receivable, and derivative contracts used to hedge market risks. The Company offsets credit risks associated with cash and cash equivalents by depositing its cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. The Company is exposed to credit risk on accounts receivable from its landlords for tenant allowances. To reduce this risk, the Company enters into leases with landlords with established credit history and, for certain leases, the Company may offset rent payments until accounts receivable are fully satisfied. The Company only enters into derivative contracts with major financial institutions, as described above, for the purchase of its foreign currency forward contracts.

(in thousands of Canadian dollars, unless otherwise noted)

c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company manages liquidity risk through various means, including monitoring actual and projected cash flows, taking into account the seasonality of its revenue, income and working capital needs. The Company's revolving credit facility is used to maintain liquidity. As at February 25, 2018, the Company had available credit of $70.0 million (February 26, 2017 - $70.0 million) under its revolving credit facility, of which $nil (February 26, 2017 - $nil) was drawn, and had outstanding letters of credit totalling $15.9 million (February 26, 2017 - $19.3 million), which reduced the availability under this credit facility. The amount drawn under this credit facility is presented as bank indebtedness in current liabilities based on the Company's estimate of what it expects to settle in the next 12 months (note 10). As at February 25, 2018, the Company also had available credit of $75.0 million under trade finance agreements (February 26, 2017 – $nil), of which $5.0 million of letters of credit was outstanding (February 26, 2017 – $nil).

The following table identifies the undiscounted contractual maturities of the Company's financial liabilities as at February 25, 2018:

	Within one year	After one but not more than 5 years	After 5 years	Total
Accounts payable and accrued liabilities	$ 66,195	$ -	$ -	$ 66,195
Lease obligations	399	-	-	399
Assumed interest on long-term debt [1]	4,236	761	-	4,997
Long-term debt	19,127	99,611	-	118,738
Total	$ 89,957	$ 100,372	$ -	$ 190,329

[1] based on interest rates in effect as at February 25, 2018

22 Capital management

The Company's objectives when managing capital are to:

- ensure sufficient liquidity to enable the internal financing of capital projects thereby facilitating its growth;
- provide a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business; and
- maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations.

The Company defines capital as its Credit Facilities and shareholders' equity. The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for new store additions, existing store expansion and renovation projects, and other infrastructure investments. The

(in thousands of Canadian dollars, unless otherwise noted)

Company currently funds these requirements out of its internally generated cash flows and revolving credit facility.

The Company is subject to financial covenants and collateral pursuant to the Credit Facilities presented in note 10.

23 Subsequent event

On May 10, 2018, the Company announced a normal course issuer bid, under which the Company is authorized to purchase up to 5,429,658 of its subordinate voting shares, representing approximately 10% of the public float, during the twelve month period commencing May 15, 2018 and ending May 14, 2019. Any subordinate voting shares purchased under the normal course issuer bid will be cancelled.

SIZES (0-8, 12)
51 SELF + BLOCK FUSE
56 BLOCK FUSE
56 FUSIBLE

ARITZIA