Aritzia Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Third Quarter Ended November 27, 2016

January 9, 2017

The following Management's Discussion and Analysis ("MD&A") is prepared as of January 9, 2017 and 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." It should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes thereto for the thirteen and thirty-nine week periods ended November 27, 2016 and the audited consolidated financial statements and accompanying notes of the Company for the year ended February 28, 2016 and the related Management's Discussion and Analysis.

Basis of Presentation

Our audited consolidated financial statements and unaudited condensed interim consolidated financial statements (together, the "consolidated financial statements") have been prepared in accordance with IFRS and 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 "Q3 2017" are to our 13-week period ended November 27, 2016, to "Q3 2016" are to our 13-week period ended November 29, 2015, to "YTD 2017" are to our 39-week period ended November 27, 2016 and to "YTD 2016" are to our 39-week period ended November 29, 2015. All references in this MD&A to "Fiscal 2016" are to our fiscal year ended February 28, 2016, to "Fiscal 2015" are to our fiscal year ended March 1, 2015 and to "Fiscal 2014" are to our fiscal year ended March 2, 2014.

The unaudited condensed interim consolidated financial statements and the accompanying notes for Q3 2017 and this MD&A were approved by our Audit Committee of the Company's Board of Directors.

All figures presented in this MD&A with respect to the 5-week period ended January 1, 2017 (see "Recent Developments" below) are preliminary, have not been reviewed by the Company's auditors and are subject to change as the Company's financial results are finalized. The preliminary results and information (including with respect to comparable sales growth) constitute forward-looking information within the meaning of applicable securities laws, are based on a number of assumptions and are subject to a number of risks and uncertainties. See "Forward-Looking Information" below.

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 nor 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. 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 "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, including, but not limited to, expectations regarding industry trends, overall market growth rates, and our growth rates and growth strategies, expectations regarding our net revenue, expenses, EBITDA, Adjusted EBITDA, Adjusted Net Income, comparable sales growth, capital expenditures, operations and use of future cash flow, our business plans and strategies, expectations regarding brand expansions, expectations regarding new store openings and the expansion and repositioning of existing stores, intentions with respect to the implementation of new accounting standards and other statements that are not historical facts, are forward-looking.

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 based on current 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, there can be no assurance that such estimates and assumptions will prove to be correct.

Preliminary results in respect of the 5-week period ended January 1, 2017 (see "Recent Developments" below) are considered forward-looking information. In addition, our assessments of, and targets for, annual net revenue, eCommerce net revenue, Adjusted EBITDA and Adjusted Net Income are considered forward-looking statements. See "Outlook" for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

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. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Company's final initial public offering prospectus dated September 26, 2016 (the "Prospectus"). These factors are not intended to represent a complete list of the factors that could affect us; however, 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 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 law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Overview

Aritzia is an innovative design house and fashion retailer of exclusive 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 operate 60 stores in Canada and 18 stores in the United States, averaging approximately 5,000 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 "Offering") 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 Offering 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 Offering 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 Offering of approximately $7.7 million were incurred and are being paid by us.

In connection with and immediately prior to the Offering, 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 Offering, 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 Offering, amendments to our credit facilities with our syndicate of lenders became effective. See the "Other Disclosures – Liquidity and Capital Resources – Credit Facilities".

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.

Q3 2017 Compared to Q3 2016

Select financial highlights include the following:

- Net revenue increased by 20.0% to $186.5 million from $155.4 million in Q3 2016.
- Comparable sales growth was 15.2%, following 15.4% comparable sales growth in Q3 2016.
- Gross profit margin increased to 44.1% from 40.9% in Q3 2016.

- SG&A expenses increased by 37.4% to $48.5 million from $35.3 million in Q3 2016. Excluding the impact of Offering costs incurred this quarter of approximately $3.1 million, SG&A expenses were 24.3% of net revenue, compared to 22.7% of net revenue in Q3 2016.

- Adjusted EBITDA increased by 35.4% to $45.4 million from $33.6 million in Q3 2016. Adjusted EBITDA was 24.4% of net revenue, compared to 21.6% of net revenue in Q3 2016.

- Stock-based compensation of $4.0 million was expensed in Q3 2017 due to the accounting of options under our legacy option plan of $2.7 million and the accounting of options under our new option plan and director deferred share unit program of $1.3 million. Prior to the Offering, we accounted for the time-based options under the legacy option plan as a stock-based compensation liability due to the cash settlement feature. As of September 30, 2016, we amended the legacy option plan to remove this cash settlement feature and accordingly, accounted for the time-based options as an equity-settled plan from this date forward. As such, the liability relating to this plan was reclassified to contributed surplus and the corresponding deferred income tax asset of $28.3 million was reversed to income tax expense. This non-cash reversal primarily led to a total income tax expense of $36.5 million.

- The aforementioned non-cash reversal of the deferred income tax asset of $28.3 million primarily contributed to a net loss of $8.1 million, or ($0.08) per share (on a basic and diluted basis), compared to net income of $15.6 million, or $0.15 per share (on a basic and diluted basis) in Q3 2016.

- Adjusted Net Income increased by 44.7% to $27.5 million, or $0.23 per diluted share (treasury stock method[(1)]), compared to $19.0 million, or $0.16 per diluted share (treasury stock method[(2)]) in Q3 2016. Adjusted Net Income was 14.7% of net revenue, compared to 12.2% of net revenue in Q3 2016.

Notes:

(1) Adjusted Net Income per diluted share for Q3 2017 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 November 27, 2016 (or 117,869,746 diluted shares). For reconciliation of diluted shares to a reported measure, please see "Selected Consolidated Financial Information".

(2) The Company effected changes to its share capital in connection with the Offering completed in Q3 2017. For comparative purposes, Adjusted Net Income per diluted share for Q3 2016 is based on the same diluted share count as Adjusted Net Income per diluted share for Q3 2017.

YTD 2017 Compared to YTD 2016

Select financial highlights include the following:

- Net revenue increased by 25.5% to $470.8 million from $375.1 million in YTD 2016.
- Comparable sales growth was 15.1%, following 19.8% comparable sales growth in YTD 2016.
- Gross profit margin increased to 40.4% from 37.7% in YTD 2016.
- SG&A expenses increased by 34.5% to $129.3 million from $96.1 million in YTD 2016. Excluding the impact of Offering costs incurred-to-date of approximately $7.7 million, SG&A expenses were 25.8% of net revenue, compared to 25.6% of net revenue in YTD 2016.
- Adjusted EBITDA increased by 38.3% to $85.4 million from $61.7 million in YTD 2016. Adjusted EBITDA was 18.1% of net revenue, compared to 16.5% of net revenue in YTD 2016.
- Stock-based compensation expense of $98.6 million was primarily due to the fair value accounting of our legacy time-based options and the triggering of our legacy performance-based options in connection with the Offering.
- Net loss was $67.6 million compared to net income of $22.4 million in YTD 2016. Adjusted Net Income increased by 62.5% to $46.3 million from $28.5 million in YTD 2016. Adjusted Net Income was 9.8% of net revenue, compared to 7.6% of net revenue in YTD 2016.

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.

Our Brand

Aritzia is a rapidly growing, innovative design house and fashion retailer 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 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. 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 the changes in our store count since the third quarter of last year (described in the table below), during the fourth quarter of 2017, we opened one new store.

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.

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

	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Number of stores, beginning of period	75	67	74	64
New stores	2	5	3	8
Number of stores, end of period	77	72	77	72
Stores expanded or repositioned	2	1	5	2

eCommerce Growth

Our eCommerce business was launched in fiscal 2013 and quickly surpassed our growth expectations. In Fiscal 2016, eCommerce net revenue represented approximately 12% of our total net revenue.

We are in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance our understanding of our customers. We believe there is a synergistic relationship between our store network and *aritzia.com*, with the success of each channel benefiting the other through increased brand awareness and affinity. Within our eCommerce business, we believe there is a significant opportunity to broaden the assortment of both exclusive brands and third party products to complement our existing offering and drive new sales.

We introduced shipping to international markets during October 2016, which is helping set the foundation for future expansion by allowing us to gather intelligence, refine our learnings and identify international markets that could support our stores. This will further enhance our eCommerce reach, allowing us to capitalize on growing demand for our products outside North America.

Sourcing and Production

We contract and maintain direct relationships with a diversified base of independent third party mills, trim 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 substantial majority of our raw materials directly from mills, trim 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 a third party firm 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. During the quarter, we completed the implementation of the first phase of a new human resource information system, which included the implementation of the foundational system, which enables better strategic human capital decisions. In the coming year, we expect to complete the full implementation of this system, as well as a new point of sale system to further enhance our omni-channel operations and customer relationship capabilities. These upgrades and other future investments are expected to increase our efficiency and support our growth.

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	18%
Second fiscal quarter	23%
Third fiscal quarter	28%
Fourth fiscal quarter	31%
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, which has caused an increase in our cost of goods sold since Fiscal 2014 due to the weakening of the Canadian dollar against the U.S. dollar over this period. Future 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 at the point of sale, net of an estimated allowance for returns, while eCommerce revenue is recognized at the estimated date of receipt of the merchandise by the customer, net of an estimated allowance for returns.

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 and returns) from stores that have been opened for at least 13 fiscal periods (i.e. approximately 13 months) including eCommerce revenue (net of sales tax and returns), and excludes stores that were expanded or repositioned and stores in centres where we opened a new additional store during this period. Comparable sales growth also excludes the impact of foreign currency fluctuations as it is calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1 in all reporting periods. 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.

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. We also anticipate our SG&A expenses to increase as a result of public company costs.

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 costs, 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 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.

Net Investment

We define net investment as the total capital cost for the design, construction and build-out or renovation, as applicable, of a new, repositioned or expanded store less any tenant improvement allowance provided by the landlord. For greater certainty, "net investment" does not include any inventory costs or certain other pre-opening expenses such as marketing or staffing-related expenses.

Sales per Square Foot

We calculate sales per square foot by dividing the revenue (net of sales tax and returns) from stores that have been opened for at least 13 fiscal periods (i.e. approximately 13 months) by the total leasable square footage used for day-to-day retail operations for these stores. Our sales per square foot may be calculated differently compared to other retailers.

Selected Consolidated Financial Information

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below has been derived from our unaudited condensed interim consolidated financial statements and related notes.

	Q3 2017 13 weeks		Q3 2016 13 weeks		YTD 2017 39 weeks		YTD 2016 39 weeks	
	(in thousands of Canadian dollars)							
Consolidated Statements of Operations:								
Net revenue	$ 186,460	100.0%	$ 155,380	100.0%	$ 470,785	100.0%	$ 375,105	100.0%
Cost of goods sold	104,187	55.9%	91,902	59.1%	280,630	59.6%	233,669	62.3%
Gross profit	82,273	44.1%	63,478	40.9%	190,155	40.4%	141,436	37.7%
Operating expenses								
Selling, general and administrative	48,464	26.0%	35,260	22.7%	129,302	27.5%	96,119	25.6%
Stock-based compensation expense	3,965	2.1%	4,235	2.7%	98,631	21.0%	8,626	2.3%
Income (loss) from operations	29,844	16.0%	23,983	15.4%	(37,778)	(8.0%)	36,691	9.8%
Finance expense	4,558	2.4%	2,701	1.7%	9,116	1.9%	8,689	2.3%
Other income, net	(3,129)	(1.7%)	(398)	(0.3%)	(2,951)	(0.6%)	(3,210)	(0.9%)
Income (loss) before income taxes	28,415	15.2%	21,680	14.0%	(43,943)	(9.3%)	31,212	8.3%
Income tax expense	36,512	19.6%	6,127	3.9%	23,694	5.0%	8,853	2.4%
Net income (loss)	$ (8,097)	(4.3%)	$ 15,553	10.0%	$ (67,637)	(14.4%)	$ 22,359	6.0%
Other Performance Measures:								
Year-over-year net revenue growth		20.0%		32.2%		25.5%		30.0%
Comparable sales growth		15.2%		15.4%		15.1%		19.8%

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

	Q3 2017 13 weeks		Q3 2016 13 weeks		YTD 2017 39 weeks		YTD 2016 39 weeks	
	(in thousands of Canadian dollars)							
Reconciliation of Net Income (Loss) to Adjusted EBITDA:								
Net income (loss)	$ (8,097)		$ 15,553		$ (67,637)		$ 22,359	
Depreciation and amortization	6,483		4,537		15,767		13,366	
Finance expense	4,558		2,701		9,116		8,689	
Income tax expense	36,512		6,127		23,694		8,853	
EBITDA	39,456		28,918		(19,060)		53,267	
Adjustments to EBITDA:								
Stock-based compensation expense	3,965		4,235		98,631		8,626	
Unrealized foreign exchange (gains) losses on forward contracts	(1,117)		405		(1,911)		(177)	
Offering costs	3,123		-		7,723		-	
Adjusted EBITDA	$ 45,427	24.4%	$ 33,558	21.6%	$ 85,383	18.1%	$ 61,716	16.5%
Reconciliation of Net Income (Loss) to Adjusted Net Income:								
Net income (loss)	$ (8,097)		$ 15,553		$ (67,637)		$ 22,359	
Adjustments to net income (loss):								
Stock-based compensation expense	3,965		4,235		98,631		8,626	
Unrealized foreign exchange (gains) losses on forward contracts	(1,117)		405		(1,911)		(177)	
Offering costs	3,123		-		7,723		-	
Refinancing costs related to debt modification at the Offering	2,867		-		2,867		-	
Related tax effects	26,716		(1,217)		6,670		(2,283)	
Adjusted Net Income	$ 27,457	14.7%	$ 18,976	12.2%	$ 46,343	9.8%	$ 28,525	7.6%

	Q3 2017 13 weeks	Q3 2016 13 weeks	YTD 2017 39 weeks	YTD 2016 39 weeks
	(in thousands of Canadian dollars)			
Reconciliation of Comparable Sales to Net Revenue:				
Comparable sales[(1)]	$ 122,709	$ 118,161	$ 315,853	$ 293,710
Non-comparable sales	63,751	37,219	154,932	81,395
Net revenue	$ 186,460	$ 155,380	$ 470,785	$ 375,105

Note:

(1) The comparable sales for a given period represents revenue (net of sales tax and returns) from stores that have been opened for at least 13 periods (i.e. approximately 13 months) including eCommerce revenue (net of sales tax and returns), within that given period. This information is provided to give context for comparable sales in such given year as compared to net revenue reported in our financial statements. See relevant definition in "How We Assess the Performance of Our Business" of this MD&A.

	Q3 2017 13 weeks
Reconciliation of Diluted Shares (for purposes of Adjusted Net Income per diluted share) to Shares Outstanding:	
Weighted average number of diluted shares outstanding	105,454,349
Adjustment to account for difference in weighted average number of shares outstanding and actual number of shares outstanding at period end	1,511,746
Total number of shares outstanding at period end	106,966,095
Dilutive share optons under the treasury stock method as at period end	10,903,651
Total number of diluted shares for purposes of Adjusted Net Income per diluted share	117,869,746

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

	As at November 27, 2016	As at February 28, 2016
Selected Consolidated Financial Position Data:		
Total assets	$ 472,739	$ 401,118
Total non-current liabilities	199,966	221,285

Results of Operations

Analysis of Results for Q3 2017 to Q3 2016

The following section provides an overview of our financial performance during Q3 2017 compared to Q3 2016.

Net Revenue

Net revenue increased by 20.0% to $186.5 million in Q3 2017, compared to $155.4 million in Q3 2016. The increase was primarily driven by comparable sales growth of 15.2%, arising from both the strong performance in stores and continued momentum in our eCommerce business, as well as the revenue from five new store openings and five expanded or repositioned stores since the third quarter of last year.

Gross Profit

Gross profit increased by 29.6% to $82.3 million in Q3 2017, compared to $63.5 million in Q3 2016. The increase was primarily driven by an increase in net revenue and improvement in gross profit margin.

Gross profit margin was 44.1% in Q3 2017, compared to 40.9% in Q3 2016. The increase in gross profit margin was primarily attributable to lower product-related costs and leveraging the fixed portion of store occupancy costs.

SG&A Expenses

SG&A expenses increased by 37.4% to $48.5 million in Q3 2017, compared to $35.3 million in Q3 2016. SG&A expenses in Q3 2017 included costs incurred in conjunction with the Offering.

SG&A expenses were 24.3% of net revenue in Q3 2017, excluding the impact of Offering costs of approximately $3.1 million, compared to 22.7% of net revenue in Q3 2016. The increase in SG&A is primarily due to higher store labour costs as we focus on elevating our retail experience, as well as, continued investment in support office talent and marketing.

Adjusted EBITDA

Adjusted EBITDA increased by 35.4% to $45.4 million, or 24.4% of net revenue in Q3 2017, compared to $33.6 million, or 21.6% of net revenue in Q3 2016, primarily due to the factors discussed above.

Stock-Based Compensation Expense

Stock-based compensation of $4.0 million was expensed in Q3 2017, compared to $4.2 million in Q3 2016. Included in Q3 2017 is $2.7 million of expense that relates to the accounting of our legacy time-based and performance-based options. The remaining $1.3 million of expense relates to both the accounting of options under our new option plan and director deferred share unit program.

Finance Expense

Finance expense increased by $1.9 million to $4.6 million in Q3 2017, compared to $2.7 million in Q3 2016. Finance expense in Q3 2017 included the write-off of deferred financing costs of $2.9 million relating to the

amendment of our credit facilities concurrent with the closing of the Offering. Excluding the impact of the write-off of deferred financing costs, finance expense was $1.7 million in Q3 2017. The decrease was primarily driven by lower average debt outstanding and lower average interest rates.

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 Q3 2017 and Q3 2016 were 26.4% and 26.2%, respectively. Income tax expense was $36.5 million in Q3 2017, compared to income tax expense of $6.1 million in Q3 2016, while the effective income tax rates for Q3 2017 and Q3 2016 were 128.5% and 28.3%, respectively. The increase in the income tax expense and effective income tax rate when compared to Q3 2016, is primarily due to the aforementioned reversal of a deferred income tax asset previously recognized on stock-based compensation liability for our legacy time-based options, to income tax expense in Q3 2017, as the expense is no longer deductible for tax.

Net Income (Loss)

Net loss was $8.1 million in Q3 2017, compared to net income of $15.6 million in Q3 2016, primarily due to the factors discussed above.

Adjusted Net Income

Adjusted Net Income increased by 44.7% to $27.5 million in Q3 2017, compared to $19.0 million in Q3 2016, primarily due to the factors discussed above.

Analysis of Results for YTD 2017 to YTD 2016

The following section provides an overview of our financial performance during YTD 2017 compared to YTD 2016.

Net Revenue

Net revenue increased by 25.5% to $470.8 million in YTD 2017, compared to $375.1 million in YTD 2016. The increase was primarily driven by comparable sales growth of 15.1%, arising from both the strong performance in stores and continued momentum in our eCommerce business, as well as revenue from non-comparable stores.

Gross Profit

Gross profit increased by 34.4% to $190.2 million in YTD 2017, compared to $141.4 million in YTD 2016. The increase was primarily driven by an increase in net revenue and improvement in gross profit margin.

Gross profit margin was 40.4% in YTD 2017, compared to 37.7% in YTD 2016. The increase in gross profit margin was primarily attributable to lower product-related costs and leveraging the fixed portion of store occupancy costs.

SG&A Expenses

SG&A expenses increased by 34.5% to $129.3 million in YTD 2017, compared to $96.1 million in YTD 2016.

SG&A expenses were 25.8% of net revenue in YTD 2017, excluding the impact of Offering costs of approximately $7.7 million, compared to 25.6% of net revenue in YTD 2016.

Adjusted EBITDA

Adjusted EBITDA increased by 38.3% to $85.4 million, or 18.1% of net revenue in YTD 2017, compared to $61.7 million, or 16.5% of net revenue in YTD 2016, primarily due to the factors discussed above.

Stock-Based Compensation Expense

Stock-based compensation of $98.6 million was expensed in YTD 2017, compared to $8.6 million in YTD 2016, due primarily to the accounting of time-based and performance-based options under the legacy option plan in conjunction with the Offering. In YTD 2017, stock-based compensation of approximately $74.2 million was expensed primarily relating to the accounting for fair value adjustments on our time-based legacy option plan, driven by the increase in valuation of our Shares in connecting with the Offering. In August 2016, we also concluded that it is probable that the performance conditions relating to our performance-based options will be achieved in connection with the Offering. As a result, we recognized stock-based compensation expense for our performance-based options in the amount of $23.1 million in YTD 2017.

Finance Expense

Finance expense increased by $0.4 million to $9.1 million in YTD 2017, compared to $8.7 million in YTD 2016. Finance expense in Q3 2017 included the write-off of deferred financing costs of $2.9 million relating to the amendment of our credit facilities concurrent with the closing of the Offering. Excluding the impact of the write-off of deferred financing costs, finance expense was $6.2 million in YTD 2017. The decrease was primarily driven by lower average debt outstanding and lower average interest rates.

Income Tax Expense

Income taxes increased by $14.8 million to $23.7 million in YTD 2017, compared to $8.9 million in YTD 2016, due to the aforementioned reversal of a deferred income tax asset previously recognized on stock-based compensation liability for our legacy time-based options to income tax expense in YTD 2017, as the expense is no longer deductible for tax, and the increase in taxable income. The statutory income tax rates for YTD 2017 and YTD 2016 were 26.4% and 26.2% respectively. The effective tax rates for YTD 2017 and YTD 2016 were (53.9%) and 28.4%, respectively. The decrease in the YTD 2017 effective income tax rate is primarily due to stock-based compensation expense for time-based and performance-based options not being deductible for tax, resulting in an increased income tax expense over a loss before income taxes.

Net Income (Loss)

Net loss was $67.6 million in YTD 2017 compared to net income of $22.4 million in YTD 2016, primarily due to the factors discussed above.

Adjusted Net Income

Adjusted Net Income increased by 62.5% to $46.3 million in YTD 2017, compared to $28.5 million in YTD 2016, primarily due to the factors discussed above.

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 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 result of operations for the fiscal year.

	Fiscal 2017			Fiscal 2016				Fiscal 2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	(in thousands of Canadian dollars)							
Consolidated Statements of Operations Data:								
Net revenue	$ 186,460	$ 157,918	$ 126,407	$ 167,358	$ 155,380	$ 121,360	$ 98,365	$ 138,782
Gross profit	82,273	56,671	51,211	56,932	63,478	41,582	36,376	50,434
Income (loss) from operations	29,844	(80,686)	13,064	15,915	23,983	6,917	5,791	9,969
Net income (loss)	$ (8,097)	$ (67,288)	$ 7,748	$ 10,013	$ 15,553	$ 4,744	$ 2,062	$ 6,026
Percentage of Net Revenue:								
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	44.1%	35.9%	40.5%	34.0%	40.9%	34.3%	37.0%	36.3%
Income (loss) from operations	16.0%	(51.1%)	10.3%	9.5%	15.4%	5.7%	5.9%	7.2%
Net income (loss)	(4.3%)	(42.6%)	6.1%	6.0%	10.0%	3.9%	2.1%	4.3%
Adjusted EBITDA [1]	45,427	19,809	20,147	23,253	33,558	16,453	11,705	23,293
Adjusted Net Income [1]	27,457	9,281	9,605	11,757	18,976	6,515	3,034	11,492
Other Performance Measures:								
Comparable sales growth	15.2%	16.9%	12.9%	9.2%	15.4%	20.8%	25.8%	15.2%
Stores								
Number of stores, beginning of period	75	74	74	72	67	65	64	63
New stores	2	1	-	2	5	2	1	1
Number of stores, end of period	77	75	74	74	72	67	65	64
Stores expanded or repositioned	2	1	2	-	1	-	1	2

Note:
(1) See "How We Assess the Performance of Our Business" for definitions of Adjusted EBITDA and Adjusted Net Income.

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 flow from operating activities and/or our credit facilities.

Credit Facilities

As at November 27, 2016, the aggregate amount outstanding under our term credit facility was $134.1 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 November 27, 2016. We voluntarily made an early loan repayment of $11.5 million in Q3 2017 that was scheduled to be repaid in February 2017. Scheduled mandatory repayments of the Term Credit Facility will be $15.3 million and $19.2 million in February 2018 and February 2019, respectively, 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 "Other Disclosures – Contractual Obligations – Off-Balance Sheet Arrangements and Commitments" for letters of credit issued.

Concurrent with the Offering, 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 within different lenders, lowering the applicable margin on interest rates and amending other terms and conditions.

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 clothing 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 a 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 indicated.

	Q3 2017 13 weeks	Q3 2016 13 weeks	YTD 2017 39 weeks	YTD 2016 39 weeks
	(in thousands of Canadian dollars)			
Net cash generated from operating activities	$ 60,605	$ 39,609	$ 81,926	$ 48,465
Net cash used in financing activities	(6,484)	(22,103)	(6,845)	(21,775)
Net cash used in investing activities	(6,304)	(10,443)	(19,526)	(21,498)
Effect of exchange rate changes on cash and cash equivalents	275	67	258	123
Increase in cash and cash equivalents	$ 48,092	$ 7,130	$ 55,813	$ 5,315

Analysis of Cash Flows for the Third Quarter and YTD Fiscal 2017

Cash Flows Generated from Operating Activities

For Q3 2017, cash flows generated from operating activities totalled $60.6 million, compared to $39.6 million in Q3 2016. This increase was primarily attributable to higher Adjusted Net Income and a lower use of working capital due to the timing of certain payments and increased volume in deferred revenue.

For YTD 2017, cash flows generated from operating activities totalled $81.9 million, compared to $48.5 million for YTD 2016. This increase was primarily due to higher Adjusted Net Income and a lower use of working capital due to the timing of certain payments and increased volume in deferred revenue.

Cash Flows Used in Financing Activities

For Q3 2017, cash flows used in financing activities totalled $6.5 million, compared to $22.1 million used in Q3 2016. This decrease was primarily due to lower net repayments on our Credit Facilities and net proceeds received from options exercised. We voluntarily made an early loan repayment of $11.5 million in Q3 2017 that was scheduled to be repaid in February 2017.

For YTD 2017, cash flows used in financing activities totalled $6.8 million, compared to $21.8 million generated in YTD 2016. This decrease was primarily due to lower net repayments on our Credit Facilities and net proceeds received from options exercised.

Cash Flows Used in Investing Activities

For Q3 2017, cash flows used in investing activities totalled $6.3 million, compared to $10.4 million in Q3 2016. This decrease was primarily due to timing of capital expenditures related to new stores and store expansions.

For YTD 2017, cash flows used in investing activities totalled $19.5 million, compared to $21.5 million in YTD 2016. This decrease was primarily due to timing of capital expenditures related to new stores and store expansions.

Contractual Obligations

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at November 27, 2016.

	Less than 1 year	1 to 5 years	More than 5 years	Total
	(in thousands of Canadian dollars)			
Accounts payable and accrued liabilities	$ 50,921	$ -	$ -	$ 50,921
Finance lease obligations	754	1,202	-	1,956
Assumed interest on long-term debt[1]	4,188	5,395	-	9,583
Debt[2]	-	134,059	-	134,059
Total contractual obligations	$ 55,863	$ 140,656	$ -	$ 196,519

Notes:

(1) Based on interest rate in effect as at November 27, 2016.

(2) The term loan 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 November 27, 2016.

	Less than 1 year	1 to 5 years	More than 5 years	Total
	(in thousands of Canadian dollars)			
Operating leases	$ 67,147	$ 299,028	$ 319,323	$ 685,498
Purchase obligations	15,831	-	-	15,831
	$ 82,978	$ 299,028	$ 319,323	$ 701,329

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 November 27, 2016 we had $15.8 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 November 27, 2016, letters of credit totaling $21.4 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 November 27, 2016.

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 November 27, 2016, we had approximately $29.5 million of U.S. dollar denominated forward contracts outstanding at an average forward rate of 1.2863.

Related Party Transactions

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

During the 13-week and 39-week periods ended November 27, 2016, we incurred management fees of $0.03 million and $0.2 million, respectively, (13-week and 39-week periods ended November 29, 2015 - $0.1 million and $0.2 million, respectively) for services rendered. Total net reimbursements to Berkshire for travel, lodging and other costs (including Offering costs) for the 13-week and 39 week periods ended November 27, 2016 were $0.9 million and $1.1 million, respectively (13-week and 39-week periods ended November 29, 2015 – $0.01 million and $0.1 million, respectively).

Accounts payable and accrued liabilities as at November 27, 2016 and February 28, 2016 included amounts due to Berkshire of $0.9 million and $0.03 million, respectively.

During the 13-week and 39-week periods ended November 27, 2016, we purchased $2.5 million and $7.2 million, respectively (13-week and 39-week periods ended November 29, 2015 - $1.5 million and $5.1 million, respectively), of merchandise from a company partially owned by private equity funds managed by Berkshire. As at November 27, 2016 and February 28, 2016, $0.02 million and $0.2 million, respectively, was included in accounts payable and accrued liabilities.

Transactions with Key Management

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

	Q3 2017 13 weeks	Q3 2016 13 weeks	YTD 2017 39 weeks	YTD 2016 39 weeks
	(in thousands of Canadian dollars)			
Salaries, directors' fees and short-term benefits	$ 787	$ 674	$ 2,229	$ 2,389
Stock-based compensation expense [1]	1,198	74	13,008	136
	$ 1,985	$ 748	$ 15,237	$ 2,525

Note:

(1) Stock-based compensation expense for the 13-week and 39-week periods ended November 27, 2016 includes stock-based compensation expense for our legacy time-based and legacy performance-based options, plus stock-based compensation expense for our time-based options under our new stock option plan.

Critical Accounting Estimates and Judgments

The preparation of unaudited condensed interim 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.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied and described in note 4 of the Fiscal 2016 audited consolidated financial statements, with additions described below.

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

Summary of Significant Accounting Policies

These unaudited condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in note 2 of the Fiscal 2016 audited consolidated financial statements, with additions described below.

Significant New Accounting Standards Adopted

- In December 2014, the IASB issued amendments to 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 on our consolidated financial statements during the 13-week period ended May 29, 2016, and no material changes have been made as a result of this amendment to IAS 1.

Significant New Accounting Standards 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. We are currently evaluating the impact 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 are currently evaluating the impact 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 accounting periods beginning on or after January 1, 2019, and is to be applied

retrospectively. Early adoption is permitted if IFRS 15 has been adopted. We are currently evaluating the impact of IFRS 16 on our consolidated financial statements and expect IFRS 16 to have a fundamental change to the consolidated statement 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 are currently evaluating the impact of IFRS 2 on our consolidated financial statements and we expect to apply the standard in accordance with its future mandatory effective date.

Recent Developments

We had a strong holiday period starting with a successful Black Friday promotion at the end of the third quarter of fiscal 2017. This year represented our fourth and strongest Black Friday sales week, both in stores and online. The success of the Black Friday promotions event resulted in a shift in sales forward into November. We view this shift as a permanent change in holiday shopping patterns in Canada and resemble that of the United States. Despite the shift, our fourth quarter is off to a strong start, with December comparable sales growth up 12.9% for the 5-week period ended January 1st, 2017. See "Basis of Presentation" and "Forward-Looking Information" above.

Outlook

We believe that we have an opportunity to grow our annual net revenue to between $1.1 billion and $1.2 billion by the end of fiscal 2021. This growth, from fiscal 2017 to the end of fiscal 2021, will be primarily driven by opening a minimum of 25 to 30 new stores, expanding or repositioning a minimum of 20 to 25 existing stores and continuing to drive comparable sales growth, including growing our eCommerce net revenue to approximately 25% of total net revenue. During this period, we believe there is an opportunity to grow our annual Adjusted EBITDA from $85.0 million in Fiscal 2016 to approximately $195 million to $220 million by the end of fiscal 2021, and annual Adjusted Net Income from $40.3 million in Fiscal 2016 to approximately $115 million to $130 million by the end of fiscal 2021.

In fiscal 2018, we have plans to open three flagship locations in Los Angeles, San Francisco and Chicago, along with the addition of three new stores and the expansion or reposition of six existing locations. This keeps us on track to open our planned minimum 25 to 30 new locations in North America, and expand or reposition a minimum of 20 to 25 existing stores between fiscal 2017 and to the end of fiscal 2021.

Our strategies to realize on these opportunities are described in more detail under "The Business of Aritzia – Our Future Growth" in our Prospectus and can be summarized as follows:

- continue our disciplined and measured approach to expanding our store network, particularly in the United States;
- continue to enhance elements of our existing stores (including footprint, layout and assortment) by expanding and repositioning a selection of stores;
- build our brand awareness and affinity in the United States and international markets by leveraging our enhanced online presence and expanding store network;
- increase the use of data analytics to improve online conversion and customer loyalty;
- grow eCommerce net revenue by expanding the range of products offered on *aritzia.com;*
- drive ongoing exclusive brand and product innovation to attract new customers and build loyalty with existing customers;
- continue to improve gross profit margins through further efficiencies in our sourcing and production processes; and

- take advantage of economies of scale by leveraging our investments in infrastructure, support office functions and other fixed costs.

In order to maintain our existing store network and infrastructure, we plan to invest approximately $5 million per year on maintenance capital expenditures. Consistent with our historical approach, we plan to support future growth through infrastructure investments of approximately $11 million in fiscal 2017 (with the large majority of spend expected in the second half of fiscal 2017) associated with our new point of sale system, human resource information system, eCommerce infrastructure and other information technology improvements.

The aforementioned description of our potential growth opportunities are based on management's current strategies, our assumptions and expectations concerning our growth outlook and opportunities, and our assessment of the outlook and opportunities for the business and the apparel industry as a whole and may be considered to be forward-looking information for purposes of applicable securities laws in Canada. Readers are cautioned that actual results may vary from those described above. See below and "Forward-Looking Information" and "Risk Factors" in the MD&A and the Prospectus for a description of the assumptions underlying the forward-looking information and of the risks and uncertainties that impact our business and that could cause actual results to vary.

Implicit in such forward-looking statements are certain current assumptions, including, among others, the opening of a minimum of 25 to 30 new stores, the expansion or repositioning of a minimum of 20 to 25 existing stores, the achievement of continued comparable sales growth, including growing eCommerce net revenue to approximately 25% of total net revenue, the investment of approximately $5 million per year on maintenance capital expenditures, the investment of approximately $11 million in fiscal 2017 on infrastructure investments, a U.S. dollar to Canadian dollar exchange rate of 1:1.3, taxation rates consistent with historical levels, debt repayments consistent with the terms set out in the MD&A, a new store operating model with average store size of approximately 6,000 square feet, average sales per square foot of $1,000 in the first year, at an average net investment of approximately $2.5 million and an average payback period of approximately 24 months on our initial net investment, and our store expansion model with incremental selling space of 3,500 square feet, averages sales per square foot of $1,000, at an average net investment of approximately $2.0 million and an average payback period of approximately 24 months on our initial net investment. These current assumptions, although considered reasonable by us at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company, including with respect to our anticipated annual net revenue, eCommerce net revenue, Adjusted EBITDA and Adjusted Net Income, are subject to a number of risks and uncertainties, including, among others, general economic, geo-political, market and business conditions, changes in foreign currency rates from those assumed, the risk of unseasonal weather patterns and the risk that we may not continue to achieve comparable sales growth.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the Prospectus, 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 regarding, the adequacy of our risk management policies and procedures with regard to identification of our principal risks and implementation of appropriate systems and controls to manage such risks. Risk management covers many areas of risk including, but not limited to foreign exchange risks, interest rate risks, credit risks and liquidity risks.

Foreign Exchange Risks

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 Risks

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 Risks

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. In order 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.

Disclosure Controls & Procedures and Internal Control Over Financial Reporting

As we recently became a reporting issuer, we are filing an abbreviated CEO and CFO certifications in respect of our first interim period ending after becoming a reporting issuer.

Share Information Prior to the Completion of the Offering

Prior to the completion of the Offering, 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 Offering, 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 January 9, 2017, an aggregate of 31,787,616 Shares, 75,196,479 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 January 9, 2017, an aggregate of 15,702,652 options to acquire Shares are outstanding.

Additional Information

Additional information relating to the Company, including the Company's most recent quarterly report and annual and quarterly reports filed with the Prospectus is available on SEDAR at *www.sedar.com*. The Company's Shares are listed for trading on the TSX under the symbol "ATZ".