

# LULULEMON ATHLETICA INC.

## **FORM 10-Q** (Quarterly Report)

Filed 06/01/17 for the Period Ending 04/30/17

Telephone	604-732-6124
CIK	0001397187
Symbol	LULU
SIC Code	2300 - Apparel & Other Finishd Prods of Fabrics & Similar Matl
Industry	Apparel & Accessories
Sector	Consumer Cyclical
Fiscal Year	01/31

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2017

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-33608

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**lululemon athletica inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**1818 Cornwall Avenue  
Vancouver, British Columbia**  
(Address of principal executive offices)

**20-3842867**

(I.R.S. Employer  
Identification No.)

**V6J 1C7**

(Zip Code)

Registrant's telephone number, including area code:

**604-732-6124**

Former name, former address and former fiscal year, if changed since last report:

N/A

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At May 29, 2017, there were 126,929,282 shares of the registrant's common stock, par value \$0.005 per share, outstanding.

*Exchangeable and Special Voting Shares:*

At May 29, 2017, there were outstanding 9,780,927 exchangeable shares of Lulu Canadian Holding, Inc., a wholly-owned subsidiary of the registrant. Exchangeable shares are exchangeable for an equal number of shares of the registrant's common stock.

In addition, at May 29, 2017, the registrant had outstanding 9,780,927 shares of special voting stock, through which the holders of exchangeable shares of Lulu Canadian Holding, Inc. may exercise their voting rights with respect to the registrant. The special voting stock and the registrant's common stock generally vote together as a single class on all matters on which the common stock is entitled to vote.

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**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**lululemon athletica inc.**  
**CONSOLIDATED BALANCE SHEETS**  
*(Unaudited; Amounts in thousands, except per share amounts)*

	April 30, 2017	January 29, 2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 698,289	\$ 734,846
Accounts receivable	10,707	9,200
Inventories	303,950	298,432
Prepaid and receivable income taxes	76,231	81,190
Other prepaid expenses and other current assets	43,504	39,069
	1,132,681	1,162,737
Property and equipment, net	398,833	423,499
Goodwill and intangible assets, net	24,248	24,557
Deferred income tax assets	32,509	26,256
Other non-current assets	21,063	20,492
	\$ 1,609,334	\$ 1,657,541
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 8,533	\$ 24,846
Accrued inventory liabilities	20,610	8,601
Accrued compensation and related expenses	39,076	55,238
Income taxes payable	26,951	30,290
Unredeemed gift card liability	59,398	70,454
Other accrued liabilities	51,405	52,020
	205,973	241,449
Deferred income tax liabilities	6,950	7,262
Other non-current liabilities	48,724	48,857
	261,647	297,568
Stockholders' equity		
Undesignated preferred stock, \$0.01 par value: 5,000 shares authorized; none issued and outstanding	—	—
Exchangeable stock, no par value: 60,000 shares authorized; 9,781 and 9,781 issued and outstanding	—	—
Special voting stock, \$0.000005 par value: 60,000 shares authorized; 9,781 and 9,781 issued and outstanding	—	—
Common stock, \$0.005 par value: 400,000 shares authorized; 127,131 and 127,304 issued and outstanding	636	637
Additional paid-in capital	267,369	266,622
Retained earnings	1,312,957	1,294,214
Accumulated other comprehensive loss	(233,275)	(201,500)
	1,347,687	1,359,973
	\$ 1,609,334	\$ 1,657,541

See accompanying notes to the unaudited interim consolidated financial statements

**lululemon athletica inc.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
*(Unaudited; Amounts in thousands, except per share amounts)*

	Quarter Ended	
	April 30, 2017	May 1, 2016
Net revenue	\$ 520,307	\$ 495,516
Cost of goods sold	263,412	256,385
Gross profit	256,895	239,131
Selling, general and administrative expenses	199,141	181,542
Asset impairment and restructuring costs	12,331	—
Income from operations	45,423	57,589
Other income (expense), net	907	(486)
Income before income tax expense	46,330	57,103
Income tax expense	15,084	11,767
Net income	\$ 31,246	\$ 45,336
Other comprehensive (loss) income:		
Foreign currency translation adjustment	(31,775)	73,562
Comprehensive (loss) income	\$ (529)	\$ 118,898
Basic earnings per share	\$ 0.23	\$ 0.33
Diluted earnings per share	\$ 0.23	\$ 0.33
Basic weighted-average number of shares outstanding	137,037	137,263
Diluted weighted-average number of shares outstanding	137,192	137,496

See accompanying notes to the unaudited interim consolidated financial statements

**lululemon athletica inc.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(Unaudited; Amounts in thousands)*

	Exchangeable Stock	Special Voting Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Shares	Par Value	Shares	Par Value				
Balance at January 29, 2017	9,781	9,781	\$ —	127,304	\$ 637	\$ 266,622	\$ 1,294,214	\$ (201,500)	\$ 1,359,973
Net income							31,246		31,246
Foreign currency translation adjustment								(31,775)	(31,775)
Stock-based compensation expense						2,730			2,730
Common stock issued upon settlement of stock-based compensation				101	1	277			278
Shares withheld related to net share settlement of stock-based compensation				(40)	—	(1,961)			(1,961)
Repurchase of common stock				(234)	(2)	(299)	(12,503)		(12,804)
Balance at April 30, 2017	<u>9,781</u>	<u>9,781</u>	<u>\$ —</u>	<u>127,131</u>	<u>\$ 636</u>	<u>\$ 267,369</u>	<u>\$ 1,312,957</u>	<u>\$ (233,275)</u>	<u>\$ 1,347,687</u>

See accompanying notes to the unaudited interim consolidated financial statements

**lululemon athletica inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Unaudited; Amounts in thousands)*

	Quarter Ended	
	April 30, 2017	May 1, 2016
Cash flows from operating activities		
Net income	\$ 31,246	\$ 45,336
Items not affecting cash		
Depreciation and amortization	23,163	19,185
Stock-based compensation expense	2,730	3,174
Asset impairment	11,593	—
Provision for inventories	3,318	607
Changes in operating assets and liabilities		
Inventories	(13,445)	12,304
Prepaid and receivable income taxes	4,959	(348)
Other prepaid expenses and other current assets	(6,770)	(220)
Other non-current assets	(6,182)	(3,053)
Accounts payable	(15,798)	(4,532)
Accrued inventory liabilities	12,368	(7,057)
Accrued compensation and related expenses	(15,038)	(11,339)
Income taxes payable	(2,240)	(5,196)
Unredeemed gift card liability	(10,367)	(9,042)
Other accrued and non-current liabilities	(137)	208
Net cash provided by operating activities	19,400	40,027
Cash flows from investing activities		
Purchase of property and equipment	(19,879)	(26,644)
Net cash used in investing activities	(19,879)	(26,644)
Cash flows from financing activities		
Proceeds from settlement of stock-based compensation	278	3,579
Taxes paid related to net share settlement of stock-based compensation	(1,961)	(1,436)
Repurchase of common stock	(12,804)	(15,765)
Net cash used in financing activities	(14,487)	(13,622)
Effect of exchange rate changes on cash and cash equivalents	(21,591)	48,803
(Decrease) increase in cash and cash equivalents	(36,557)	48,564
Cash and cash equivalents, beginning of period	\$ 734,846	\$ 501,482
Cash and cash equivalents, end of period	\$ 698,289	\$ 550,046

See accompanying notes to the unaudited interim consolidated financial statements

**lululemon athletica inc.**  
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**lululemon athletica inc.**  
**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**

**NOTE 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

***Nature of operations***

lululemon athletica inc., a Delaware corporation ("lululemon" and, together with its subsidiaries unless the context otherwise requires, the "Company") is engaged in the design, distribution, and retail of healthy lifestyle inspired athletic apparel, which is sold through a chain of company-operated stores, direct to consumer through e-commerce, outlets, showrooms, sales to wholesale accounts, temporary locations, warehouse sales, and through license and supply arrangements. The Company operates stores in the United States, Canada, Australia, the United Kingdom, New Zealand, China, Hong Kong, Singapore, South Korea, Germany, Ireland, Japan, Puerto Rico, and Switzerland. There were a total of 411 and 406 company-operated stores in operation as of April 30, 2017 and January 29, 2017, respectively.

On June 1, 2017, the Company announced a plan to restructure its ivivva operations. As part of this plan, the Company expects to close approximately 40 of the 55 ivivva branded company-operated stores that were in operation as of April 30, 2017. It is also anticipated that approximately half of the remaining ivivva branded company-operated stores will be converted to lululemon branded stores. The Company will close all of its ivivva branded showrooms and other temporary locations, and will streamline its corporate infrastructure. The Company will continue offering ivivva branded products on its e-commerce websites.

***Basis of presentation***

The unaudited interim consolidated financial statements as of April 30, 2017 and for the quarters ended April 30, 2017 and May 1, 2016 are presented in United States dollars and have been prepared by the Company under the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial information is presented in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and, accordingly, does not include all of the information and footnotes required by GAAP for complete financial statements. The financial information as of January 29, 2017 is derived from the Company's audited consolidated financial statements and related notes for the fiscal year ended January 29, 2017, which are included in Item 8 in the Company's fiscal 2016 Annual Report on Form 10-K filed with the SEC on March 29, 2017. These unaudited interim consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. These unaudited interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and related notes included in Item 8 in the Company's fiscal 2016 Annual Report on Form 10-K.

The Company's fiscal year ends on the Sunday closest to January 31 of the following year, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. Fiscal 2017 will end on January 28, 2018 and will be a 52-week year.

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 fourth fiscal quarter of each year as a result of increased net revenue during the holiday season.

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current year.

**NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), which supersedes the revenue recognition requirements in ASC Topic 605 *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and expands the related disclosure requirements. In 2015, the FASB deferred the effective date for this guidance, and in 2016, the FASB issued several updates that clarify the guidance in this topic. ASC 606 may be adopted either on a full retrospective basis or using a modified retrospective method with a cumulative adjustment to equity. This guidance will be adopted by the Company beginning in its first quarter of fiscal 2018. The Company is currently evaluating the impact that this new guidance may have on its consolidated financial statements and the method of retrospective adoption that it will elect, but does not expect ASC 606 to materially impact the Company's consolidated financial statements.

In July 2015, the FASB amended ASC Topic 330, *Inventory* to simplify the measurement of inventory. The amendments require that an entity measure inventory at the lower of cost and net realizable value instead of the lower of cost and market. This guidance became effective for the Company the first quarter of fiscal 2017 and the adoption did not impact its consolidated financial statements.

In February 2016, the FASB issued ASC Topic 842, *Leases* ("ASC 842") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the new guidance, lessees are required to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use asset on the balance sheet for most leases. This guidance will be effective for the Company beginning in its first quarter of fiscal 2019, with early application permitted. The Company will adopt ASC 842 in its first quarter of fiscal 2019. While the Company is currently evaluating the impact that this new guidance will have on its consolidated financial statements, it is expected that the primary impact upon adoption will be the recognition, on a discounted basis, of the Company's minimum commitments under noncancelable operating leases as right of use assets and obligations on the consolidated balance sheets. It is expected that this will result in a significant increase in assets and liabilities on the consolidated balance sheets.

In March 2016, the FASB amended ASC Topic 718, *Stock Compensation* simplifying the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance also allows an entity to account for forfeitures when they occur. The Company adopted this amendment in the first quarter of fiscal 2017 and elected to continue to estimate expected forfeitures. The Company is now required to include excess tax benefits and deficiencies as a component of income tax expense, rather than a component of stockholders' equity. Additionally, the Company retrospectively adjusted its consolidated statement of cash flows to reclassify excess tax benefits of \$0.3 million from financing activities to operating activities.

### NOTE 3. STOCK-BASED COMPENSATION AND BENEFIT PLANS

#### *Stock-based compensation plans*

The Company's eligible employees participate in various stock-based compensation plans, which are provided by the Company directly.

Stock-based compensation expense charged to income for the plans was \$2.7 million and \$3.2 million for the quarters ended April 30, 2017 and May 1, 2016, respectively. Total unrecognized compensation cost for all stock-based compensation plans was \$60.1 million at April 30, 2017, which is expected to be recognized over a weighted-average period of 2.6 years.

#### *Company stock options, performance-based restricted stock units, restricted shares and restricted stock units*

A summary of the Company's stock option, performance-based restricted stock unit, restricted share and restricted stock unit activity as of April 30, 2017, and changes during the first quarter then ended is presented below:

	Stock Options		Performance-Based Restricted Stock Units		Restricted Shares		Restricted Stock Units	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value
<i>(In thousands, except per share amounts)</i>								
Balance at January 29, 2017	918	\$ 59.20	390	\$ 61.05	14	\$ 70.54	360	\$ 62.99
Granted	572	51.90	176	51.90	—	52.26	298	52.07
Exercised/released	11	25.82	—	—	—	—	88	66.00
Forfeited	30	60.99	147	52.50	—	—	18	58.38
Balance at April 30, 2017	1,449	\$ 56.52	419	\$ 60.21	14	\$ 70.29	552	\$ 56.77
Exercisable at April 30, 2017	333	\$ 56.97						

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes model. The assumptions used to calculate the fair value of the options granted are evaluated and revised, as necessary, to reflect market conditions and the Company's historical experience. The expected term of the options is based upon the historical experience of similar awards, giving consideration to expectations of future employee behavior. Expected volatility is based upon the historical volatility of the Company's common stock for the period corresponding with the expected term of the options. The risk-free interest rate is based on the U.S. Treasury yield curve for the period corresponding with the expected term of the options. The following assumptions were used in calculating the fair value of stock options granted in the first quarter of fiscal 2017 :

	<b>Quarter Ended April 30, 2017</b>
Expected term	4.00 years
Expected volatility	38.28%
Risk-free interest rate	1.72%
Dividend yield	—%

The Company's performance-based restricted stock units are awarded to eligible employees and entitle the grantee to receive a maximum of two shares of common stock per performance-based restricted stock unit if the Company achieves specified performance goals and the grantee remains employed during the vesting period. The fair value of performance-based restricted stock units is based on the closing price of the Company's common stock on the award date. Expense for performance-based restricted stock units is recognized when it is probable that the performance goal will be achieved.

The fair value of the restricted shares and restricted stock units is based on the closing price of the Company's common stock on the award date.

***Employee share purchase plan***

The Company's board of directors and stockholders approved the Company's Employee Share Purchase Plan ("ESPP") in September 2007. Contributions are made by eligible employees, subject to certain limits defined in the ESPP, and the Company matches one-third of the contribution. The maximum number of shares available under the ESPP is 6.0 million shares. During the quarter ended April 30, 2017, there were 33.3 thousand shares purchased in the open market under the ESPP.

***Defined contribution pension plans***

During the second quarter of fiscal 2016, the Company began offering defined contribution pension plans to its eligible employees in Canada and the United States. Participating employees may elect to defer and contribute a portion of their eligible compensation to a plan up to limits stated in the plan documents, not to exceed the dollar amounts set by applicable laws. The Company matches 50% to 75% of the contribution depending on the participant's length of service, and the contribution is subject to a two year vesting period. The Company's net expense for the defined contribution plans was \$1.4 million in the first quarter of fiscal 2017.

**NOTE 4. EARNINGS PER SHARE**

The details of the computation of basic and diluted earnings per share are as follows:

	<b>Quarter Ended</b>	
	<b>April 30, 2017</b>	<b>May 1, 2016</b>
	<i>(In thousands, except per share amounts)</i>	
Net income	\$ 31,246	\$ 45,336
Basic weighted-average number of shares outstanding	137,037	137,263
Assumed conversion of dilutive stock options and awards	155	233
Diluted weighted-average number of shares outstanding	137,192	137,496
Basic earnings per share	\$ 0.23	\$ 0.33
Diluted earnings per share	\$ 0.23	\$ 0.33

The Company's calculation of weighted-average shares includes the common stock of the Company as well as the exchangeable shares. Exchangeable shares are the equivalent of common shares in all material respects. All classes of stock have, in effect, the same rights and share equally in undistributed net income. For the quarters ended April 30, 2017 and May 1, 2016, 0.3 million and 0.2 million stock options and awards, respectively, were anti-dilutive to earnings per share and therefore have been excluded from the computation of diluted earnings per share.

On June 11, 2014, the Company's board of directors approved a program to repurchase shares of the Company's common stock up to an aggregate value of \$450.0 million. This stock repurchase program was completed during the second quarter of fiscal 2016.

On December 1, 2016, the Company's board of directors approved a program to repurchase shares of the Company's common stock up to an aggregate value of \$100.0 million. The common stock generally is repurchased in the open market at prevailing market prices, with the timing and actual number of shares repurchased depending upon market conditions, eligibility to trade, and other factors. The repurchases may be made until December 9, 2018. As of April 30, 2017, the remaining aggregate value of shares available to be repurchased under this program was \$86.4 million.

During the quarters ended April 30, 2017 and May 1, 2016, 0.2 million and 0.2 million shares, respectively, were repurchased under the program at a total cost of \$12.8 million and \$15.8 million, respectively.

Subsequent to April 30, 2017, and up to May 29, 2017, 0.2 million shares were repurchased at a total cost of \$10.4 million.

**NOTE 5. SUPPLEMENTARY FINANCIAL INFORMATION**

For the quarters ended April 30, 2017 and May 1, 2016, there were aggregate revaluation foreign exchange gains of \$5.8 million and losses of \$13.5 million, respectively, included within selling, general and administrative expenses.

A summary of certain consolidated balance sheet accounts is as follows:

	April 30, 2017	January 29, 2017
<i>(In thousands)</i>		
<b>Inventories:</b>		
Finished goods	\$ 314,923	\$ 306,087
Provision to reduce inventories to net realizable value	(10,973)	(7,655)
	<u>\$ 303,950</u>	<u>\$ 298,432</u>
<b>Property and equipment, net:</b>		
Land	\$ 75,642	\$ 78,561
Buildings	31,368	32,174
Leasehold improvements	272,397	273,801
Furniture and fixtures	81,034	84,479
Computer hardware	57,368	58,270
Computer software	159,658	160,835
Equipment and vehicles	14,272	13,704
Accumulated depreciation	(292,906)	(278,325)
	<u>\$ 398,833</u>	<u>\$ 423,499</u>
<b>Goodwill and intangible assets, net:</b>		
Goodwill	\$ 25,496	\$ 25,496
Changes in foreign currency exchange rates	(1,506)	(1,263)
	<u>23,990</u>	<u>24,233</u>
Intangibles - reacquired franchise rights	10,150	10,150
Accumulated amortization	(9,875)	(9,807)
Changes in foreign currency exchange rates	(17)	(19)
	<u>258</u>	<u>324</u>
	<u>\$ 24,248</u>	<u>\$ 24,557</u>
<b>Other accrued liabilities:</b>		
Accrued duty, freight, and other operating expenses	\$ 28,245	\$ 27,477
Sales tax collected	11,203	10,182
Accrued rent	4,561	5,562
Other	7,396	8,799
	<u>\$ 51,405</u>	<u>\$ 52,020</u>
<b>Other non-current liabilities:</b>		
Deferred lease liability	\$ 26,546	\$ 26,648
Tenant inducements	22,178	22,209
	<u>\$ 48,724</u>	<u>\$ 48,857</u>

As a result of the plan to restructure the ivivva operations, the Company recorded an additional provision of \$1.9 million as of April 30, 2017 to reduce the carrying value of certain ivivva branded finished goods inventories to their estimated net realizable value. In addition, the Company recorded a liability for the losses it expects to incur on certain firm inventory and fabric purchase commitments of \$3.5 million as of April 30, 2017. This liability is included within accrued inventory liabilities on the consolidated balance sheets.

Please refer to Note 9 of these unaudited interim consolidated financial statements for further details regarding the ivivva restructuring plans, including impairment of property and equipment, net which was recorded during the first quarter of fiscal 2017.

**NOTE 6. LEGAL PROCEEDINGS**

In addition to the legal matter described below, the Company is, from time to time, involved in routine legal matters incidental to the conduct of its business, including legal matters such as initiation and defense of proceedings to protect intellectual property rights, personal injury claims, product liability claims, employment claims, and similar matters. The Company believes the ultimate resolution of any such current proceeding will not have a material adverse effect on its consolidated balance sheets, results of operations or cash flows.

On October 9, 2015, certain current and former hourly employees of the Company filed a class action lawsuit in the Supreme Court of New York entitled *Rebecca Gathmann-Landini et al v. lululemon USA inc.* On December 2, 2015, the case was moved to the United States District Court for the Eastern District of New York. The lawsuit alleges that the Company violated various New York labor codes by failing to pay all earned wages, including overtime compensation. The plaintiffs are seeking an unspecified amount of damages. The Company intends to vigorously defend this matter.

**NOTE 7. INCOME TAXES**

As disclosed in Note 15 to the audited consolidated financial statements included in Item 8 of the Company's fiscal 2016 Annual Report on Form 10-K filed with the SEC on March 29, 2017, the Company finalized a bilateral Advance Pricing Arrangement ("APA") with the Internal Revenue Service ("IRS") and the Canada Revenue Agency ("CRA") during fiscal 2016.

The results for the first quarter of fiscal 2016 included a net interest expense of \$1.2 million that was recorded in other income (expense), net, and a net income tax recovery of \$5.6 million related to the expected outcome of the APA and taxes associated with the anticipated repatriation of foreign earnings.

**NOTE 8. SEGMENT REPORTING**

The Company applies ASC Topic 280, *Segment Reporting* ("ASC 280"), in determining reportable segments for its financial statement disclosure. The Company reports segments based on the financial information it uses in managing its business. The Company's reportable segments are comprised of company-operated stores and direct to consumer. Direct to consumer represents sales from the Company's e-commerce websites. Outlets, showrooms, sales to wholesale accounts, temporary locations, warehouse sales, and license and supply arrangement net revenue have been combined into other. Information for these segments is detailed in the table below:

	Quarter Ended	
	April 30, 2017	May 1, 2016
<i>(In thousands)</i>		
Net revenue:		
Company-operated stores	\$ 379,099	\$ 358,704
Direct to consumer	97,223	97,566
Other	43,985	39,246
	<u>\$ 520,307</u>	<u>\$ 495,516</u>
Income from operations before general corporate expense:		
Company-operated stores	\$ 77,499	\$ 73,259
Direct to consumer	35,442	38,551
Other	2,836	2,069
	115,777	113,879
General corporate expense	52,604	56,290
ivivva inventory write downs, and losses on purchase commitments	5,419	—
Asset impairment and restructuring costs	12,331	—
Income from operations	45,423	57,589
Other income (expense), net	907	(486)
Income before income tax expense	<u>\$ 46,330</u>	<u>\$ 57,103</u>
Capital expenditures:		
Company-operated stores	\$ 7,168	\$ 16,750
Direct to consumer	1,980	1,163
Corporate and other	10,731	8,731
	<u>\$ 19,879</u>	<u>\$ 26,644</u>
Depreciation and amortization:		
Company-operated stores	\$ 15,200	\$ 13,784
Direct to consumer	1,994	1,329
Corporate and other	5,969	4,072
	<u>\$ 23,163</u>	<u>\$ 19,185</u>

**NOTE 9. ASSET IMPAIRMENT AND RESTRUCTURING**

On June 1, 2017, the Company announced a plan to restructure its ivivva operations. As part of this plan, the Company expects to close approximately 40 of the 55 ivivva branded company-operated stores that were in operation as of April 30, 2017. It is also anticipated that approximately half of the remaining ivivva branded company-operated stores will be converted to lululemon branded stores, and that all of the Company's ivivva branded showrooms and other temporary locations will be closed. The Company will continue offering ivivva branded products on its e-commerce websites.

The Company expects the closures and restructuring to be substantially complete by the end of the third quarter of fiscal 2017.

As a result of the planned closures, the Company currently estimates that it will incur aggregate pre-tax charges of between \$50.0 million and \$60.0 million in fiscal 2017, inclusive of \$17.7 million recognized during the first quarter of fiscal 2017. The remaining costs, primarily related to lease terminations and employee related costs, are expected to be recognized in the second and third quarter of fiscal 2017. These estimates are based on significant assumptions and could change materially.

A summary of the pre-tax charges recognized during the first quarter of fiscal 2017 in connection with the Company's plan to restructure its ivivva operations is as follows:

	<b>Quarter Ended April 30, 2017</b>
	<i>(In thousands)</i>
<b>Costs recorded in cost of goods sold:</b>	
Provision to reduce inventories to net realizable value	\$ 1,942
Expected loss on committed inventory purchases	3,477
ivivva inventory write downs, and losses on purchase commitments	5,419
<b>Costs recorded in operating expenses:</b>	
Impairment of property and equipment	11,593
Employee related costs	738
<b>Asset impairment and restructuring costs</b>	<b>12,331</b>
	<b>\$ 17,750</b>

An income tax recovery of \$4.7 million was recorded on the above items based on the expected annual tax rate of the applicable tax jurisdictions.

***Costs recorded in cost of goods sold***

The Company recognized expenses of \$5.4 million in cost of goods sold as a result of the plan to restructure its ivivva operations. This included \$1.9 million to reduce inventories to their estimated net realizable value, and \$3.5 million for the losses the Company expects to incur on certain firm inventory and fabric purchase commitments. The liability for the expected losses is included within accrued inventory liabilities on the consolidated balance sheets.

***Costs recorded in operating expenses***

The Company recognized asset impairment and restructuring costs of \$12.3 million as a result of the plan to restructure its ivivva operations.

As a result of the plan to close the majority of the ivivva branded locations, the long-lived assets of each ivivva branded location were tested for impairment as of April 30, 2017. For impaired locations, a loss was recognized representing the difference between the net book value of the long-lived assets and their estimated fair value. Impairment losses totaling \$11.6 million were recognized during the first quarter of fiscal 2017. These losses primarily relate to leasehold improvements and furniture and fixtures of the company-operated stores segment.

Fair value measurements are made using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The fair value of the long-

lived assets for each store was determined using level 3 inputs, principally the present value of the estimated future cash flows expected from their use and eventual disposition.

The Company also recorded an accrual of \$0.7 million for certain contractual employee termination benefits which were considered probable of payment as of April 30, 2017, as a result of the planned restructuring.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Some of the statements contained in this Form 10-Q and any documents incorporated herein by reference constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included or incorporated in this Form 10-Q are forward-looking statements, particularly statements which relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the development and introduction of new products, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "intends," "predicts," "potential" or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this Form 10-Q and any documents incorporated herein by reference reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in "Risk Factors" and elsewhere in this report.

The forward-looking statements contained in this Form 10-Q reflect our views and assumptions only as of the date of this Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Form 10-Q. Except as required by applicable securities law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

This information should be read in conjunction with the unaudited interim consolidated financial statements and the notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in our Annual Report on Form 10-K.

We disclose material non-public information through one or more of the following channels: our investor relations website (<http://investor.lululemon.com/>), the social media channels identified on our investor relations website, press releases, SEC filings, public conference calls, and webcasts.

### **Overview**

lululemon is a designer, distributor, and retailer of healthy lifestyle inspired athletic apparel. Since our inception, we have developed a distinctive corporate culture, and we have a mission to produce products which create transformational experiences for people to live happy, healthy, fun lives. We promote a set of core values in our business which include taking personal responsibility, nurturing entrepreneurial spirit, acting with honesty and courage, valuing connection, and choosing to have fun. These core values attract passionate and motivated employees who are driven to succeed and share our purpose of "elevating the world from mediocrity to greatness."

We offer a comprehensive line of apparel and accessories for women and men. We also offer activewear for girls under our ivivva brand name. Our apparel assortment includes items such as pants, shorts, tops and jackets designed for healthy lifestyle and athletic activities such as yoga, running, training, and many other sweaty pursuits. We also offer fitness-related accessories, including an array of items such as bags, socks, underwear, yoga mats, and water bottles.

On June 1, 2017, we announced that we plan to restructure our ivivva operations to a primarily e-commerce focused business, with a select number of stores remaining in key communities across North America. We plan to close approximately 40 of our 55 ivivva branded company-operated stores and to convert approximately half of the remaining stores to lululemon branded stores. We will also close all of our ivivva branded showrooms and other temporary locations and plan to streamline

our corporate infrastructure. It is anticipated that the closures and restructuring will be substantially complete by the end of the third quarter of fiscal 2017.

### **Financial Highlights**

The summary below provides both GAAP and adjusted non-GAAP financial measures. In connection with the restructuring of our ivivva operations, we recognized pre-tax costs totaling \$17.7 million in the first quarter of fiscal 2017. The adjusted financial measures exclude these charges and their related tax effects, and also exclude certain discrete items related to the Company's transfer pricing arrangements and taxes on repatriation of foreign earnings which were recognized during the first quarter of fiscal 2016.

For the first quarter of fiscal 2017 :

- Net revenue increased 5% to \$520.3 million, from \$495.5 million in the first quarter of fiscal 2016. On a constant dollar basis, net revenue increased 5%. The increase in net revenue was primarily due to the addition of 38 net new company-operated stores since the first quarter of fiscal 2016, partially offset by decreased comparable store sales.
- Total comparable sales, which includes comparable store sales and direct to consumer, decreased 1% compared to the first quarter of fiscal 2016. On a constant dollar basis, total comparable sales decreased by 1%.
  - Comparable store sales decreased 2% compared to the first quarter of fiscal 2016, or decreased by 1% on a constant dollar basis, primarily as a result of decreased traffic, partially offset by increased dollar value per transaction.
  - Direct to consumer net revenue was flat compared to the first quarter of fiscal 2016, and was flat on a constant dollar basis, primarily as a result of decreased conversion on our e-commerce websites, partially offset by increased traffic and dollar value per transaction.
- Gross profit increased 7% to \$256.9 million, from \$239.1 million in the first quarter of fiscal 2016. Adjusted gross profit increased 10% to \$262.3 million.
- Gross margin increased 110 basis points to 49.4% compared to 48.3% in the first quarter of fiscal 2016. Adjusted gross margin increased 210 basis points to 50.4%. The increase in gross margin was primarily due to an increase in product margin, primarily due to lower product costs and improved average retail prices.
- Income from operations decreased by 21% to \$45.4 million, from \$57.6 million in the first quarter of fiscal 2016. Adjusted income from operations increased by \$5.6 million, or 10%, to \$63.2 million.
- Operating margin decreased 290 basis points to 8.7% compared to 11.6% in the first quarter of fiscal 2016. Adjusted operating margin increased by 50 basis points to 12.1% compared to the first quarter of fiscal 2016.
- Income tax expense increased 28% to \$15.1 million, from \$11.8 million in the first quarter of fiscal 2016. Our effective tax rate for the first quarter of fiscal 2017 was 32.6% compared to 20.6% for the first quarter of fiscal 2016. The adjusted effective tax rate was 30.8% in the first quarter of fiscal 2017 compared to 29.8% in the first quarter of fiscal 2016.
- Diluted earnings per share were \$0.23 compared to \$0.33 in the first quarter of fiscal 2016. Adjusted diluted earnings per share were \$0.32 for the first quarter of fiscal 2017 compared to \$0.30 for the first quarter of fiscal 2016.

Refer to the non-GAAP reconciliation tables contained in the "Results of Operations" section of this "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" for reconciliations between constant dollar changes in net revenue, total comparable sales, comparable store sales, and direct to consumer net revenue, and adjusted gross profit, gross margin, income from operations, operating margin, effective tax rates, and diluted earnings per share, and the most directly comparable measures calculated in accordance with GAAP.

## Results of Operations

### First Quarter Results

The following table summarizes key components of our results of operations for the quarters ended April 30, 2017 and May 1, 2016. The percentages are presented as a percentage of net revenue.

	Quarter Ended			
	April 30, 2017		May 1, 2016	
	<i>(In thousands)</i>		<i>(Percentages)</i>	
Net revenue	\$ 520,307	\$ 495,516	100.0%	100.0%
Cost of goods sold	263,412	256,385	50.6	51.7
Gross profit	256,895	239,131	49.4	48.3
Selling, general and administrative expenses	199,141	181,542	38.3	36.6
Asset impairment and restructuring costs	12,331	—	2.4	—
Income from operations	45,423	57,589	8.7	11.6
Other income (expense), net	907	(486)	0.2	(0.1)
Income before income tax expense	46,330	57,103	8.9	11.5
Income tax expense	15,084	11,767	2.9	2.5
Net income	\$ 31,246	\$ 45,336	6.0%	9.0%

### Net Revenue

Net revenue increased \$24.8 million, or 5%, to \$520.3 million for the first quarter of fiscal 2017 from \$495.5 million for the first quarter of fiscal 2016. On a constant dollar basis, assuming the average exchange rates for the first quarter of fiscal 2017 remained constant with the average exchange rates for the first quarter of fiscal 2016, net revenue increased \$26.3 million, or 5%.

The increase in net revenue was primarily due to net revenue generated by new company-operated stores. Total comparable sales, which includes comparable store sales and direct to consumer, decreased 1% in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016. Total comparable sales decreased 1% on a constant dollar basis.

Net revenue on a segment basis for the quarters ended April 30, 2017 and May 1, 2016 is summarized below. The percentages are presented as a percentage of total net revenue.

	Quarter Ended			
	April 30, 2017		May 1, 2016	
	<i>(In thousands)</i>		<i>(Percentages)</i>	
Company-operated stores	\$ 379,099	\$ 358,704	72.9%	72.4%
Direct to consumer	97,223	97,566	18.7	19.7
Other	43,985	39,246	8.4	7.9
Net revenue	\$ 520,307	\$ 495,516	100.0%	100.0%

**Company-Operated Stores.** Net revenue from our company-operated stores segment increased \$20.4 million, or 6%, to \$379.1 million in the first quarter of fiscal 2017 from \$358.7 million in the first quarter of fiscal 2016. Net revenue from company-operated stores we opened or significantly expanded subsequent to May 1, 2016, and therefore not included in comparable store sales, contributed \$26.6 million to the increase. We have opened 38 net new company-operated stores since the first quarter of fiscal 2016, including 22 stores in the United States, four stores in China, three stores in each of Canada and the United Kingdom, two stores in South Korea, and one store in each of Hong Kong, Ireland, Japan, and Switzerland. The increase in net revenue from our company-operated stores segment was partially offset by a comparable store sales decrease of 2% in the first quarter of fiscal 2017 which resulted in a \$6.2 million decrease to net revenue. Comparable store sales decreased 1%, or \$5.6 million on a constant dollar basis. The decrease in comparable store sales was primarily as a result of decreased traffic, partially offset by increased dollar value per transaction.

**Direct to Consumer.** Net revenue from our direct to consumer segment decreased \$0.3 million, or 0%, to \$97.2 million in the first quarter of fiscal 2017 from \$97.6 million in the first quarter of fiscal 2016. Direct to consumer net revenue decreased

0% on a constant dollar basis. This was primarily the result of decreased conversion on our e-commerce websites, partially offset by increased traffic and dollar value per transaction.

*Other.* Net revenue from our other segment increased \$4.7 million, or 12%, to \$44.0 million in the first quarter of fiscal 2017 from \$39.2 million in the first quarter of fiscal 2016. This increase was primarily the result of increased net revenue at existing outlets, and an increased number of temporary locations and outlets during the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016. The increase in net revenue from our other segment was partially offset by a decreased number of showrooms during the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016.

### **Gross Profit**

Gross profit increased \$17.8 million, or 7%, to \$256.9 million for the first quarter of fiscal 2017 from \$239.1 million for the first quarter of fiscal 2016. Gross profit as a percentage of net revenue, or gross margin, was 49.4% in the first quarter of fiscal 2017 compared to 48.3% in the first quarter of fiscal 2016.

During the first quarter of fiscal 2017, as a result of the plan to restructure the ivivva operations, we recognized an expense of \$1.9 million to reduce the carrying value of certain ivivva branded inventories to their estimated net realizable value. In addition, we recognized an expense of \$3.5 million for the net loss we expect to realize on certain committed inventory and raw material purchases, as outlined in Notes 5 and 9 to the unaudited interim consolidated financial statements included in Item 1 of Part I of this report. Excluding these charges, adjusted gross profit increased 10% to \$262.3 million and adjusted gross margin increased 210 basis points to 50.4% compared to the first quarter of fiscal 2016.

Gross margin increased by 110 basis points, to 49.4% in the first quarter of fiscal 2017 from 48.3% in the first quarter of fiscal 2016. The increase in gross margin was primarily the result of:

- an increase in product margin of 380 basis points primarily due to lower product costs and improved average retail prices; and
- a favorable impact of foreign exchange rates of 30 basis points.

This was partially offset by an increase in inventory provision expense and anticipated losses related to firm purchase commitments for ivivva branded products of 100 basis points, an increase in occupancy and depreciation costs of 100 basis points, and an increase in costs related to our product and supply chain departments of 100 basis points.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses increased \$17.6 million, or 10%, to \$199.1 million in the first quarter of fiscal 2017 from \$181.5 million in the first quarter of fiscal 2016. The increase in selling, general and administrative expenses was primarily due to:

- an increase in head office costs other than employee costs of \$13.5 million primarily due to increased professional fees, increased brand and community costs, and increased depreciation;
- an increase in employee costs for our operating locations of \$10.8 million primarily from a growth in labor hours and benefits, mainly associated with new company-operated stores and other new operating locations;
- an increase in other costs of \$6.9 million for our operating channels including digital marketing expenses, depreciation, repairs and maintenance costs, and software support and licensing costs; and
- an increase in head office employee costs of \$6.3 million primarily due to additional employees to support the growth in our business.

The increase in selling, general and administrative expenses was partially offset by an increase in net foreign exchange gains of \$19.3 million, primarily related to the revaluation of U.S. dollar cash and receivables held in Canadian subsidiaries. There were net foreign exchange gains of \$5.8 million in the first quarter of fiscal 2017 compared to net foreign exchange losses of \$13.5 million in the first quarter of fiscal 2016. The increase in selling, general and administrative expenses was also partially offset by a decrease in variable costs of \$0.6 million for our operating channels, primarily due to a decrease in packaging and distribution costs, partially offset by an increase in credit card fees.

As a percentage of net revenue, selling, general and administrative expenses increased 170 basis points, to 38.3% in the first quarter of fiscal 2017 from 36.6% in the first quarter of fiscal 2016.

## Asset Impairment and Restructuring Costs

As a result of the plan to restructure our ivivva operations, we recognized asset impairment and restructuring costs of \$12.3 million in the first quarter of fiscal 2017 . This includes long-lived asset impairment charges of \$11.6 million and severance costs of \$0.7 million . We did not have asset impairment and restructuring costs in the first quarter of fiscal 2016 . Please refer to Note 9 to the unaudited interim consolidated financial statements included in Item 1 of Part I of this report.

## Income from Operations

Income from operations decreased \$12.2 million , or 21% , to \$45.4 million in the first quarter of fiscal 2017 from \$57.6 million in the first quarter of fiscal 2016 . Operating margin decreased 290 basis points to 8.7% compared to 11.6% in the first quarter of fiscal 2016 .

In connection with the restructuring of our ivivva operations, we recognized pre-tax costs totaling \$17.7 million in the first quarter of fiscal 2017 . This includes long-lived asset impairment and restructuring costs of \$12.3 million , inventory write downs of \$1.9 million , and anticipated losses related to firm inventory purchase commitments of \$3.5 million . Excluding these charges, adjusted income from operations increased by 10% to \$63.2 million and adjusted operating margin increased by 50 basis points to 12.1% .

On a segment basis, we determine income from operations without taking into account our general corporate expenses, and the costs we incur in connection with the planned restructuring of our ivivva operations. This includes long-lived asset impairment and restructuring charges, the expense recognized to reduce the carrying value of certain ivivva branded inventories to their estimated net realizable value, and the cost recognized for the net loss we expect to realize on certain firm ivivva branded inventory and raw material purchase commitments.

Segmented income from operations for the quarters ended April 30, 2017 and May 1, 2016 is summarized below. The percentages are presented as a percentage of net revenue of the respective operating segments.

	Quarter Ended			
	April 30, 2017	May 1, 2016	April 30, 2017	May 1, 2016
	<i>(In thousands)</i>		<i>(Percentages)</i>	
Company-operated stores	\$ 77,499	\$ 73,259	20.4%	20.4%
Direct to consumer	35,442	38,551	36.5	39.5
Other	2,836	2,069	6.4	5.3
Segmented income from operations	115,777	113,879		
General corporate expense	52,604	56,290		
ivivva inventory write downs, and losses on purchase commitments	5,419	—		
Asset impairment and restructuring costs	12,331	—		
Income from operations	\$ 45,423	\$ 57,589		

*Company-Operated Stores* . Income from operations from our company-operated stores segment increased \$4.2 million , or 6% , to \$77.5 million for the first quarter of fiscal 2017 from \$73.3 million for the first quarter of fiscal 2016 . The increase was primarily the result of increase in gross profit of \$17.3 million which was primarily due to increased net revenue from new stores, and higher gross margin. The increase in gross margin was primarily due to lower product costs and improved average retail prices. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses, including increased store employee costs and increased operating expenses associated with new stores. Income from operations as a percentage of company-operated stores net revenue was 20.4% for both the first quarter of fiscal 2017 and fiscal 2016 . The increase in gross margin was offset by deleverage of selling, general and administrative expenses.

*Direct to Consumer* . Income from operations from our direct to consumer segment decreased \$3.1 million , or 8% , to \$35.4 million for the first quarter of fiscal 2017 from \$38.6 million for the first quarter of fiscal 2016 . The decrease was primarily due to an increase in selling, general and administrative expenses, including higher digital marketing expenses, and higher head office costs to support the business. Income from operations as a percentage of direct to consumer net revenue decreased by 300 basis points primarily due to deleverage of selling, general and administrative expenses, partially offset by increased gross margin.

*Other* . Other income from operations increased \$0.8 million , or 37% , to \$2.8 million for the first quarter of fiscal 2017 from \$2.1 million for the first quarter of fiscal 2016 . The increase was primarily the result of increase in gross profit of \$3.3

million which was primarily due to increased net revenue at existing outlets, an increased number of outlets and temporary locations, and higher gross margin. The increase in gross profit was partially offset by an increase in selling, general and administrative expenses, including increased employee costs, and increased operating expenses associated with new locations. Income from operations as a percentage of other net revenue increased by 110 basis points primarily due to an increase in gross margin partially offset by deleverage of selling, general and administrative expenses as a percentage of other net revenue.

*General Corporate Expense.* General corporate expense decreased \$3.7 million, or 7%, to \$52.6 million for the first quarter of fiscal 2017 from \$56.3 million for the first quarter of fiscal 2016. The decrease was primarily due to an increase in net foreign exchange gains of \$19.3 million, primarily related to the revaluation of U.S. dollar cash and receivables held in Canadian subsidiaries. There were net foreign exchange gains of \$5.8 million in the first quarter of fiscal 2017 compared to net foreign exchange losses of \$13.5 million in the first quarter of fiscal 2016. This was partially offset by increased employee costs, professional fees, marketing expenses, and depreciation to support the growth of our business.

#### **Other Income (Expense), Net**

Other income (expense), net increased \$1.4 million, or 287%, to income of \$0.9 million for the first quarter of fiscal 2017 from an expense of \$0.5 million for the first quarter of fiscal 2016. The increase was primarily due to net interest expense of \$1.2 million which was recorded in the first quarter of fiscal 2016 in relation to certain tax adjustments that are outlined in Note 7 to the unaudited interim consolidated financial statements included in Item 1 of Part I of this report.

#### **Income Tax Expense**

Income tax expense increased \$3.3 million, or 28%, to \$15.1 million for the first quarter of fiscal 2017 from \$11.8 million for the first quarter of fiscal 2016.

The first quarters of fiscal 2017 and fiscal 2016 included certain adjustments which resulted in net income tax recoveries of \$4.7 million and \$5.6 million, respectively. As outlined in Notes 7 and 9 to the unaudited interim consolidated financial statements included in Item 1 of Part I of this report, these tax recoveries relate to the tax effect of the costs recognized in connection with the ivivva restructuring, and to the Company's transfer pricing arrangements and taxes on repatriation of foreign earnings.

The effective tax rate for the first quarter of fiscal 2017 was 32.6% compared to 20.6% for the first quarter of fiscal 2016. The adjusted effective tax rate, was 30.8% for the first quarter of fiscal 2017 compared to 29.8% for the first quarter of fiscal 2016.

#### **Net Income**

Net income decreased \$14.1 million, or 31%, to \$31.2 million for the first quarter of fiscal 2017 from \$45.3 million for the first quarter of fiscal 2016. This was primarily due to an increase in selling, general and administrative expenses of \$17.6 million, long-lived asset impairment and restructuring costs of \$12.3 million, and an increase in income tax expense of \$3.3 million, partially offset by an increase in gross profit of \$17.8 million, and an increase in other income (expense), net of \$1.4 million.

### ***Comparable Store Sales and Total Comparable Sales***

We separately track comparable store sales, which reflect net revenue from company-operated stores that have been open for at least 12 months, or open for at least 12 months after being significantly expanded. Net revenue from a store is included in comparable store sales beginning with the first month for which the store has a full month of sales in the prior year. Comparable store sales exclude sales from new stores that have not been open for at least 12 months, from stores which have not been in their significantly expanded space for at least 12 months, and from stores which have been temporarily relocated for renovations. Comparable store sales also exclude sales from direct to consumer, outlets, showrooms, wholesale accounts, temporary locations, warehouse sales, license and supply arrangements, and sales from company-operated stores that we have closed.

Total comparable sales combines comparable store sales and direct to consumer sales.

The comparable sales measures we report may not be equivalent to similarly titled measures reported by other companies.

### ***Non-GAAP Financial Measures***

Constant dollar changes in net revenue, total comparable sales, comparable store sales, and direct to consumer net revenue, and the adjusted financial results are non-GAAP financial measures.

A constant dollar basis assumes the average foreign exchange rates for the period remained constant with the average foreign exchange rates for the same period of the prior year. We provide constant dollar changes in net revenue, total comparable sales, comparable store sales, and changes in direct to consumer net revenue because we use these measures to understand the underlying growth rate of net revenue excluding the impact of changes in foreign exchange rates. We believe that disclosing these measures on a constant dollar basis is useful to investors because it enables them to better understand the level of growth of our business.

Adjusted gross profit, gross margin, income from operations, operating margin, effective tax rates, and diluted earnings per share exclude the costs recognized in connection with the plan to restructure the ivivva operations, its related tax effects, and certain discrete items related to the Company's transfer pricing arrangements and taxes on repatriation of foreign earnings. We believe these adjusted financial results and measures provide useful information because these items do not directly relate to our ongoing business operations and therefore do not contribute to a meaningful evaluation of the Company's future operating performance. Furthermore, we believe these adjusted financial results and metrics are useful to investors because of their comparability to our historical information.

The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or with greater prominence to, the financial information prepared and presented in accordance with GAAP. A reconciliation of the non-GAAP financial measures follows, which includes more detail on the GAAP financial measure that is most directly comparable to each non-GAAP financial measure, and the related reconciliations between these financial measures.

The below changes in net revenue, total comparable sales, comparable store sales, and direct to consumer net revenue show the change compared to the corresponding period in the prior year.

**Constant dollar changes in net revenue, total comparable sales, comparable store sales, and direct to consumer net revenue**

	<b>Quarter Ended April 30, 2017</b>	
	<i>(In thousands)</i>	<i>(Percentages)</i>
Change in net revenue	\$ 24,791	5%
Adjustments due to foreign exchange rate changes	1,480	—
Change in net revenue in constant dollars	<u>\$ 26,271</u>	<u>5%</u>

	<b>Quarter Ended April 30, 2017</b>
	<i>(Percentages)</i>
Change in total comparable sales <sup>1,2</sup>	(1)%
Adjustments due to foreign exchange rate changes	—
Change in total comparable sales in constant dollars <sup>1,2</sup>	<u>(1)%</u>

	<b>Quarter Ended April 30, 2017</b>	
	<i>(In thousands)</i>	<i>(Percentages)</i>
Change in comparable store sales <sup>2</sup>	\$ (6,176)	(2)%
Adjustments due to foreign exchange rate changes	527	1
Change in comparable store sales in constant dollars <sup>2</sup>	<u>\$ (5,649)</u>	<u>(1)%</u>

	<b>Quarter Ended April 30, 2017</b>
	<i>(Percentages)</i>
Change in direct to consumer net revenue	— %
Adjustments due to foreign exchange rate changes	—
Change in direct to consumer net revenue in constant dollars	<u>— %</u>

<sup>1</sup> Total comparable sales includes comparable store sales and direct to consumer sales.

<sup>2</sup> Comparable store sales reflects net revenue from company-operated stores that have been open for at least 12 months, or open for at least 12 months after being significantly expanded.

## Adjusted financial measures

The following table reconciles adjusted financial measures with the most directly comparable measures calculated in accordance with GAAP. The amounts are in thousands, except for the per share amounts.

	Quarter Ended April 30, 2017			Quarter Ended May 1, 2016		
	GAAP Results	Adjustments	Adjusted Results (Non-GAAP)	GAAP Results	Adjustments	Adjusted Results (Non-GAAP)
Net revenue	\$ 520,307	\$ —	\$ 520,307	\$ 495,516	\$ —	\$ 495,516
Costs of goods sold <sup>1</sup>	263,412	(5,419)	257,993	256,385	—	256,385
Gross profit <sup>1</sup>	256,895	5,419	262,314	239,131	—	239,131
<i>As a percent of net revenue <sup>1</sup></i>	49.4%	1.0 %	50.4%	48.3%	—%	48.3%
Selling, general and administrative expenses	199,141	—	199,141	181,542	—	181,542
<i>As a percent of net revenue</i>	38.3%	—%	38.3%	36.6%	—%	36.6%
Impairment and restructuring costs <sup>2</sup>	12,331	(12,331)	—	—	—	—
<i>As a percent of net revenue <sup>2</sup></i>	2.4%	(2.4)%	—%	—%	—%	—%
Income from operations <sup>1,2</sup>	45,423	17,750	63,173	57,589	—	57,589
<i>As a percent of net revenue <sup>1,2</sup></i>	8.7%	3.4 %	12.1%	11.6%	—%	11.6%
Other income (expense), net <sup>3</sup>	907	—	907	(486)	1,240	754
Income before income tax expense <sup>1,2,3</sup>	46,330	17,750	64,080	57,103	1,240	58,343
Income tax expense <sup>3,4</sup>	15,084	4,684	19,768	11,767	5,644	17,411
<i>Effective tax rate <sup>3,4</sup></i>	32.6%		30.8%	20.6%		29.8%
Net income <sup>1,2,3,4</sup>	\$ 31,246	\$ 13,066	\$ 44,312	\$ 45,336	\$ (4,404)	\$ 40,932
Diluted earnings per share <sup>1,2,3,4</sup>	\$ 0.23	\$ 0.09	\$ 0.32	\$ 0.33	\$ (0.03)	\$ 0.30

<sup>1</sup> During the first quarter of fiscal 2017, we recognized costs totaling \$5.4 million to reduce the carrying value of certain ivivva branded inventories to their estimated net realizable value and to record the expected net loss on certain committed inventory purchases.

<sup>2</sup> During the first quarter of fiscal 2017, we recognized long-lived asset impairment charges of \$11.6 million and severance costs of \$0.7 million related to our plan to restructure our ivivva operations.

<sup>3</sup> The adjustments in the first quarter of fiscal 2016 relate to our transfer pricing arrangements and the associated repatriation of foreign earnings.

<sup>4</sup> The adjustment to income tax expense for the first quarter of fiscal 2017 represents the tax effect of the ivivva related restructuring adjustments, calculated based on the expected annual tax rate of the applicable tax jurisdictions.

Please refer to Notes 7 and 9 to the unaudited interim consolidated financial statements included in Item 1 of Part I of this report for further information on these adjustments.

## Seasonality

Our business is affected by the general seasonal trends common to the retail apparel industry. Our annual net revenue is weighted more heavily toward our fourth fiscal quarter, reflecting our historical strength in sales during the holiday season, while our operating expenses are more equally distributed throughout the year. As a result, a substantial portion of our operating profits are generated in the fourth quarter of our fiscal year. For example, we generated approximately 47%, 45%, and 42% of our full year operating profit during the fourth quarters of fiscal 2016, fiscal 2015, and fiscal 2014, respectively.

**Liquidity and Capital Resources**

Our primary sources of liquidity are our current balances of cash and cash equivalents, cash flows from operations, and capacity under our revolving credit facility. Our primary cash needs are capital expenditures for opening new stores and remodeling or relocating existing stores, making information technology system enhancements, funding working capital requirements, and making other strategic capital investments both in North America and internationally. We may also use cash to repurchase shares of our common stock. Cash and cash equivalents in excess of our needs are held in interest bearing accounts with financial institutions.

As of April 30, 2017, our working capital (excluding cash and cash equivalents) was \$228.4 million, our cash and cash equivalents were \$698.3 million and our capacity under our revolving facility was \$149.2 million.

The following table summarizes our net cash flows provided by and used in operating, investing and financing activities for the periods indicated:

	Quarter Ended	
	April 30, 2017	May 1, 2016
	<i>(In thousands)</i>	
Total cash provided by (used in):		
Operating activities	\$ 19,400	\$ 40,027
Investing activities	(19,879)	(26,644)
Financing activities	(14,487)	(13,622)
Effect of exchange rate changes on cash	(21,591)	48,803
(Decrease) increase in cash and cash equivalents	<u>\$ (36,557)</u>	<u>\$ 48,564</u>

**Operating Activities**

Cash flows provided by operating activities consist primarily of net income adjusted for certain items not affecting cash and the effect of changes in operating assets and liabilities.

Cash provided by operating activities decreased \$20.6 million, to \$19.4 million for the first quarter of fiscal 2017 compared to \$40.0 million for the first quarter of fiscal 2016. The decrease was primarily the result of increased inventory purchases, partially offset by changes in accounts payable and accrued liabilities.

**Investing Activities**

Cash flows used in investing activities relate entirely to capital expenditures. The capital expenditures were primarily for opening new company-operated stores, remodeling or relocating certain stores, and ongoing store refurbishment. We also had capital expenditures related to information technology and business systems, related to corporate buildings, and for opening retail locations other than company-operated stores.

Cash used in investing activities decreased \$6.8 million to \$19.9 million for the first quarter of fiscal 2017 from \$26.6 million for the first quarter of fiscal 2016. The decrease was primarily the result of reduced capital expenditures related to our company-operated stores, primarily as a result of opening fewer company-operated stores in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016.

**Financing Activities**

Cash flows used in or provided by financing activities consist primarily of cash used to repurchase shares of our common stock and certain cash flows related to stock-based compensation.

Cash used in financing activities increased \$0.9 million, to \$14.5 million for the first quarter of fiscal 2017 compared to \$13.6 million for the first quarter of fiscal 2016.

On June 11, 2014, our board of directors approved a program to repurchase shares of our common stock up to an aggregate value of \$450.0 million. This stock repurchase program was completed during the second quarter of fiscal 2016. On December 1, 2016, our board of directors approved a program to repurchase shares of our common stock up to an aggregate value of \$100.0 million over a period of up to two years.

Our cash used in financing activities for the first quarter of fiscal 2017 included \$12.8 million to repurchase 0.2 million shares of our common stock compared to \$15.8 million to repurchase 0.2 million shares for the first quarter of fiscal 2016.

We believe that our cash and cash equivalent balances, cash generated from operations, and borrowings available to us under our revolving credit facility will be adequate to meet our liquidity needs and capital expenditure requirements for at least the next 12 months. Our cash from operations may be negatively impacted by a decrease in demand for our products as well as the other factors described in Item 1 of Part II of this Quarterly Report on Form 10-Q. In addition, we may make discretionary capital improvements with respect to our stores, distribution facilities, headquarters, or systems, which we would expect to fund through the use of cash, issuance of debt or equity securities or other external financing sources to the extent we were unable to fund such capital expenditures out of our cash and cash equivalents and cash generated from operations.

### ***Revolving Credit Facility***

On December 15, 2016, we entered into a credit agreement for \$150.0 million under an unsecured five-year revolving credit facility. Bank of America, N.A., is administrative agent and HSBC Bank Canada is the syndication agent and letter of credit issuer, and the lenders party thereto. Borrowings under the revolving credit facility may be made, in U.S. Dollars, Euros, Canadian Dollars, and in other currencies, subject to the approval of the administrative agent and the lenders. Up to \$35.0 million of the revolving credit facility is available for the issuance of letters of credit and up to \$25.0 million is available for the issuance of swing line loans. Commitments under the revolving credit facility may be increased by up to \$200.0 million, subject to certain conditions, including the approval of the lenders. Borrowings under the agreement may be prepaid and commitments may be reduced or terminated without premium or penalty (other than customary breakage costs). The principal amount outstanding under the credit agreement will be due and payable in full on December 15, 2021, subject to provisions that permit us to request a limited number of one year extensions annually.

Borrowings made under the revolving credit facility bear interest at a rate per annum equal to, at our option, either (a) a rate based on the rates applicable for deposits on the interbank market for U.S. Dollars or the applicable currency in which the borrowings are made ("LIBOR") or (b) an alternate base rate, plus, in each case, an applicable margin. The applicable margin is determined by reference to a pricing grid, based on the ratio of indebtedness to earnings before interest, tax depreciation, amortization and rent ("EBITDAR") and ranges between 1.00%-1.75% for LIBOR loans and 0.00%-0.75% for alternate base rate loans. Additionally, a commitment fee of between 0.125%-0.200%, also determined by reference to the pricing grid, is payable on the average daily unused amounts under the revolving credit facility.

The credit agreement contains negative covenants that, among other things and subject to certain exceptions, limit the ability of our subsidiaries to incur indebtedness, incur liens, undergo fundamental changes, make dispositions of all or substantially all of their assets, alter their businesses and enter into agreements limiting subsidiary dividends and distributions.

We are also required to maintain a consolidated rent-adjusted leverage ratio of not greater than 3.50:1.00 and we are not permitted to allow the ratio of consolidated EBITDAR to consolidated interest charges (plus rent) to be less than 2.00:1.00. The credit agreement also contains certain customary representations, warranties, affirmative covenants, and events of default (including, among others, an event of default upon the occurrence of a change of control). If an event of default occurs, the credit agreement may be terminated and the maturity of any outstanding amounts may be accelerated.

As of April 30, 2017, aside from letters of credit of \$0.8 million, we had no other borrowings outstanding under this credit facility.

### ***Off-Balance Sheet Arrangements***

We enter into standby letters of credit to secure certain of our obligations, including leases, taxes and duties. As of April 30, 2017, letters of credit and letters of guarantee totaling \$0.8 million had been issued.

We have not entered into any transactions, agreements or other contractual arrangements to which an entity unconsolidated with us is a party and under which we have (i) any obligation under a guarantee, (ii) any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity, (iii) any obligation under derivative instruments that are indexed to our shares and classified as equity in our consolidated balance sheets, or (iv) any obligation arising out of a variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

### ***Critical Accounting Policies and Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from our estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements. Our critical accounting policies and estimates are discussed in our Annual Report on

Form 10-K for our 2016 fiscal year end filed with the SEC on March 29, 2017 and in Note 2 included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

### Operating Locations

Our company-operated stores by brand and by country as of April 30, 2017 and January 29, 2017, are summarized in the table below.

	April 30, 2017	January 29, 2017
<b>lululemon</b>		
United States	247	245
Canada	51	51
Australia	27	27
United Kingdom	9	9
New Zealand	5	5
China	4	3
Hong Kong	3	3
Singapore	3	3
South Korea	2	2
Germany	1	1
Ireland	1	—
Japan	1	—
Puerto Rico	1	1
Switzerland	1	1
	356	351
<b>ivivva</b>		
United States	42	42
Canada	13	13
	55	55
<b>Total</b>	411	406

Retail locations operated by third parties under license and supply arrangements are not included in the above table. As of April 30, 2017, there were five licensed stores, including three in the United Arab Emirates, one in Mexico, and one in Qatar.

As part of the plan to restructure our ivivva operations, we plan to close approximately 40 of our 55 ivivva branded company-operated stores and to convert approximately half of the remaining stores to lululemon branded stores.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments for trading purposes.

*Foreign Currency Exchange Risk*. The functional currency of our foreign subsidiaries is generally the applicable local currency. Our consolidated financial statements are presented in U.S. dollars. Therefore, the net revenue, expenses, assets, and liabilities of our foreign subsidiaries are translated from their functional currencies into U.S. dollars. Fluctuations in the value of the U.S. dollar affect the reported amounts of net revenue, expenses, assets, and liabilities. Foreign exchange differences which arise on translation of our foreign subsidiaries' balance sheets into U.S. dollars are recorded as a foreign currency translation adjustment in accumulated other comprehensive income or loss within stockholders' equity.

We also have exposure to changes in foreign exchange rates associated with transactions which are undertaken by our subsidiaries in currencies other than their functional currency. Such transactions include intercompany transactions and inventory purchases denominated in currencies other than the functional currency of the purchasing entity. As a result, we have

been impacted by changes in exchange rates and may be impacted for the foreseeable future. The potential impact of currency fluctuation increases as our international expansion increases.

We currently generate a significant portion of our net revenue and incur a significant portion of our expenses in Canada. We also hold a significant portion of our net assets in Canada. The reporting currency for our consolidated financial statements is the U.S. dollar. A strengthening of the U.S. dollar against the Canadian dollar results in:

- a decrease in our net revenue upon translation of the sales made by our Canadian operations into U.S. dollars for the purposes of consolidation;
- a decrease in our selling, general and administrative expenses incurred by our Canadian operations upon translation into U.S. dollars for the purposes of consolidation; and
- foreign exchange revaluation gains by our Canadian subsidiaries on U.S. dollar cash and receivables denominated in U.S. dollars.

During the first quarter of fiscal 2017, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a \$32.7 million increase in accumulated other comprehensive loss within stockholders' equity. During the first quarter of fiscal 2016, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a \$68.1 million reduction in accumulated other comprehensive loss within stockholders' equity.

A 10% appreciation in the relative value of the U.S. dollar against the Canadian dollar compared to the exchange rates in effect for the first quarter of fiscal 2017 would have resulted in additional income from operations of approximately \$3.5 million in the first quarter of fiscal 2017. This assumes a consistent 10% appreciation in the U.S. dollar against the Canadian dollar throughout the first quarter of fiscal 2017. The timing of changes in the relative value of the U.S. dollar combined with the seasonal nature of our business, can affect the magnitude of the impact that fluctuations in foreign exchange rates have on our income from operations.

We have not historically hedged foreign currency fluctuations. However, in the future, in an effort to mitigate these risks, we may enter into derivative financial instruments. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

*Interest Rate Risk.* Our revolving credit facility provides us with available borrowings in an amount up to \$150.0 million in the aggregate. Because our revolving credit facility bears interest at a variable rate, we will be exposed to market risks relating to changes in interest rates, if we have a meaningful outstanding balance. As of April 30, 2017, aside from letters of credit of \$0.8 million, we had no other borrowings outstanding under this credit facility. We currently do not engage in any interest rate hedging activity and currently have no intention to do so. However, in the future, if we have a meaningful outstanding balance under our revolving facility, in an effort to mitigate losses associated with these risks, we may at times enter into derivative financial instruments, although we have not historically done so. These may take the form of forward contracts, option contracts, or interest rate swaps. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

### ***Inflation***

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net revenue if the selling prices of our products do not increase with these increased costs.

## **ITEM 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer and principal accounting officer), to allow timely decisions to be made regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. The Disclosure Committee meets on a quarterly basis, and as needed.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), at

April 30, 2017 . Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at April 30, 2017 , our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting during the quarter ended April 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

In addition to the legal matters described in Note 6 to the unaudited interim consolidated financial statements included in Item 1 of Part I of this report and in our fiscal 2016 Annual Report on Form 10-K, we are, from time to time, involved in routine legal matters incidental to the conduct of our business, including legal matters such as initiation and defense of proceedings to protect intellectual property rights, personal injury claims, product liability claims, employment claims, and similar matters. We believe the ultimate resolution of any such current proceeding will not have a material adverse effect on our continued financial position, results of operations or cash flows.

### ITEM 1A. RISK FACTORS

*In addition to the other information contained in this Form 10-Q and in our Annual Report on Form 10-K for our 2016 fiscal year, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. Please note that additional risks not presently known to us or that we currently deem immaterial could also impair our business and operations.*

***Our success depends on our ability to maintain the value and reputation of our brand.***

Our success depends on the value and reputation of the lululemon brand. The lululemon name is integral to our business as well as to the implementation of our strategies for expanding our business. Maintaining, promoting, and positioning our brand will depend largely on the success of our marketing and merchandising efforts and our ability to provide a consistent, high quality product, and guest experience. We rely on social media, as one of our marketing strategies, to have a positive impact on both our brand value and reputation. Our brand and reputation could be adversely affected if we fail to achieve these objectives, if our public image was to be tarnished by negative publicity, if we fail to deliver innovative and high quality products acceptable to our guests, or if we face a product recall. Negative publicity regarding the production methods of any of our suppliers or manufacturers could adversely affect our reputation and sales and force us to locate alternative suppliers or manufacturing sources. Additionally, while we devote considerable efforts and resources to protecting our intellectual property, if these efforts are not successful the value of our brand may be harmed. Any harm to our brand and reputation could have a material adverse effect on our financial condition.

***If any of our products are unacceptable to us or our guests, our business could be harmed.***

We have occasionally received, and may in the future continue to receive, shipments of products that fail to comply with our technical specifications or that fail to conform to our quality control standards. We have also received, and may in the future continue to receive, products that are otherwise unacceptable to us or our guests. Under these circumstances, unless we are able to obtain replacement products in a timely manner, we risk the loss of net revenue resulting from the inability to sell those products and related increased administrative and shipping costs. Additionally, if the unacceptability of our products is not discovered until after such products are purchased by our guests, our guests could lose confidence in our products or we could face a product recall and our results of operations could suffer and our business, reputation, and brand could be harmed.

***We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, resulting in a loss of our market share and a decrease in our net revenue and profitability.***

The market for technical athletic apparel is highly competitive. Competition may result in pricing pressures, reduced profit margins or lost market share, or a failure to grow or maintain our market share, any of which could substantially harm our business and results of operations. We compete directly against wholesalers and direct retailers of athletic apparel, including large, diversified apparel companies with substantial market share and established companies expanding their production and marketing of technical athletic apparel, as well as against retailers specifically focused on women's athletic apparel. We also face competition from wholesalers and direct retailers of traditional commodity athletic apparel, such as cotton T-shirts and sweatshirts. Many of our competitors are large apparel and sporting goods companies with strong worldwide brand recognition. Because of the fragmented nature of the industry, we also compete with other apparel sellers, including those specializing in yoga apparel and other activewear. Many of our competitors have significant competitive advantages, including longer operating histories, larger and broader customer bases, more established relationships with a broader set of suppliers, greater brand recognition and greater financial, research and development, store development, marketing, distribution, and other resources than we do.

Our competitors may be able to achieve and maintain brand awareness and market share more quickly and effectively than we can. In contrast to our "grassroots" marketing approach, many of our competitors promote their brands through traditional forms of advertising, such as print media and television commercials, and through celebrity endorsements, and have substantial resources to devote to such efforts. Our competitors may also create and maintain brand awareness using traditional forms of advertising more quickly than we can. Our competitors may also be able to increase sales in their new and existing markets faster than we do by emphasizing different distribution channels than we do, such as catalog sales or an extensive franchise network.

In addition, because we hold limited patents and exclusive intellectual property rights in the technology, fabrics or processes underlying our products, our current and future competitors are able to manufacture and sell products with performance characteristics, fabrication techniques, and styling similar to our products.

***Our reliance on suppliers to provide fabrics for and to produce our products could cause problems in our supply chain.***

We do not manufacture our products or the raw materials for them and rely instead on suppliers. Many of the specialty fabrics used in our products are technically advanced textile products developed and manufactured by third parties and may be available, in the short-term, from only one or a very limited number of sources. In fiscal 2016, approximately 63% of our products were produced by our top five manufacturing suppliers, and 40% of raw materials were produced by a single manufacturer. We have no long-term contracts with any of our suppliers or manufacturing sources for the production and supply of our fabrics and garments, and we compete with other companies for fabrics, raw materials, and production.

We have experienced, and may in the future continue to experience, a significant disruption in the supply of fabrics or raw materials from current sources and we may be unable to locate alternative materials suppliers of comparable quality at an acceptable price, or at all. In addition, if we experience significant increased demand, or if we need to replace an existing supplier or manufacturer, we may be unable to locate additional supplies of fabrics or raw materials or additional manufacturing capacity on terms that are acceptable to us, or at all, or we may be unable to locate any supplier or manufacturer with sufficient capacity to meet our requirements or to fill our orders in a timely manner. Identifying a suitable supplier is an involved process that requires us to become satisfied with its quality control, responsiveness and service, financial stability, and labor and other ethical practices. Even if we are able to expand existing or find new manufacturing or fabric sources, we may encounter delays in production and added costs as a result of the time it takes to train our suppliers and manufacturers in our methods, products, and quality control standards. Delays related to supplier changes could also arise due to an increase in shipping times if new suppliers are located farther away from our markets or from other participants in our supply chain. Any delays, interruption or increased costs in the supply of fabric or manufacture of our products could have an adverse effect on our ability to meet guest demand for our products and result in lower net revenue and income from operations both in the short and long term.

***An economic downturn or economic uncertainty in our key markets may adversely affect consumer discretionary spending and demand for our products.***

Many of our products may be considered discretionary items for consumers. Factors affecting the level of consumer spending for such discretionary items include general economic conditions, particularly those in North America, and other factors such as consumer confidence in future economic conditions, fears of recession, the availability and cost of consumer credit, levels of unemployment, and tax rates. As global economic conditions continue to be volatile or economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. Unfavorable economic conditions may lead consumers to delay or reduce purchases of our products. Consumer demand for our products may not reach our targets, or may decline, when there is an economic downturn or economic uncertainty in our key markets, particularly in North America. Our sensitivity to economic cycles and any related fluctuation in consumer demand may have a material adverse effect on our financial condition.

***Our sales and profitability may decline as a result of increasing product costs and decreasing selling prices.***

Our business is subject to significant pressure on costs and pricing caused by many factors, including intense competition, constrained sourcing capacity and related inflationary pressure, pressure from consumers to reduce the prices we charge for our products, and changes in consumer demand. These factors may cause us to experience increased costs, reduce our prices to consumers or experience reduced sales in response to increased prices, any of which could cause our operating margin to decline if we are unable to offset these factors with reductions in operating costs and could have a material adverse effect on our financial conditions, operating results and cash flows.

***If we are unable to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products, we may not be able to maintain or increase our sales and profitability.***

Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. If we are unable to introduce new products or novel technologies in a timely manner or our new products or technologies are not accepted by our guests, our competitors may introduce similar products in a more timely fashion, which could hurt our goal to be viewed as a leader in technical athletic apparel innovation. Our new products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of athletic apparel or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes. Our failure to anticipate and respond in a timely manner to changing consumer preferences could lead to, among other things, lower sales and excess inventory levels. Even if we are successful in anticipating consumer preferences, our ability to adequately react to and address those preferences will in part depend upon our continued ability to develop and introduce innovative, high-quality products. Our failure to effectively introduce new products that are accepted by consumers could result in a decrease in net revenue and excess inventory levels, which could have a material adverse effect on our financial condition.

***Our results of operations could be materially harmed if we are unable to accurately forecast guest demand for our products.***

To ensure adequate inventory supply, we must forecast inventory needs and place orders with our manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including an increase or decrease in guest demand for our products or for products of our competitors, our failure to accurately forecast guest acceptance of new products, product introductions by competitors, unanticipated changes in general market conditions, and weakening of economic conditions or consumer confidence in future economic conditions. If we fail to accurately forecast guest demand we may experience excess inventory levels or a shortage of products available for sale in our stores or for delivery to guests.

Inventory levels in excess of guest demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would cause our gross margin to suffer and could impair the strength and exclusivity of our brand. Conversely, if we underestimate guest demand for our products, our manufacturers may not be able to deliver products to meet our requirements, and this could result in damage to our reputation and guest relationships.

***Our inability to safeguard against security breaches with respect to our information technology systems could disrupt our operations.***

Our business employs systems and websites that allow for the storage and transmission of proprietary or confidential information regarding our business, guests and employees including credit card information. Security breaches could expose us to a risk of loss or misuse of this information and potential liability. We may not have the resources or technical sophistication to be able to anticipate or prevent rapidly evolving types of cyber-attacks. Actual or anticipated attacks may cause us to incur increasing costs including costs to deploy additional personnel and protection technologies, train employees and engage third party experts and consultants. Advances in computer capabilities, new technological discoveries or other developments may result in the technology used by us to protect transaction or other data being breached or compromised. Data and security breaches can also occur as a result of non-technical issues including intentional or inadvertent breach by employees or persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, significant litigation and potential liability and damage to our brand and reputation or other harm to our business.

***Any material disruption of our information technology systems or unexpected network interruption could disrupt our business and reduce our sales.***

We are increasingly dependent on information technology systems and third-parties to operate our e-commerce websites, process transactions, respond to guest inquiries, manage inventory, purchase, sell and ship goods on a timely basis, and maintain cost-efficient operations. The failure of our information technology systems to operate properly or effectively, problems with transitioning to upgraded or replacement systems, or difficulty in integrating new systems, could adversely affect our business. In addition, we have e-commerce websites in the United States, Canada, and internationally. Our information technology systems, websites, and operations of third parties on whom we rely, may encounter damage or disruption or slowdown caused by a failure to successfully upgrade systems, system failures, viruses, computer "hackers" or other causes, could cause information, including data related to guest orders, to be lost or delayed which could, especially if the disruption or slowdown occurred during the holiday season, result in delays in the delivery of products to our stores and guests or lost sales, which could reduce demand for our products and cause our sales to decline. In addition, if changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could

lose guests. We have limited back-up systems and redundancies, and our information technology systems and websites have experienced system failures and electrical outages in the past which have disrupted our operations. Any significant disruption in our information technology systems or websites could harm our reputation and credibility, and could have a material adverse effect on our business, financial condition and results of operations.

***If the technology-based systems that give our customers the ability to shop with us online do not function effectively, our operating results, as well as our ability to grow our e-commerce business globally, could be materially adversely affected.***

Many of our customers shop with us through our e-commerce website and mobile commerce applications. Increasingly, customers are using tablets and smart phones to shop online with us and with our competitors and to do comparison shopping. We are increasingly using social media and proprietary mobile applications to interact with our customers and as a means to enhance their shopping experience. Any failure on our part to provide attractive, effective, reliable, user-friendly e-commerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers could place us at a competitive disadvantage, result in the loss of e-commerce and other sales, harm our reputation with customers, have a material adverse impact on the growth of our e-commerce business globally and could have a material adverse impact on our business and results of operations.

Risks specific to our e-commerce business also include diversion of sales from our company-operated stores, difficulty in recreating the in-store experience through direct channels and liability for online content. Our failure to successfully respond to these risks might adversely affect sales in our e-commerce business, as well as damage our reputation and brands.

***The fluctuating cost of raw materials could increase our cost of goods sold and cause our results of operations and financial condition to suffer.***

The fabrics used by our suppliers and manufacturers include synthetic fabrics whose raw materials include petroleum-based products. Our products also include silver and natural fibers, including cotton. Our costs for raw materials are affected by, among other things, weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries, and other factors that are generally unpredictable and beyond our control. Increases in the cost of raw materials, including petroleum or the prices we pay for silver and our cotton yarn and cotton-based textiles, could have a material adverse effect on our cost of goods sold, results of operations, financial condition, and cash flows.

***Our limited operating experience and limited brand recognition in new international markets may limit our expansion and cause our business and growth to suffer.***

Our future growth depends in part on our expansion efforts outside of North America. We have limited experience with regulatory environments and market practices internationally, and we may not be able to penetrate or successfully operate in any new market. In connection with our expansion efforts we may encounter obstacles we did not face in North America, including cultural and linguistic differences, differences in regulatory environments, labor practices and market practices, difficulties in keeping abreast of market, business and technical developments, and foreign guests' tastes and preferences. We may also encounter difficulty expanding into new international markets because of limited brand recognition leading to delayed acceptance of our technical athletic apparel by guests in these new international markets. Our failure to develop our business in new international markets or experiencing disappointing growth outside of existing markets could harm our business and results of operations.

***If we encounter problems with our distribution system, our ability to deliver our products to the market and to meet guest expectations could be harmed.***

We rely on our distribution facilities for substantially all of our product distribution. Our distribution facilities include computer controlled and automated equipment, which means their operations are complicated and may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, electronic or power interruptions, or other system failures. In addition, because substantially all of our products are distributed from four locations, our operations could also be interrupted by labor difficulties, extreme or severe weather conditions or by floods, fires or other natural disasters near our distribution centers. If we encounter problems with our distribution system, our ability to meet guest expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies could be harmed.

***Our fabrics and manufacturing technology generally are not patented and can be imitated by our competitors.***

The intellectual property rights in the technology, fabrics, and processes used to manufacture our products generally are owned or controlled by our suppliers and are generally not unique to us. Our ability to obtain intellectual property protection for our products is therefore limited and we do not generally own patents or hold exclusive intellectual property rights in the

technology, fabrics or processes underlying our products. As a result, our current and future competitors are able to manufacture and sell products with performance characteristics, fabrics and styling similar to our products. Because many of our competitors have significantly greater financial, distribution, marketing, and other resources than we do, they may be able to manufacture and sell products based on our fabrics and manufacturing technology at lower prices than we can. If our competitors do sell similar products to ours at lower prices, our net revenue and profitability could suffer.

***We may see higher than anticipated costs associated with, or not realize the benefits of, our efforts to restructure our ivivva business.***

In June 2017, we announced that we plan to restructure our ivivva operations to a primarily e-commerce focused business. As part of this effort, we plan to streamline its corporate infrastructure and to close approximately 40 of our 55 ivivva branded company-operated stores. The estimated costs and benefits associated with our restructuring efforts may vary materially based on various factors, including the timing of our execution of the programs, the outcome of negotiations with landlords and other third parties, the accuracy of our sales forecasts, inventory levels, the diversion of management attention from ongoing business activities or a decrease in employee morale, potential employment or other claims and litigation, and changes in management's assumptions and projections. As a result of these events and circumstances, delays and unexpected costs may occur, which could result in higher costs than we anticipate or our not realizing all, or any, of the anticipated benefits of these restructuring efforts.

***Our failure or inability to protect our intellectual property rights could diminish the value of our brand and weaken our competitive position.***

We currently rely on a combination of copyright, trademark, trade dress, and unfair competition laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our intellectual property rights. The steps we take to protect our intellectual property rights may not be adequate to prevent infringement of these rights by others, including imitation of our products and misappropriation of our brand. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our intellectual property rights as fully as in the United States or Canada, and it may be more difficult for us to successfully challenge the use of our intellectual property rights by other parties in these countries. If we fail to protect and maintain our intellectual property rights, the value of our brand could be diminished and our competitive position may suffer.

***Changes in tax laws or unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.***

We are subject to the income tax laws of the United States, Canada, and several other international jurisdictions. Our effective income tax rates could be unfavorably impacted by a number of factors, including changes in the mix of earnings amongst countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, the outcome of income tax audits in various jurisdictions around the world, and any repatriation of unremitted earnings for which we have not previously accrued U.S. taxes.

We and our subsidiaries engage in a number of intercompany transactions across multiple tax jurisdictions. Although we believe that these transactions reflect the accurate economic allocation of profit and that proper transfer pricing documentation is in place, the profit allocation and transfer pricing terms and conditions may be scrutinized by local tax authorities during an audit and any resulting changes may impact our mix of earnings in countries with differing statutory tax rates.

Current economic and political conditions make tax rules in any jurisdiction, including the United States and Canada, subject to significant change. There have been proposals to reform U.S. and foreign tax laws that could significantly impact how U.S. multinational corporations are taxed on foreign earnings. Although we cannot predict whether or in what form such proposals will pass, several of the proposals considered, if enacted into law, could have an adverse impact on our income tax expense and cash flows.

***If we continue to grow at a rapid pace, we may not be able to effectively manage our growth and the increased complexity of our business and as a result our brand image and financial performance may suffer.***

We have expanded our operations rapidly since our inception in 1998 and our net revenue has increased from \$40.7 million in fiscal 2004 to \$2.3 billion in fiscal 2016. If our operations continue to grow at a rapid pace, we may experience difficulties in obtaining sufficient raw materials and manufacturing capacity to produce our products, as well as delays in production and shipments, as our products are subject to risks associated with overseas sourcing and manufacturing. We could be required to continue to expand our sales and marketing, product development and distribution functions, to upgrade our management information systems and other processes and technology, and to obtain more space for our expanding workforce. This expansion could increase the strain on our resources, and we could experience operating difficulties, including difficulties

in hiring, training and managing an increasing number of employees. These difficulties could result in the erosion of our brand image which could have a material adverse effect on our financial condition.

***We are subject to risks associated with leasing retail and distribution space subject to long-term and non-cancelable leases.***

We lease the majority of our stores under operating leases and our inability to secure appropriate real estate or lease terms could impact our ability to grow. Our leases generally have initial terms of between five and ten years, and generally can be extended only in five-year increments if at all. We generally cannot cancel these leases at our option. If an existing or new store is not profitable, and we decide to close it, as we have done in the past and may do in the future, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Similarly, we may be committed to perform our obligations under the applicable leases even if current locations of our stores become unattractive as demographic patterns change. In addition, as each of our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could require us to close stores in desirable locations.

We also lease the majority of our distribution centers and our inability to secure appropriate real estate or lease terms could impact our ability to deliver our products to the market.

***Increasing labor costs and other factors associated with the production of our products in South and South East Asia could increase the costs to produce our products.***

A significant portion of our products are produced in South and South East Asia and increases in the costs of labor and other costs of doing business in the countries in this area could significantly increase our costs to produce our products and could have a negative impact on our operations, net revenue, and earnings. Factors that could negatively affect our business include a potential significant revaluation of the currencies used in these countries, which may result in an increase in the cost of producing products, labor shortage and increases in labor costs, and difficulties in moving products manufactured out of the countries in which they are manufactured and through the ports on the western coast of North America, whether due to port congestion, labor disputes, product regulations and/or inspections or other factors, and natural disasters or health pandemics. A labor strike or other transportation disruption affecting these ports could significantly disrupt our business. Also, the imposition of trade sanctions or other regulations against products imported by us from, or the loss of "normal trade relations" status with any country in which our products are manufactured, could significantly increase our cost of products imported into North America and/or Australia and harm our business.

***We may not be able to successfully open new store locations in a timely manner, if at all, which could harm our results of operations.***

Our growth will largely depend on our ability to successfully open and operate new stores, which depends on many factors, including, among others, our ability to:

- identify suitable store locations, the availability of which is outside of our control;
- negotiate acceptable lease terms, including desired tenant improvement allowances;
- hire, train and retain store personnel and field management;
- immerse new store personnel and field management into our corporate culture;
- source sufficient inventory levels; and
- successfully integrate new stores into our existing operations and information technology systems.

Successful new store openings may also be affected by our ability to initiate our grassroots marketing efforts in advance of opening our first store in a new market. We typically rely on our grassroots marketing efforts to build awareness of our brand and demand for our products. Our grassroots marketing efforts are often lengthy and must be tailored to each new market based on our emerging understanding of the market. We may not be able to successfully implement our grassroots marketing efforts in a particular market in a timely manner, if at all. Additionally, we may be unsuccessful in identifying new markets where our technical athletic apparel and other products and brand image will be accepted or the performance of our stores will be considered successful.

***Our ability to source our merchandise profitably or at all could be hurt if new trade restrictions are imposed or existing trade restrictions become more burdensome.***

The United States and the countries in which our products are produced or sold internationally have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty or tariff levels. We have expanded our relationships with suppliers outside of China, which among other things has resulted in increased costs and shipping times for some products. Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, including tariffs, quotas, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations.

The U.S. government could impose a border adjustment tax, which could have a material adverse effect on our business, financial condition and operating results. We are also dependent on international trade agreements and regulations. If the United States were to withdraw from or materially modify certain international trade agreements, our business could be adversely affected.

***Our failure to comply with trade and other regulations could lead to investigations or actions by government regulators and negative publicity.***

The labeling, distribution, importation, marketing, and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, Consumer Product Safety Commission and state attorneys general in the United States, the Competition Bureau and Health Canada in Canada, as well as by various other federal, state, provincial, local and international regulatory authorities in the countries in which our products are distributed or sold. If we fail to comply with any of these regulations, we could become subject to enforcement actions or the imposition of significant penalties or claims, which could harm our results of operations or our ability to conduct our business. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in significant compliance costs or discontinuation of product sales and could impair the marketing of our products, resulting in significant loss of net revenue.

Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-bribery laws applicable to our operations. In many foreign countries, particularly in those with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other U.S. and foreign laws and regulations applicable to us. Although we have implemented procedures designed to ensure compliance with the FCPA and similar laws, some of our employees, agents, or other channel partners, as well as those companies to which we outsource certain of our business operations, could take actions in violation of our policies. Any such violation could have a material and adverse effect on our business.

***Our future success is substantially dependent on the continued service of our senior management.***

Our future success is substantially dependent on the continued service of our senior management and other key employees. In the last several years, several members of our senior management team have left us and we have focused time and resources on recruiting the new members of our current management team. The continued turnover of senior management and the loss of key members of our executive team could have a negative impact on our ability to manage and grow our business effectively. In addition, if we're not effective with our succession planning, it may have a negative impact on our ability to fill senior management roles in a timely manner.

We do not maintain a key person life insurance policy on any of the members of our senior management team. As a result, we would have no way to cover the financial loss if we were to lose the services of members of our senior management team.

***Our business is affected by seasonality.***

Our business is affected by the general seasonal trends common to the retail apparel industry. This seasonality may adversely affect our business and cause our results of operations to fluctuate, and, as a result, we believe that comparisons of our operating results between different quarters within a single fiscal year are not necessarily meaningful and that results of operations in any period should not be considered indicative of the results to be expected for any future period.

***Because a significant portion of our net revenue and expenses are generated in countries other than the United States, fluctuations in foreign currency exchange rates have affected our results of operations and may continue to do so in the future.***

The functional currency of our foreign subsidiaries is generally the applicable local currency. Our consolidated financial statements are presented in U.S. dollars. Therefore, the net revenue, expenses, assets, and liabilities of our foreign subsidiaries are translated from their functional currencies into U.S. dollars. Fluctuations in the value of the U.S. dollar affect the reported amounts of net revenue, expenses, assets, and liabilities. Foreign exchange differences which arise on translation of our foreign subsidiaries' balance sheets into U.S. dollars are recorded as a foreign currency translation adjustment in accumulated other comprehensive income or loss within stockholders' equity. We also have exposure to changes in foreign exchange rates associated with transactions which are undertaken by our subsidiaries in currencies other than their functional currency. Such transactions include intercompany transactions and inventory purchases denominated in currencies other than the functional currency of the purchasing entity. As a result, we have been impacted by changes in exchange rates and may be impacted for the foreseeable future. The potential impact of currency fluctuation increases as our international expansion increases.

We currently generate a significant portion of our net revenue and incur a significant portion of our expenses in Canada. We also hold a significant portion of our net assets in Canada. The reporting currency for our consolidated financial statements is the U.S. dollar. A strengthening of the U.S. dollar against the Canadian dollar results in:

- a decrease in our net revenue upon translation of the sales made by our Canadian operations into U.S. dollars for the purposes of consolidation;
- a decrease in our selling, general and administrative expenses incurred by our Canadian operations upon translation into U.S. dollars for the purposes of consolidation; and
- foreign exchange revaluation gains by our Canadian subsidiaries on U.S. dollar cash and receivables denominated in U.S. dollars.

During the first quarter of fiscal 2017, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a \$32.7 million increase in accumulated other comprehensive loss within stockholders' equity. During the first quarter of fiscal 2016, the change in the relative value of the U.S. dollar against the Canadian dollar resulted in a \$68.1 million reduction in accumulated other comprehensive loss within stockholders' equity.

A 10% appreciation in the relative value of the U.S. dollar against the Canadian dollar compared to the exchange rates in effect for the first quarter of fiscal 2017 would have resulted in additional income from operations of approximately \$3.5 million in the first quarter of fiscal 2017. This assumes a consistent 10% appreciation in the U.S. dollar against the Canadian dollar throughout the first quarter of fiscal 2017. The timing of changes in the relative value of the U.S. dollar combined with the seasonal nature of our business, can affect the magnitude of the impact that fluctuations in foreign exchange rates have on our income from operations.

We have not historically hedged foreign currency fluctuations. However, in the future, in an effort to mitigate these risks, we may enter into derivative financial instruments. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

***The operations of many of our suppliers are subject to additional risks that are beyond our control and that could harm our business, financial condition, and results of operations.***

Almost all of our suppliers are located outside of North America. During fiscal 2016, approximately 47% of our products were produced in South East Asia, approximately 28% in South Asia, approximately 15% in China, approximately 1% in North America, and the remainder in other regions. As a result of our international suppliers, we are subject to risks associated with doing business abroad, including:

- political unrest, terrorism, labor disputes, and economic instability resulting in the disruption of trade from foreign countries in which our products are manufactured;
- the imposition of new laws and regulations, including those relating to labor conditions, quality and safety standards, imports, duties, taxes and other charges on imports, as well as trade restrictions and restrictions on currency exchange or the transfer of funds;
- reduced protection for intellectual property rights, including trademark protection, in some countries, particularly China;
- disruptions or delays in shipments; and
- changes in local economic conditions in countries where our manufacturers, suppliers, or guests are located.

These and other factors beyond our control could interrupt our suppliers' production in offshore facilities, influence the ability of our suppliers to export our products cost-effectively or at all and inhibit our suppliers' ability to procure certain materials, any of which could harm our business, financial condition, and results of operations.

***Our trademarks and other proprietary rights could potentially conflict with the rights of others and we may be prevented from selling some of our products.***

Our success depends in large part on our brand image. We believe that our trademarks and other proprietary rights have significant value and are important to identifying and differentiating our products from those of our competitors and creating and sustaining demand for our products. We have obtained and applied for some United States and foreign trademark registrations, and will continue to evaluate the registration of additional trademarks as appropriate. However, some or all of these pending trademark applications may not be approved by the applicable governmental authorities. Moreover, even if the applications are approved, third parties may seek to oppose or otherwise challenge these registrations. Additionally, we may face obstacles as we expand our product line and the geographic scope of our sales and marketing. Third parties may assert intellectual property claims against us, particularly as we expand our business and the number of products we offer. Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. In addition, resolution of claims may require us to redesign our products, license rights from third parties, or cease using those rights altogether. Any of these events could harm our business and cause our results of operations, liquidity, and financial condition to suffer.

***We are subject to periodic claims and litigation that could result in unexpected expenses and could ultimately be resolved against us.***

From time to time, we are involved in litigation and other proceedings, including matters related to product liability claims, stockholder class action and derivative claims, commercial disputes and intellectual property, as well as trade, regulatory, employment, and other claims related to our business. Any of these proceedings could result in significant settlement amounts, damages, fines or other penalties, divert financial and management resources, and result in significant legal fees. An unfavorable outcome of any particular proceeding could exceed the limits of our insurance policies or the carriers may decline to fund such final settlements and/or judgments and could have an adverse impact on our business, financial condition, and results of operations. In addition, any proceeding could negatively impact our reputation among our guests and our brand image.

***Our business could be negatively affected as a result of actions of activist stockholders, and such activism could impact the trading value of our securities.***

Responding to actions by activist stockholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Such activities could interfere with our ability to execute our strategic plan. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and our board of directors. The perceived uncertainties as to our future direction also could affect the market price and volatility of our securities.

***Anti-takeover provisions of Delaware law and our certificate of incorporation and bylaws could delay and discourage takeover attempts that stockholders may consider to be favorable.***

Certain provisions of our certificate of incorporation and bylaws and applicable provisions of the Delaware General Corporation Law may make it more difficult or impossible for a third-party to acquire control of us or effect a change in our board of directors and management. These provisions include:

- the classification of our board of directors into three classes, with one class elected each year;
- prohibiting cumulative voting in the election of directors;
- the ability of our board of directors to issue preferred stock without stockholder approval;
- the ability to remove a director only for cause and only with the vote of the holders of at least 66 2/3% of our voting stock;
- a special meeting of stockholders may only be called by our chairman or Chief Executive Officer, or upon a resolution adopted by an affirmative vote of a majority of the board of directors, and not by our stockholders;

- prohibiting stockholder action by written consent; and
- our stockholders must comply with advance notice procedures in order to nominate candidates for election to our board of directors or to place stockholder proposals on the agenda for consideration at any meeting of our stockholders.

In addition, we are governed by Section 203 of the Delaware General Corporation Law which, subject to some specified exceptions, prohibits "business combinations" between a Delaware corporation and an "interested stockholder," which is generally defined as a stockholder who becomes a beneficial owner of 15% or more of a Delaware corporation's voting stock, for a three-year period following the date that the stockholder became an interested stockholder. Section 203 could have the effect of delaying, deferring or preventing a change in control that our stockholders might consider to be in their best interests.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table provides information regarding our purchases of shares of our common stock during the quarter ended April 30, 2017 related to our stock repurchase program:

<b>Period <sup>(1)</sup></b>	<b>Total Number of Shares Purchased <sup>(2)</sup></b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup></b>	<b>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup></b>
January 30, 2017 - February 26, 2017	—	\$ —	—	\$ 99,230,880
February 27, 2017 - April 2, 2017	54,322	63.97	54,322	95,755,762
April 3, 2017 - April 30, 2017	180,083	51.78	180,083	86,431,201
<b>Total</b>	<b>234,405</b>		<b>234,405</b>	

<sup>(1)</sup> Monthly information is presented by reference to our fiscal periods during our first quarter of fiscal 2017 .

<sup>(2)</sup> Our stock repurchase program was approved by our board of directors in December 2016. Common shares generally are repurchased in the open market at prevailing market prices, including under written plans complying with the provisions of Rule 10b5-1 and Rule 10b-18 of the Securities Exchange Act of 1934, with the timing and actual number of common shares repurchased depending upon market conditions, eligibility to trade, and other factors. The repurchases may be made through and including December 9, 2018, and the maximum dollar value of shares that may be repurchased is \$100.0 million.

The following table provides information regarding our purchases of shares of our common stock during the quarter ended April 30, 2017 related to our Employee Share Purchase Plan:

<b>Period <sup>(1)</sup></b>	<b>Total Number of Shares Purchased <sup>(2)</sup></b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup></b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup></b>
January 30, 2017 - February 26, 2017	9,871	\$ 66.54	9,871	5,029,935
February 27, 2017 - April 2, 2017	11,062	63.40	11,062	5,018,873
April 3, 2017 - April 30, 2017	12,410	52.93	12,410	5,006,463
<b>Total</b>	<b>33,343</b>		<b>33,343</b>	

<sup>(1)</sup> Monthly information is presented by reference to our fiscal periods during our first quarter of fiscal 2017 .

<sup>(2)</sup> Our Employee Share Purchase Plan (ESPP) was approved by our board of directors and stockholders in September 2007. All shares purchased under the ESPP are purchased on the Nasdaq Global Select Market (or such other stock exchange as we may designate from time to time). Unless our board of directors terminates the ESPP earlier, the ESPP will continue until all shares authorized for purchase under the ESPP have been purchased. The maximum number of shares authorized to be purchased under the ESPP is 6,000,000.

Excluded from this disclosure are shares withheld to settle statutory employee tax withholding related to the vesting of stock-based compensation awards.

**ITEM 5. OTHER INFORMATION**

On June 1, 2017, we announced that we plan to restructure our ivivva operations to a primarily e-commerce focused business, with a select number of stores in key communities across North America. We plan to close approximately 40 of our 55 ivivva branded company-operated stores and to convert approximately half of the remaining stores to lululemon branded stores. We also plan to close all of our ivivva branded showrooms and other temporary locations and to streamline its corporate infrastructure. We anticipate that we will substantially complete the closures and restructuring by the end of the third quarter of fiscal 2017.

In connection with this restructuring, we expect to recognize total pre-tax costs of between \$50.0 million and \$60.0 million in fiscal 2017, inclusive of \$17.7 million recognized during the first quarter of fiscal 2017.

The total expected costs include the following:

- between \$15.0 million and \$17.0 million for long-lived asset impairment and accelerated depreciation;
- between \$30.0 million and \$37.0 million for restructuring costs, including lease termination costs, employee related costs, contract termination charges, and other expenses; and
- between \$5.0 million and \$6.0 million for inventory write downs, and losses on certain committed inventory and raw material purchases.

We expect the restructuring costs totaling between \$30.0 million and \$37.0 million to be paid in cash.

These estimates and the actual associated with this restructuring may vary materially based on various factors, including those described in Item 1A of Part II of this Quarterly Report on Form 10-Q.

**ITEM 6. EXHIBITS**

Exhibit No.	Exhibit Title	Filed Herewith	Incorporated by Reference			
			Form	Exhibit No.	File No.	Filing Date
10.1*	Form of Notice of Grant of Non-Qualified Stock Option and Non-Qualified Stock Option Agreement (with clawback provision)	X				
10.2*	Form of Notice of Grant of Performance-Based Restricted Stock Units and Performance-Based Restricted Stock Unit Agreement (with clawback provision)	X				
10.3*	Form of Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement (with clawback provision)	X				
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)	X				
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)	X				
32.1**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					
101	The following unaudited interim consolidated financial statements from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2017, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows (v) Notes to the Unaudited Interim Consolidated Financial Statements	X				

\* Denotes a compensatory plan, contract or arrangement, in which our directors or executive officers may participate.

\*\* Furnished herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

lululemon athletica inc.

By: /s/ S TUART H ASELDEN

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Stuart Haselden

*Chief Financial Officer  
(Principal Financial Officer and  
Principal Accounting Officer)*

Dated: June 1, 2017

**Exhibit Index**

<b>Exhibit No.</b>	<b>Exhibit Title</b>	<b>Filed Herewith</b>	<b>Incorporated by Reference</b>			
			<b>Form</b>	<b>Exhibit No.</b>	<b>File No.</b>	<b>Filing Date</b>
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31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)	X				
32.1**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					
101	The following unaudited interim consolidated financial statements from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2017, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows (v) Notes to the Unaudited Interim Consolidated Financial Statements	X				

\* Denotes a compensatory plan, contract or arrangement, in which our directors or executive officers may participate.

\*\* Furnished herewith

**LULULEMON ATHLETICA INC.  
NOTICE OF GRANT OF NON-QUALIFIED STOCK OPTION**

lululemon athletica inc. (the “ *Company* ”) has granted to the Participant a Non-Qualified stock option (the “ *Option* ”) to purchase certain shares of Stock of the Company pursuant to the lululemon athletica inc. 2014 Equity Incentive Plan (the “ *Plan* ”), as follows:

<b>Participant:</b>		<b>Grant Number:</b>	
		<b>Employee ID:</b>	
<b>Date of Grant:</b>			
<b>Number of Option Shares:</b>			
	, subject to adjustment as provided by the Stock Option Agreement.		
<b>Exercise Price:</b>	US\$ _____ per Option Share		
<b>Vesting Commencement Date:</b>			
<b>Option Expiration Date:</b>			
<b>U.S. Tax Status of Option:</b>	Nonstatutory Stock Option.		
<b>Vested Shares:</b>			
<b>Recovery Policy:</b>	The Option is subject to the terms and conditions of the Company’s Policy for Recovery of Incentive-Based Compensation, as amended from time to time (the “ <i>Clawback Policy</i> ”).		

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Option is governed by this Grant Notice and by the provisions of the Plan and the Stock Option Agreement, both of which are made a part of this document. The Participant acknowledges that copies of the Plan, Stock Option Agreement and the prospectus for the Plan are available to the Participant and may be viewed and printed by the Participant for attachment to the Participant’s copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Plan and Stock Option Agreement, and hereby accepts the Award subject to all of their terms and conditions.

**LULULEMON ATHLETICA INC.**

By: \_\_\_\_\_  
\_\_\_\_\_

Address: 1818 Cornwall Avenue  
Vancouver, British Columbia  
Canada, V6J 1C7

Attachment: Stock Option Agreement  
Policy for Recovery of Incentive-Based Compensation

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**LULULEMON ATHLETICA INC.**  
**NON-QUALIFIED STOCK OPTION AGREEMENT**

lululemon athletica inc. (the “**Company**”) has granted to the Participant named in *the Notice of Grant of Non-Qualified Stock Option* (the “**Grant Notice**”) to which this Non-Qualified Stock Option Agreement (the “**Option Agreement**”) is attached a Non-Qualified Stock Option (the “**Option**”) to purchase certain shares of Stock upon the terms and conditions set forth in the Grant Notice and this Option Agreement. The Option has been granted pursuant to and shall in all respects be subject to the terms and conditions of the lululemon athletica inc. 2014 Equity Incentive Plan (the “**Plan**”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with, the Grant Notice, this Option Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of shares issuable pursuant to the Option (the “**Plan Prospectus**”), (b) accepts the Option subject to all of the terms and conditions of the Grant Notice, this Option Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Option Agreement or the Plan.

**1. DEFINITIONS AND CONSTRUCTION.**

**1.1 Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

**1.2 Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Option Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

**2. U.S. TAX STATUS OF OPTION.**

For Participants that are U.S. taxpayers or otherwise subject to U.S. tax, the Option is intended to be a Non-Qualified Stock Option and is not intended to be an Incentive Stock Option within the meaning of Section 422 of the Code, or to otherwise qualify for any special tax benefits to the Participant.

**3. ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan shall be determined by the Committee or its designee. All such determinations shall be final and binding upon all persons having an interest in the Award as provided by the Plan. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent or actual authority with respect to such matter, right, obligation, or election.

**4. EXERCISE OF THE OPTION.**

**4.1 Right to Exercise.** Except as otherwise provided herein, the Option shall be exercisable on and after the Initial Vesting Date and prior to the termination of the Option (as provided in Section 6) in an amount not to exceed the number of Vested Shares less the number of shares previously acquired upon exercise of the Option. In no event shall the Option be exercisable for more shares than the Number of Option Shares, as adjusted pursuant to Section 9.

**4.2 Method of Exercise.** Exercise of the Option shall be by means of electronic or written notice (the “**Exercise Notice**”) in a form authorized by the Company. An electronic Exercise Notice must be digitally signed or authenticated by the Participant in such manner as required by the notice and transmitted to the Company or an authorized representative of the Company (including a third-party administrator designated by the Company). In the event that the Participant is not authorized or is unable to provide an electronic Exercise Notice, the Option shall be exercised by a written Exercise Notice addressed to the Company, which shall be signed by the Participant and delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or

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by such other means as the Company may permit, to the Company, or an authorized representative of the Company (including a third-party administrator designated by the Company). Each Exercise Notice, whether electronic or written, must state the Participant selection to exercise the Option, the number of whole shares of Stock for which the Option is being exercised and such other representations and agreements as to the Participant's investment intent with respect to such shares as may be required pursuant to the provisions of this Option Agreement. Further, each Exercise Notice must be received by the Company prior to the termination of the Option as set forth in Section 6 and must be accompanied by full payment of the aggregate Exercise Price for the number of shares of Stock being purchased. The Option shall be deemed to be exercised upon receipt by the Company of such electronic or written Exercise Notice and the aggregate Exercise Price.

#### 4.3 Payment of Exercise Price.

(a) **Forms of Consideration Authorized.** Except as otherwise provided below, payment of the aggregate Exercise Price for the number of shares of Stock for which the Option is being exercised shall be made (i) in cash, by check or in cash equivalent; (ii) if permitted by the Company and subject to the limitations contained in Section 4.3(b), by means of (1) a Cashless Exercise, (2) a Net-Exercise, or (3) a Stock Tender Exercise; or (iii) by any combination of the foregoing.

(b) **Limitations on Forms of Consideration.** The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedure providing for payment of the Exercise Price through any of the means described below, including with respect to the Participant notwithstanding that such program or procedures may be available to others.

(i) **Cashless Exercise.** A "**Cashless Exercise**" means the delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker in a form acceptable to the Company providing for the assignment to the Company of the proceeds of a sale or loan with respect to shares of Stock acquired upon the exercise of the Option in an amount not less than the aggregate Exercise Price for such shares (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System).

(ii) **Net-Exercise.** A "**Net-Exercise**" means the delivery of a properly executed Exercise Notice electing a procedure pursuant to which (1) the Company will reduce the number of shares otherwise issuable to the Participant upon the exercise of the Option by the largest whole number of shares having a Fair Market Value that does not exceed the aggregate Exercise Price for the shares with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate Exercise Price not satisfied by such reduction in the number of whole shares to be issued. Following a Net-Exercise, the number of shares remaining subject to the Option, if any, shall be reduced by the sum of (1) the net number of shares issued to the Participant upon such exercise, and (2) the number of shares deducted by the Company for payment of the aggregate Exercise Price.

(iii) **Stock Tender Exercise.** A "**Stock Tender Exercise**" means the delivery of a properly executed Exercise Notice accompanied by (1) the Participant's tender to the Company, or attestation to the ownership, in a form acceptable to the Company of whole shares of Stock having a Fair Market Value that does not exceed the aggregate Exercise Price for the shares with respect to which the Option is exercised, and (2) the Participant's payment to the Company in cash of the remaining balance of such aggregate Exercise Price not satisfied by such shares' Fair Market Value. A Stock Tender Exercise shall not be permitted if it would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. If required by the Company, the Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Participant for a period of time required by the Company (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

#### 4.4 Tax Withholding.

(a) **In General.** At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other

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amounts payable to the Participant, and otherwise agrees to make adequate provision for any sums required to satisfy the federal, state, local and foreign tax (including social insurance contributions, UK National Insurance Contributions or any equivalents) withholding obligations of the Participating Company Group, if any, which arise in connection with the Option, including without limitation the grant, vesting exercise or subsequent sale of shares of Stock (the “ **Tax Obligations** ”). The Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for (including by means of a Cashless Exercise to the extent permitted by the Company), any sums required to satisfy the Tax Obligations. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company Group have been satisfied by the Participant. The Participant acknowledges that the ultimate liability for all Tax Obligations legally due by the Participant is and remains the Participant’s responsibility and that the Company (a) makes no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Option and (b) does not commit to structure the terms of the grant or any other aspect of the Option to reduce or eliminate the Participant’s liability for Tax Obligations.

(b) **Withholding in Shares.** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of the Tax Obligations by deducting from the shares of Stock otherwise issuable to the Participant upon such exercise a number of whole shares having a fair market value, as determined by the Company as of the date of exercise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

**4.5 Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with the broker designated by the Company with which the Participant has an account, any or all shares acquired by the Participant pursuant to the exercise of the Option. Except as provided by the preceding sentence, a certificate for the shares as to which the Option is exercised shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

**4.6 Restrictions on Grant of the Option and Issuance of Shares.** The grant of the Option and the issuance of shares of Stock upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Option may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares issuable upon exercise of the Option or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. **THE PARTICIPANT IS CAUTIONED THAT THE OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE PARTICIPANT MAY NOT BE ABLE TO EXERCISE THE OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED.** The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company’s legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

**4.7 Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise of the Option.

## **5. TRANSFERABILITY OF THE OPTION.**

The Option may be exercised during the lifetime of the Participant only by the Participant or the Participant’s guardian or legal representative and shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant’s beneficiary, except transfer by will or by the laws of descent and distribution. Following the death of the

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Participant, the Option, to the extent provided in Section 7, may be exercised by the Participant's legal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

## 6. TERMINATION OF THE OPTION.

The Option shall terminate and may no longer be exercised after the first to occur of (a) the close of business on the Option Expiration Date, (b) the close of business on the last date for exercising the Option following termination of the Participant's Service as described in Section 7, or (c) a Change in Control to the extent provided in Section 8.

## 7. EFFECT OF TERMINATION OF SERVICE.

**7.1 Option Exercisability.** The Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period as determined below and thereafter shall terminate. Termination of Service for the purpose of this Agreement shall be deemed to be the last day of employment (whether voluntary or involuntary and with or without Cause, except as provided below with respect to a Termination by Reason of Retirement or as otherwise provided in the Participant's written employment or other service agreement), and not during or as of the end of any period following such date during which the Participant is in receipt of, or entitled to receive, statutory, contractual or common law notice of termination or any compensation in lieu of such notice. Notwithstanding anything in the Plan or this Agreement to the contrary "Service" shall not be deemed to have been terminated or interrupted if the Participant takes a military leave, sick leave, or any other bona fide leave of absence approved by the Company.

(a) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for Vested Shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of one (1) year after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option shall become fully vested and exercisable, and may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of one (1) year after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(c) **Termination for Cause.** Notwithstanding any other provision of this Option Agreement to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or act. In addition, if there are any shares of Stock for which the Company has not yet delivered share certificates relation to the Option, then such share certificates shall be immediately and automatically forfeited and the Company will refund to the Participant the Exercise price paid for such shares of Stock, if any.

(d) **Termination by Reason of Retirement.** In the event of the termination of the Participant's Service by reason of Retirement, the Option will continue to vest and become exercisable for twelve (12) months following the date of Retirement in accordance with the terms and provisions of the Plan and this Agreement as if the Participant had continued in Service for a period of twelve months following the date of Retirement. If the Participant's Service terminates by reason of Retirement, the Option may thereafter be exercised by the Participant, to the extent it was exercisable at the time of such termination or becomes exercisable pursuant to the terms of this Section 7(d), for a period ending three (3) years following the date of such termination but in any event no later than the Option Expiration Date.

(e) **Other Termination of Service.** If the Participant's Service terminates for any reason (whether voluntary or involuntary), except Disability, Death, Cause, or Retirement, the Option, to the extent unexercised and exercisable for Vested Shares by the Participant on the last day of employment, may be exercised by the Participant

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at any time prior to the expiration of ninety (90) calendar days after the last day of employment, but in any event no later than the Option Expiration Date.

(f) **Forfeiture For Violations of Non-Compete and/or Non-Solicitation Agreements.** Notwithstanding anything in this Section 7 to the contrary, if, following the Participant's termination of Service, the Participant violates any provision contained in a written service or other agreement applicable to the Participant (or any other written policy of the Participating Company Group of general application) relating to the prohibition of the Participant from engaging in activities which would violate any legally enforceable non-compete or non-solicitation clause or rule, then the Option shall immediately become unexercisable and shall be forfeited in full effective as of the date of such violation. In addition, effective upon any violation described above, any exercise by the Participant of the Option following the Participant's termination of Service shall be rescinded and the Participant shall forfeit and return all shares received upon such exercise to the Company or, if the Participant no longer retains such shares because the Participant has disposed of the shares, then the Participant shall remit the difference between the Fair Market Value of the shares on the date the Participant disposed of them and the Exercise Price for such shares.

**7.2 Extension if Exercise Prevented by Law.** Notwithstanding the foregoing, other than termination of the Participant's Service for Cause, if the exercise of the Option within the applicable time periods set forth in Section 7.1 is prevented by the provisions of Section 4.6, the Option shall remain exercisable until the later of (a) thirty (30) calendar days after the date such exercise first would no longer be prevented by such provisions, or (b) the end of the applicable time period under Section 7.1, but in any event no later than the Option Expiration Date.

**7.3 Automatic Exercise of In-the-Money Option.** Notwithstanding anything in this Option Agreement to the contrary, if, on the date on which this Option would otherwise terminate or expire, the Option's Exercise Price per share of Stock is greater than the Fair Market Value of a share of Stock, then, any portion of such Option which has not previously been exercised shall automatically be deemed exercised as of such date with respect to such portion pursuant to a Net Exercise described in Section 4.3(b)(ii) and withholding of shares of Stock as described in Section 4.4(b); provided, however, that such an exercise shall not occur to the extent the Participant (and, if applicable, the Participant's legal representative or other person who acquired the right to exercise this Option pursuant to Section 7.1(b)) may waive in writing the applicability of this Section 7.3.

## 8. EFFECT OF CHANGE IN CONTROL.

**8.1 General Rule.** In the event of a Change in Control, except to the extent that the Committee determines to cash out the Option in accordance with Section 14.1(b) of the Plan, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "**Acquiror**"), may, without the consent of the Participant, assume or continue in full force and effect the Company's rights and obligations under all or any portion of the Option or substitute for all or any portion of the Option a substantially equivalent option for the Acquiror's stock. For purposes of this Section, the Option or any portion thereof shall be deemed assumed if, following the Change in Control, the Option confers the right to receive, subject to the terms and conditions of the Plan and this Option Agreement, for each share of Stock subject to such portion of the Option immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise of the Option for each share of Stock to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. Notwithstanding the foregoing, if the Option is not assumed, substituted for, or otherwise continued by the Acquiror, the Option shall vest in full effective and contingent upon consummation of the Change in Control. The Option shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control to the extent that the Option is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised as of the time of the Change in Control.

**8.2 Termination After Change in Control.** Notwithstanding anything in this Agreement to the contrary, if the Option is assumed, substituted for, or continued following a Change in Control, and if the Participant's Service

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ceases as a result of a Termination After Change in Control (as defined below), the Options shall become fully vested and exercisable for Vested Shares.

(a) **“Termination After Change in Control”** shall mean either of the following events occurring within two (2) years after a Change in Control:

(i) Termination of the Participant's Service with the Participating Company Group or such successor without Cause;

or

(ii) The Participant's resignation for Good Reason (as defined below) within ninety (90) days of the Participant first becoming aware of the event constituting Good Reason provided the Participant has provided the Company (or its successor) notice of such condition and the opportunity to cure the event.

Notwithstanding any provision herein to the contrary, Termination After Change in Control shall not include any termination of the Participant's Service which (A) is for Cause; (B) is a result of the Participant's voluntary termination of such relationship other than for Good Reason; or (C) occurs prior to the effectiveness of a Change in Control.

(b) **“Good Reason”** shall mean any one or more of the following:

(i) Without the Participant's written consent, a material adverse change in the Participant's duties and responsibilities as compared to the Participant's duties and responsibilities immediately prior to the Change in Control;

(ii) Without the Participant's written consent, the relocation of the Participant's principal place of Service to a location that is more than fifty (50) miles from the Participant's principal place of Service immediately prior to the date of the Change in Control, or the imposition of travel requirements substantially more demanding of the Participant than such travel requirements existing immediately prior to the date of the Change in Control; or

(iii) Any failure by the Participating Company Group (or its successor) to pay, or any material reduction by the applicable Participating Company Group of, (A) the Participant's base salary in effect immediately prior to the date of the Change in Control (unless reductions comparable in amount and duration are concurrently made for all other similarly situated persons with responsibilities, organizational level and title comparable to the Participant's), or (B) the Participant's target bonus opportunity, if any, in effect immediately prior to the date of the Change in Control (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned by the Participant)

## 9. **ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

Subject to any required action by the stockholders of the Company and the requirements of Sections 409A and 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number, Exercise Price and kind of shares subject to the Option, in order to prevent dilution or enlargement of the Participant's rights under the Option. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as “effected without receipt of consideration by the Company.” Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number and the Exercise Price shall be rounded up to the nearest whole cent. In no event may the Exercise Price be decreased to an amount less than the par value, if any, of the stock subject to the Option. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

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## 10. RIGHTS AS A STOCKHOLDER.

The Participant shall have no rights as a stockholder with respect to any shares covered by the Option until the date of the issuance of the shares for which the Option has been exercised (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 9.

## 11. LEGENDS.

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock subject to the provisions of this Option Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to the Option in the possession of the Participant in order to carry out the provisions of this Section.

12. **SERVICE CONDITIONS.** In accepting the Option, the Participant acknowledges and agrees that:

(a) Any notice period mandated under Applicable Law shall not be treated as Service for the purpose of determining the vesting of the Option; and the Participant's right to vesting of Shares in settlement of the Option after termination of Service, if any, will be measured by the last day of employment and will not be extended by any notice period mandated under applicable laws. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement.

(c) The grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options, even if Options have been granted repeatedly in the past.

(d) All decisions with respect to future Option grants, if any, will be at the sole discretion of the Company.

(e) The Participant's participation in the Plan shall not create a right to further Service with the Company or a Participating Company and shall not interfere with the ability of with the Company or a Participating Company to terminate the Participant's Service at any time, with or without cause, subject to applicable laws.

(f) The Participant is voluntarily participating in the Plan.

(g) The Option is an extraordinary item that does not constitute compensation of any kind for Service of any kind rendered to the Company or a Participating Company and which is outside the scope of the Participant's employment contract, if any.

(h) The Option is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(i) In the event that the Participant is not an employee of the Company or a Participating Company, the Option grant will not be interpreted to form an employment contract or relationship with such entity that does not otherwise exist.

(j) The future value of the underlying Shares is unknown and cannot be predicted with certainty. The value of the Shares may increase or decrease.

(k) No claim or entitlement to compensation or damages arises from termination of the Option or diminution in value of the Option or Shares and the Participant irrevocably releases the Company and all

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Participating Companies from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

13. **DATA PRIVACY CONSENT.** The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this document by the Company for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company holds certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data"). The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that the recipient's country may have different including less stringent data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any Shares acquired pursuant to the Option. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. The Participant understands, however, that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Participant's local human resources representative.

14. **COUNTRY-SPECIFIC TERMS AND CONDITIONS.** Notwithstanding any other provision of this Agreement to the contrary, the Option shall be subject to the specific terms and conditions, if any, set forth in the Appendix to this Option Agreement which are applicable to the Participant's country of residence, the provisions of which are incorporated in and constitute part of this Agreement. Moreover, if the Participant relocates to one of the countries included in the Appendix, the specific terms and conditions applicable to such country will apply to the Option to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with applicable laws or facilitate the administration of the Plan or this Agreement.

15. **MISCELLANEOUS PROVISIONS.**

15.1 **Termination or Amendment.** The Committee may amend or terminate the Plan at any time. No amendment or addition to this Option Agreement shall be effective unless in writing and, to the extent such amendment is necessary to comply with applicable law or government regulation, may be made without the consent of the Participant.

15.2 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Option Agreement.

15.3 **Binding Effect.** This Option Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

15.4 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Option Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company,

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or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery** . The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Option Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice and Exercise Notice called for by Section 4.2 to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery** . The Participant acknowledges that the Participant has read Section 15.4(a) of this Option Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice and Exercise Notice, as described in Section 15.4(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 15.4(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 15.4(a).

**15.5 Integrated Agreement.** The Grant Notice, this Option Agreement and the Plan, together with any employment, service or other agreement between the Participant and a Participating Company referring to the Option, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, the Option Agreement and the Plan shall survive any exercise of the Option and shall remain in full force and effect.

**15.6 Applicable Law.** Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of this Option Agreement shall be governed by the laws of the State of Delaware as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within the State of Delaware.

**15.7 Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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**ADDITIONAL TERMS AND CONDITIONS OF  
NON-QUALIFIED STOCK OPTION AGREEMENT  
UNDER THE  
LULULEMON ATHLETICA INC. 2014 EQUITY INCENTIVE PLAN**

This Appendix includes additional terms and conditions that govern the Option granted to the Participant under the Plan if the Participant resides in one of the countries listed below. Capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

The Participant understands and agrees that the Company strongly recommends that the Participant not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because applicable rules and regulations regularly change, sometimes on a retroactive basis, and the information may be out of date at the time the Option vests or are exercised or the Shares are issued under the Plan.

The Participant further understands and agrees that if the Participant is a citizen or resident of a country other than the one in which the Participant is currently working, transfer employment after grant of the Participant, or is considered a resident of another country for local law purposes, the information contained herein may not apply to the Participant, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply.

**AUSTRALIA**

*Notification*

**Securities Law Information.**

The offering and resale of Shares acquired under the Plan to a person or entity resident in Australia may be subject to disclosure requirements under Australian law. The Participant should obtain legal advice regarding any applicable disclosure requirements prior to making any such offer.

**Option Subject to tax deferred treatment in Australia.**

This Option is intended to receive tax deferred treatment under Subdivision 83A-C of the Income Tax Assessment Act 1997(Cth) of Australia.

*Terms and Conditions*

**Australian Securities Laws.**

If Participant acquires Shares under the Plan and resells them in Australia, he or she may be required to comply with certain Australian securities law disclosure requirements.

**Foreign Exchange.**

Participant acknowledges and agrees that it is the Participant's sole responsibility to investigate and comply with any applicable exchange control laws in connection with the inflow of funds from the exercise of the Option or subsequent sale of the Shares and any dividends (if any) and that the Participant shall be responsible for any reporting of inbound international fund transfers required under applicable law. The Participant is advised to seek appropriate professional advice as to how the exchange control regulations apply to the Participant's specific situation.

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## CHINA

### *Terms and Conditions*

#### **Method of Payment.**

Notwithstanding any provisions in the Plan to the contrary, including Section 5 (b), the methods of exercise available to the Option are restricted. Full payment of the Exercise Price for the Shares to be purchased on exercise of the Option must be made using a mandatory full “cashless” exercise method. Upon the Participant’s delivery of a properly executed exercise notice together with irrevocable instructions to a broker, agent or other third party approved by the Company, such broker, agent or other third party will simultaneously sell all of the Shares that the Option is entitled to upon exercise, use the proceeds to pay the Exercise Price (plus any applicable fees and/or taxes) and remit the balance to the Participant in cash.

### *Notification*

#### **Special Administration in China.**

The grant of the Option, the Grantee’s ability to exercise the Option and sale of the Shares shall all be contingent upon the Company or the Affiliate obtaining approval from SAFE for the related foreign exchange transaction and the establishment of a SAFE-approved bank account. The receipt of funds by the Participant from the sale of the exercised shares and the conversion of those funds to the local currency must be approved by SAFE. In order to comply with the SAFE regulations, the proceeds from the sale of the Shares must be repatriated into China through a SAFE-approved bank account set up and monitored by the Company. The Participant may contact his or her local HR office for more details about the SAFE approved bank account.

## FRANCE

### *Notifications*

#### **Securities Law Notification.**

The grant of the Option is exempt from the requirement to publish a prospectus under the EU Prospectus Directive as implemented in France.

#### **French Tax Status.**

The Option is not intended to be tax-qualified under French tax laws including, without limitation, under Articles L. 225-197-1 to L. 225-197-6 or Articles L. 225-177 to L. 225-185 of the French Commercial Code.

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**Language Consent.**

In accepting the grant of the Option and this agreement which provides for the terms and conditions of the Option, the Participant confirms that he or she has read and understood the documents relating to the Option (the Plan and this Option Agreement), which were provided in the English language. The Participant accepts the terms of these documents accordingly.

*Consentement Relatif à la Langue Utilisée*

*En acceptant cette attribution gratuite d'actions et ce contrat qui contient les termes et conditions de cette attribution gratuite d'actions, l'employé confirme ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan et le Contrat d'Attribution) qui lui ont été communiqués en langue anglaise. L'employé en accepte les termes en connaissance de cause.*

**Foreign Asset/Account Information.**

The Participant may hold Shares acquired upon exercise of the Option, any proceeds resulting from the sale of Shares or any dividends paid on such Shares outside of France, provided the Participant declares all foreign bank and brokerage accounts (including any accounts that were opened or closed during the tax year) with his or her annual income tax return. Failure to complete this reporting may trigger penalties for the Grantee.

**GERMANY***Notifications*

**Exchange Control Information.** If Participant remits proceeds in excess of €12,500 out of or into Germany, such cross-border payment must be reported monthly to the State Central Bank. In the event that Participant makes or receives a payment in excess of this amount, Participant is responsible for obtaining the appropriate form from a German bank and complying with applicable reporting requirements. In addition, Participant must also report on an annual basis in the unlikely event that Participant holds Shares exceeding 10% of the total voting capital of the Company.

**Securities Disclaimer.** The grant of Options under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Directive as implemented in Germany.

**HONG KONG***Notification***Securities Law Notice.**

**WARNING:** The Option and Shares issued upon exercise of the Option do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company. The Agreement, including these additional terms, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The Options are intended only for the personal use of each eligible employee of the Company or its Affiliates and may not be distributed to any other person. If the Participant is in any doubt about any of the contents of the Agreement, including these additional terms, or the Plan, the Participant should obtain independent professional advice.

**Occupational Retirement Schemes Ordinance Alert.**

The Company specifically intends that neither the Option nor the Plan will be considered or deemed an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("ORSO").

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## *Terms and Conditions*

### **Sale of Shares.**

Any Shares received at exercise of the Option are accepted as a personal investment. In the event that any portion of the Option vests within six months of the grant date, the Participant agrees that he or she will not offer to the public or otherwise dispose of the Shares acquired prior to the six-month anniversary of the grant date.

## **IRELAND**

### *Notifications*

#### **Director Notification Requirement.**

If the Participant is a director, shadow director or secretary of an Irish Affiliate, the Participant is required to notify such Irish Affiliate in writing within five business days of (i) receiving or disposing of an interest in the Company (e.g., Options, shares of Stock, etc.), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director, shadow director or secretary of an Irish Affiliate if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or children under the age of 18 (whose interests will be attributed to the director, shadow director or secretary, as the case may be).

#### **Securities Disclaimer.**

The participation in the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Directive as implemented in Ireland.

## **JAPAN**

### *Notifications*

#### **Foreign Exchange.**

Under certain circumstance, Participant may be required to file a report with the Ministry of Finance if Participant intends to acquire Shares whose value exceeds a certain amount. The reporting, if required, is due within 20 days from the purchase of the Shares. Please note that the reporting requirements vary depending on whether or not the relevant payment is made through a bank in Japan.

Participant is advised to seek appropriate professional advice as to how the exchange control regulations apply to his or her specific situation. Please note that laws and regulations change frequently and occasionally on a retroactive basis.

#### **Foreign Asset/Account Reporting Information.**

Japanese residents holding assets outside of Japan with a total net fair market value exceeding ¥50,000,000 (as of December 31 each year) are required to comply with annual tax reporting obligations with respect to such assets. Participant is advised to consult with a personal tax advisor to ensure that he or she is properly complying with applicable reporting requirements.

## **KOREA**

### *Notifications*

#### **Exchange Control Notification.**

If the Participant realizes US\$500,000 or more from the Option, including from sales of the Shares, in a single transaction, he or she must repatriate the proceeds to Korea within eighteen months of the payment. Accordingly, the Participant is strongly encouraged to consult his or her personal legal advisor if the sum of values from the Options exceeds this threshold.

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**Foreign Assets Reporting Information.**

Korean residents must declare all foreign financial accounts (e.g., non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 1 billion (or an equivalent amount in foreign currency). The Participant should consult with his or her personal tax advisor to determine how to value his or her foreign accounts for purposes of this reporting requirement and whether he or she is required to file a report with respect to such accounts.

**NEW ZEALAND***Notification***Securities Law Notice.**

The Participant is being offered an opportunity to participate in the Plan. In compliance with New Zealand securities law, the Participant is hereby notified that all documents related to the Plan have either been provided to the Participant or are available via website or hard copy.

A copy of the above documents will be provided to the Participant, free of charge, on written request to the Company.

The Participant is encouraged to read the provided materials carefully before making a decision whether to participate in the Plan. When reading these materials, the Participant should note that all references to the exercise price are listed in U.S. dollars. In addition, the Participant should consult a tax advisor for specific information concerning personal tax situation with regard to Plan participation.

**Warning.**

If the Company runs into financial difficulties and is wound up, the Participant will be paid only after all creditors and holders of preference shares have been paid. You may lose some or all of your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share option purchase scheme.

As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

You have a right, upon request, to receive from lululemon athletica inc., free of charge, a copy (or electronic copy) of the Company's relevant financial statements for the most recently completed financial year and the auditor's report. The relevant financial statements are those of lululemon athletica inc. and its subsidiaries prepared in accordance with US GAAP for the most recently completed accounting period. Please address any such requests to lululemon athletica inc., Attn: HR, [1818 CORNWALL AVENUE, Vancouver, British Columbia V6J 1C7]

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

**Financial Information Notice**

You have a right to receive the following financial information, free of charge, upon request:

- A copy of the Company's latest annual report prepared under any enactment or overseas law (if any); and
  - A copy of the Company's relevant financial statements and either the auditor's report on them or a statement that they are not audited.
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## SINGAPORE

### *Notifications*

**Securities Law Information** . The grant of the Option is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Participant should note that the Options are subject to section 257 of the SFA and Participant will not be able to make any subsequent sale in Singapore of the Shares acquired through the exercise of the Option or any offer of such sale in Singapore unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA.

**Director Notification Obligation** . If Participant is a director, associate director or shadow director of a Singapore Affiliate, Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore Affiliate in writing when Participant receives an interest ( *e.g.* , Options or Shares) in the Company or any Affiliate. In addition, Participant must notify the Singapore Affiliate when Participant sells Shares of the Company or any Affiliate (including when Participant sells Shares acquired through the exercise of Options). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any Affiliate. In addition, a notification must be made of Participant’s interests in the Company or any Affiliate within two business days of becoming a director.

## SWITZERLAND

### *Notifications*

**Securities Law Notification.** The grant of the Option is considered a private offering and therefore is not subject to securities registration in Switzerland.

## TAIWAN

### *Notification*

**Securities Disclaimer.** Neither the Plan nor the Option are registered in Taiwan with the Securities and Futures Bureau or subject to the securities laws of Taiwan.

## UNITED KINGDOM

### *Terms and Conditions*

#### **Tax Reporting and Payment Liability.**

The following provision supplements Section 10 (Responsibility for Taxes) of the Agreement:

The Participant agrees that the Company or the Employer may calculate the Tax-Related Items to be withheld and accounted for by reference to the maximum applicable rates, without prejudice to any right the Participant may have to recover any overpayment from relevant U.K. tax authorities. If payment or withholding of any income tax liability arising in connection with the Participant's participation in the Plan is not made by the Participant to the Employer within ninety (90) days of the event giving rise to such income tax liability or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), The Participant understands and agrees that the amount of any uncollected income tax will constitute a loan owed by the Participant to the Employer, effective on the Due Date. The Participant understands and agrees that the loan will bear interest at the then-current official rate of Her Majesty’s Revenue and Customs, it will be immediately due and repayable by the Participant, and the Company and/or the Employer may recover it at any time thereafter by any of the means referred to in the Plan and/or this Award Agreement. Notwithstanding the foregoing, the Participant understands and

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agrees that if they are a director or an executive officer of the Company (within the meaning of such terms for purposes of Section 13(k) of the Exchange Act), they will not be eligible for such a loan to cover the income tax liability. In the event that the Participant is a director or executive officer and the income tax is not collected from or paid by the Participant by the Due Date, The Participant understands that the amount of any uncollected income tax will constitute an additional benefit to the Participant on which additional income tax and National Insurance Contributions will be payable. The Participant understands and agrees that they will be responsible for reporting and paying any income tax due on this additional benefit directly to Her Majesty's Revenue and Customs under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any primary and (to the extent legally possible) secondary class 1 national insurance contributions due on this additional benefit which the Company or the Employer may recover from the Participant by any of the means referred to in the Plan and/or this Agreement.

Notwithstanding the foregoing, if Participant is an executive officer or director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the provision above will not apply. In the event that Participant is an executive office or director and income tax is not collected from or paid by Participant by the Due Date, the amount of any uncollected income tax will constitute a benefit to Participant on which additional income tax and National Insurance Contributions ("NICs") (including Employer's NICs, as defined below) may be payable. Participant understands that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company and/or the Employer (as appropriate) for the value of any NICs due on this additional benefit.

#### *Notification*

**Securities Disclaimer.** Neither this Agreement nor Appendix is an approved prospectus for the purposes of section 85(1) of the Financial Services and Markets Act 2000 ("FSMA") and no offer of transferable securities to the public (for the purposes of section 102B of FSMA) is being made in connection with the Plan. The Plan and the Option are exclusively available in the UK to bona fide employees and former employees and any other UK Affiliate.

## **UNITED ARAB EMIRATES**

#### *Notifications*

#### **Securities Law Information.**

Participation in the Plan is being offered only to selected Participants and is in the nature of providing equity incentives to Participants in the United Arab Emirates. The Plan and the Agreement are intended for distribution only to such Participants and must not be delivered to, or relied on by, any other person. Prospective acquirers of the securities offered, including the Participant, should conduct their own due diligence on the securities. The Participants is encouraged to consult a legal or financial advisor if the Participants does not understand the contents of the Agreement or the Plan or any aspect of the Award.

If the Participant does not understand the contents of the Plan and the Agreement, the Participant should consult an authorized financial adviser. The Emirates Securities and Commodities Authority and the Dubai Financial Services Authority have no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved the Plan or the Agreement nor taken steps to verify the information set out therein, and have no responsibility for such documents.

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**LULULEMON ATHLETICA INC.**

**POLICY FOR RECOVERY OF INCENTIVE-BASED COMPENSATION**

In the event lululemon athletica inc. (the “Company”) determines it must prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the U. S. federal securities laws, the Company will seek to recover, at the direction of the Compensation Committee (the “Committee”) of the Board of Directors after it has reviewed the facts and circumstances that led to the requirement for the restatement and the costs and benefits of seeking recovery, the amount of erroneously awarded incentive-based compensation received by a covered officer during the three-year period immediately preceding the date on which the Company is required to prepare the restatement. The Committee will determine in its discretion the amount, if any, the Company will seek to recover from such covered officer. The Company may offset the recovery amount against current or future incentive-based and non-incentive-based compensation and through cancellation of unvested or vested equity awards. In addition, the Committee may, to the extent permitted by law, take other remedial and recovery action, as determined by the Committee. The recovery of erroneously awarded incentive-based compensation under this policy is in addition to any other right or remedy available to the Company.

For purposes of this policy (i) the term “covered officer” means executive officers of the Company as defined under the Securities Exchange Act of 1934, as amended, and such other senior executives as may be determined by the Committee and (ii) the term “erroneously awarded incentive-based compensation” means the amount of incentive-based compensation received that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the accounting restatement. This policy extends to individuals who were covered officers on or after adoption of the policy but ceased being a covered officer before a restatement triggering recovery under this policy occurs.

The Committee shall have full and final authority to make all determinations under this policy. The Company shall take such action as it deems necessary or appropriate to implement this Policy, including requiring all covered officers to acknowledge the rights and powers of the Company and the Committee hereunder.

This policy shall be effective as of the date adopted by the Board of Directors as set forth below and shall apply to incentive-based compensation that is approved, awarded or granted on or after that date.

Adopted September 2, 2015  
Board of Directors  
lululemon athletica inc.

**LULULEMON ATHLETICA INC.**  
**NOTICE OF GRANT OF PERFORMANCE-BASED RESTRICTED STOCK UNITS**

The Participant has been granted an award of Performance-based restricted stock units (the “*Award*”) pursuant to the lululemon athletica inc. 2014 Equity Incentive Plan (the “*Plan*”) and the Performance-based restricted stock unit Agreement attached hereto (the “*Agreement*”), as follows:

**Participant:** \_\_\_\_\_ **Employee ID:** \_\_\_\_\_

**Grant Date:** \_\_\_\_\_ **Grant No.:** \_\_\_\_\_

**Target Number of Performance-based restricted stock units:** \_\_\_\_\_, subject to adjustment as provided by the Agreement.

**Maximum Number of Performance-based restricted stock units:** \_\_\_\_\_ multiplied by 200%, subject to adjustment as provided by the Agreement.

**Performance Period:** Company fiscal years \_\_\_\_, \_\_\_\_ and \_\_\_\_.

**Performance-based restricted stock unit Vesting Date:** \_\_\_\_\_, except as provided by the Agreement or a separate written employment or other service agreement between a Participating Company and the Participant. In addition, and notwithstanding anything in the Agreement to the contrary, if the Committee has not certified the level of attainment of Performance Measures (as defined in the Agreement) during the Performance Period prior to the date set forth in the preceding sentence, then the “Performance-based restricted stock unit Vesting Date” shall be the date on which such certification occurs.

**Vested Performance-based restricted stock units:** Provided that the Participant’s Service has not terminated prior to the Performance-based restricted stock unit Vesting Date, except as provided by the Agreement or a separate written employment or other service agreement between a Participating Company and the Participant, on the Performance-based restricted stock unit Vesting Date the number of Vested Performance-based restricted stock units (not to exceed the Maximum Number of Performance-based restricted stock units) shall be determined by multiplying the Target Number of Performance-based restricted stock units by the sum of (a) the applicable Pre-Tax Operating Income Multiplier for each fiscal year in the Performance Period; and (b) the applicable Net Revenue Multiplier for each fiscal year in the Performance Period (each as defined in the Agreement).

**Settlement Date:** Except as otherwise provided in the Agreement or a separate written employment or other service agreement between a Participating Company and the Participant, as soon as practicable on or after the Performance-based restricted stock unit Vesting Date (or such other date on which the Award vests pursuant to Sections 5.4 or 8 of the Agreement), but in any event no later than seventy four (74) days following such date.

**Recovery Policy:** The Award is subject to the terms and conditions of the Company’s Policy for Recovery of Incentive-Based Compensation, as amended from time to time (the “*Clawback Policy*”).

By their signatures below, the Company and the Participant agree that the Award is governed by this Notice and by the provisions of the Plan and the Agreement, both of which are made a part of this document. The Participant acknowledges receipt of a copy of the Plan, the Agreement and the prospectus for the Plan, represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of their terms and conditions.

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LULULEMON ATHLETICA INC.

By:

\_\_\_\_\_  
\_\_\_\_\_

Address:

1818 Cornwall Avenue  
Vancouver, British Columbia  
Canada, V6J 1C7

ATTACHMENTS:

Performance-based restricted stock unit Agreement  
Policy for Recovery of Incentive-Based Compensation

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**LULULEMON ATHLETICA INC.**  
**PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT**

lululemon athletica inc. has granted to the Participant named in the *Notice of Grant of Performance-based restricted stock units* (the “**Grant Notice**”) to which this Performance-based restricted stock unit Agreement (the “**Agreement**”) is attached an Award consisting of Performance-based restricted stock units subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to Section 10 of the lululemon athletica inc. 2014 Equity Incentive Plan (the “**Plan**”), as amended to the Grant Date, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan (the “**Plan Prospectus**”) in the form most recently prepared in connection with the registration with the Securities and Exchange Commission of shares issuable pursuant to the Plan, (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

**1. DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

(a) “**Confidential Information**” means, for purposes of this Agreement, all information included in the Grant Notice or this Agreement which is not generally or publicly known (other than as a result of unauthorized disclosure by the Participant), including but not limited to the Performance Measures.

(b) “**Net Revenue**” means the revenue as reported in the Consolidated Statements of Operations of the Company for the applicable fiscal year of the Company.

(c) “**Net Revenue Multiplier**” means a number determined as follows:

Fiscal ____ Net Revenue Achieved	____ Net Revenue Multiplier
Less than \$ _____	0.00%
\$ _____	5.00%
\$ _____	10.00%
Equal to or greater than \$ _____	20.00%

Fiscal ____ Net Revenue Achieved	____ Net Revenue Multiplier
Less than \$ _____	0.00%
\$ _____	5.00%
\$ _____	10.00%
Equal to or greater than \$ _____	20.00%

Fiscal ____ Net Revenue Achieved	____ Net Revenue Multiplier
Less than \$ _____	0.00%
\$ _____	5.00%
\$ _____	10.00%
Equal to or greater than \$ _____	20.00%

The applicable Net Revenue Multiplier for Net Revenue achieved falling between the amounts set forth in the tables above shall be determined by linear interpolation.

(f) “**Performance Measures**” means the Company’s Pre-Tax Operating Income and Net Revenue as defined in this Agreement.

(g) “**Pre-Tax Operating Income**” means the earnings before other income and taxes as reported in the Consolidated Statements of Operations of the Company for the applicable fiscal year of the Company.

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(h) “*Pre-Tax Operating Income Multiplier*” means a number determined as follows:

Fiscal ____ Pre-Tax Operating Income Achieved	____ Pre-Tax Operating Income Multiplier
Less than \$ _____	0.00%
\$ _____	11.67%
\$ _____	23.33%
Equal to or greater than \$ _____	46.67%

Fiscal ____ Pre-Tax Operating Income Achieved	____ Pre-Tax Operating Income Multiplier
Less than \$ _____	0.00%
\$ _____	11.67%
\$ _____	23.33%
Equal to or greater than \$ _____	46.67%

Fiscal ____ Pre-Tax Operating Income Achieved	____ Pre-Tax Operating Income Multiplier
Less than \$ _____	0.00%
\$ _____	11.67%
\$ _____	23.33%
Equal to or greater than \$ _____	46.67%

The applicable Pre-Tax Operating Income Multiplier for Pre-Tax Operating Income achieved falling between the amounts set forth in the tables above shall be determined by linear interpolation.

**1.2 Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

## 2. ADMINISTRATION.

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Award. Any executive officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided such executive officer has apparent authority with respect to such matter, right, obligation, or election. The Company intends that the Award comply with Section 409A (including any amendments or replacements of such section), and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent.

## 3. THE AWARD.

**3.1 Grant of Performance-based restricted stock units.** On the Grant Date, the Participant shall acquire, subject to the provisions of this Agreement, a right to receive a number of Performance-based restricted stock units which shall not exceed the Maximum Number of Performance-based restricted stock units set forth in the Grant Notice, subject to adjustment as provided in Section 9. The number of Performance-based restricted stock units, if any, ultimately earned by the Participant, shall be that number of Performance-based restricted stock units which become Vested Performance-based restricted stock units. Except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, this Award is subject to the terms set forth herein, and in all respects is subject to the terms and provisions of the Plan applicable to Performance-based restricted stock unit Awards, which terms and provisions are incorporated herein by this reference.

**3.2 No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Performance-based restricted stock units or the Stock issued upon settlement of the Performance-based restricted stock units, the consideration for which shall be past Services actually rendered and/or future Services to be rendered to a Participating Company. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past Services rendered having a value not less than the par value of the Stock issued upon settlement of the Performance-based restricted stock units.

**4. CERTIFICATION OF THE COMMITTEE.**

**4.1 Level of Attainment of Performance Measures .** As soon as practicable following completion of the Performance Period the Committee shall certify in writing the level of attainment of the Performance Measures during the Performance Period and the resulting number of Performance-based restricted stock units which shall become Vested Performance-based restricted stock units on the Performance-based restricted stock unit Vesting Date, subject to the Participant's continued Service until the Performance-based restricted stock unit Vesting Date, except as otherwise provided by Section 5. The Company shall promptly notify the Participant of the determination by the Committee.

**4.2 Adjustment to Performance Measures for Extraordinary Items .** The Committee shall adjust Performance Measures, as it deems appropriate, to exclude the effect (whether positive or negative) of any of the following occurring after the grant of the Award: (a) a change in accounting standards required by generally accepted accounting principles or (b) any extraordinary, unusual or nonrecurring item. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of the Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to the Award.

**5. VESTING OF PERFORMANCE-BASED RESTRICTED STOCK UNITS.**

**5.1 In General.** Except as provided by this Section 5 and Section 8, the Performance-based restricted stock units shall vest and become Vested Performance-based restricted stock units as provided in the Grant Notice and certified by the Committee.

**5.2 Effect of Leave of Absence.** In the event that the Participant takes an approved leave or leaves of absence during the period beginning on the Grant Date and ending on the Performance-based restricted stock unit Vesting Date, the Performance-based restricted stock units shall continue to vest during such leave or leaves of absence. If the Participant fails to return to Service at the end of the approved leave period, then, except to the extent required by applicable law, the Participant's Service shall be treated as having terminated on the last day of such approved leave.

**5.3 Termination for Cause or Voluntary Termination other than Retirement.** In the event of the termination of the Participant's Service by the Company for Cause or the Participant's voluntary termination of Service other than by reason of Retirement prior to the Performance-based restricted stock unit Vesting Date, the Participant shall forfeit and the Company shall automatically reacquire all of the Performance-based restricted stock units subject to the Award. The Participant shall not be entitled to any payment for such forfeited Performance-based restricted stock units. For purposes of this Section 5.3 and except as otherwise provided by a separate written agreement between a Participating Company and the Participant, (a) in the event of a Participating Company's termination of the Participant's Service for Cause, the date of termination of Service shall be the last day of employment, (b) in the event of the Participant's voluntary termination of Service other than by reason of Retirement, the date of termination of Service shall be the last day of employment and (c) the Participant will not be considered to be rendering Service to any Participating Company during any statutory, contractual or common law period of notice of termination or any compensation in lieu of such notice to which the Participant may be entitled.

**5.4 Termination by Reason of Death .** In the event of the termination of the Participant's Service by reason of death prior to the Performance-based restricted stock unit Vesting Date, then on the date of such death a number of Performance-based restricted stock units shall become Vested Performance-based restricted stock units equal to 100% of the Target Number of Performance-based restricted stock units.

**5.5 Termination by Reason of Disability.** In the event of the termination of the Participant's Service by reason of Disability prior to the Performance-based restricted stock unit Vesting Date, then on the Performance-based restricted stock unit Vesting Date a number of Performance-based restricted stock units shall become Vested Performance-based restricted stock units equal to that number of Performance-based restricted stock units that would have become Vested Performance-based restricted stock units had no such termination of Service occurred.

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## 5.6 Termination Without Cause.

(a) In the event of the termination by the Company of the Participant's Service for any reason without Cause (other than by reason of Death or Disability) more than twelve months before the end of the Performance Period, the Participant shall forfeit and the Company shall automatically reacquire all of the Performance-based restricted stock units subject to the Award. The Participant shall not be entitled to any payment for such forfeited Performance-based restricted stock units.

(b) In the event of the termination by the Company of the Participant's Service for any reason without Cause (other than by reason of Death or Disability) less than or equal to twelve months before the end of the Performance Period, then on the Performance-based restricted stock unit Vesting Date the number of Performance-based restricted stock units that shall become Vested Performance-based restricted stock units shall be determined by multiplying (i) that number of Performance-based restricted stock units that would have become Vested Performance-based restricted stock units had no such termination occurred by (ii) a percentage equal to the ratio of the number of days from the beginning of the Performance Period until the last day of employment during the Performance Period to the number of days contained in the Performance Period.

(c) For purposes of this Section 5.6 and except as otherwise provided by a separate written agreement between a Participating Company and the Participant, (i) the date of termination of the Participant's Service shall be the last day of employment and (ii) the Participant will not be considered to be rendering Service to any Participating Company during any statutory, contractual or common law period of notice of termination or compensation in lieu of such notice to which the Participant may be entitled.

**5.7 Termination by Reason of Retirement .** In the event of the termination of the Participant's Service by reason of Retirement prior to the Performance-based restricted stock unit Vesting Date, then on the Performance-based restricted stock unit Vesting Date the number of Performance-based restricted stock units that shall become Vested Performance-based restricted stock units shall be determined by multiplying (a) that number of Performance-based restricted stock units that would have become Vested Performance-based restricted stock units had no such termination occurred by (b) a percentage equal to the ratio of the number of days of the Participant's Service during the Performance Period to the number of days contained in the Performance Period.

**5.8 Forfeiture For Violations of Non-Compete and/or Non-Solicitation Agreements.** Notwithstanding anything in Sections 5.5, 5.6(b), or 5.7 to the contrary, if, following the Participant's termination of Service, the Participant violates any provision contained in a written service or other agreement applicable to the Participant (or any other written policy of the Participating Company Group of general application) relating to the prohibition of the Participant from engaging in activities which would violate any legally enforceable non-compete or non-solicitation clause or rule prior to the Performance-based restricted stock unit Vesting Date, then all of the Performance-based restricted stock units shall be treated as unvested and forfeited as of the date on which such violation occurs. In addition, effective upon any violation described above, any Performance-based restricted stock units which have become Vested Performance-based restricted stock units following the Participant's termination of Service shall be forfeited by the Participant and any Stock retained by such Participant shall be returned to the Company or, if the Participant no longer retains such shares because the Participant has disposed of the shares (including, but not limited to shares subject to Section 7.2), then the Participant shall remit the Fair Market Value of the shares on the date the Participant disposed of them.

**5.9 Forfeiture of Unvested Performance-based restricted stock units.** Except as otherwise provided by this Section 5 or Section 8, on the Performance-based restricted stock unit Vesting Date, the Participant shall forfeit and the Company shall automatically reacquire all Performance-based restricted stock units subject to the Award which have not become Vested Performance-based restricted stock units. The Participant shall not be entitled to any payment for such forfeited Performance-based restricted stock units.

## 6. SETTLEMENT OF THE AWARD.

**6.1 Issuance of Stock.** Subject to the provisions of Section 6.3 below, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Performance-based restricted stock unit one (1) share of Stock. Shares issued in settlement of Performance-based restricted stock units shall be subject to any restrictions as may be required pursuant to Section 6.3, Section 7 or the Trading Compliance Policy.

**6.2 Beneficial Ownership of Shares of Stock; Certificate Registration .** The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all shares of Stock acquired by the Participant pursuant to the settlement of the Award. Except as otherwise provided by this Section

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6.2, a certificate for the shares of Stock as to which the Award is settled shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

**6.3 Restrictions on Grant of the Award and Issuance of Stock .** The grant of the Award and issuance of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state law or foreign law with respect to such securities. No shares of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations including, without limitation the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares of Stock subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

**6.4 Fractional Shares.** The Company shall not be required to issue fractional shares of Stock upon the settlement of the Award. Any fractional share resulting from the determination of the number of Vested Performance-based restricted stock units shall be rounded up to the nearest whole number.

## **7. TAX MATTERS.**

**7.1 Responsibility for Taxes .** Notwithstanding any contrary provision of this Agreement, the Company shall have no obligation to process the settlement of the Award or to deliver shares of Stock unless and until satisfactory arrangements (as determined by the Company) will have been made by Participant with respect to the payment of income, employment, social insurance, National Insurance Contributions, payroll tax, fringe benefit tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant including, without limitation, in connection with the grant, vesting or settlement of the Award, the subsequent sale of Performance-based restricted stock units acquired under the Plan and/or the receipt of any dividends on such Performance-based restricted stock units which the Company determines must be withheld ("**Tax-Related Items**"). Participant authorizes the Company and/or the Subsidiary to withhold any Tax-Related Items legally payable by Participant from his or her wages or other cash compensation paid to Participant by the Company and/or the Subsidiary or from proceeds of the sale of Performance-based restricted stock units. Further, if Participant is subject to tax in more than one jurisdiction between the date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the Company and/or Subsidiary employer, or former employer, as applicable, may be required to withhold or account for tax in more than one jurisdiction. Regardless of any action of the Company or the Subsidiary, Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Subsidiary. Participant further acknowledges that the Company and the Subsidiary (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result.

**7.2 Withholding in Shares .** Subject to applicable law, the Company shall require the Participant to satisfy Tax-Related Items by deducting from the shares of Stock deliverable to the Participant in settlement of the Award a number of whole shares of Stock having a Fair Market Value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such Tax-Related Items determined by the applicable minimum statutory withholding rates.

## **8. CHANGE IN CONTROL.**

**8.1 Acceleration of Vesting Upon a Change in Control.** In the event of the consummation of a Change in Control prior to the Performance-based restricted stock unit Vesting Date, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the "**Acquiror**"), may assume or continue the Company's rights and obligations with respect to outstanding Awards or substitute for outstanding Awards substantially equivalent rights with respect to the Acquiror's stock. For purposes of this Section 8.1, an Award shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, for each Performance-based restricted stock unit subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock of the

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Company on the effective date of the Change in Control was entitled for each Performance-based restricted stock unit subject to an Award. In the event that the Acquiror elects not to assume, continue or substitute for the outstanding Awards in connection with a Change in Control, the vesting of 100% of the Target Number of Performance-based restricted stock units shall be accelerated in full and such Performance-based restricted stock units shall be deemed Vested Performance-based restricted stock units effective as of the date of the Change in Control, provided that the Participant's Service has not terminated prior to the Change in Control. In settlement of the Award, the Company shall issue to the Participant one (1) share of Stock for each Vested Performance-based restricted stock unit determined in accordance with this Section 8.1. The vesting of Performance-based restricted stock units and settlement of the Award that was permissible solely by reason of this Section 8.1 shall be conditioned upon the consummation of the Change in Control. Notwithstanding the foregoing, the Committee may, in its discretion, determine that upon a Change in Control, each Award outstanding immediately prior to the Change in Control shall be canceled in exchange for payment with respect to 100% of the Target Number of Performance-based restricted stock units subject to such Award in (a) cash, (b) stock of the Company or the Acquiror or (c) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of stock in the Change in Control for each such Performance-based restricted stock unit (subject to any required tax withholding). Such payment shall be made as soon as practicable following the Change in Control.

**8.2 Termination After Change in Control.** Notwithstanding anything in this Agreement to the contrary, if the Participant's Service ceases as a result of a Termination After Change in Control (as defined below), the Target Number of Performance-based restricted stock units shall become Vested Performance-based restricted stock units and the Award shall be settled promptly following such event.

(a) **"Termination After Change in Control"** shall mean either of the following events occurring within two (2) years after a Change in Control:

(i) Termination of the Participant's Service with the Participating Company Group or such successor without Cause;

or

(ii) The Participant's resignation for Good Reason (as defined below) within ninety (90) days of the Participant first becoming aware of the event constituting Good Reason provided the Participant has provided the Company (or its successor) notice of such condition and the opportunity to cure the event.

Notwithstanding any provision herein to the contrary, Termination After Change in Control shall not include any termination of the Participant's Service with the Participating Company Group (or its successor) which (A) is for Cause; (B) is a result of the Participant's death or disability; (C) is a result of the Participant's voluntary termination of such relationship other than for Good Reason; or (D) occurs prior to the effectiveness of a Change in Control.

(b) **"Good Reason"** shall mean any one or more of the following:

(i) Without the Participant's written consent, a material adverse change in the Participant's duties and responsibilities as compared to the Participant's duties and responsibilities immediately prior to the Change in Control;

(ii) Without the Participant's written consent, the relocation of the Participant's principal place of Service to a location that is more than fifty (50) miles from the Participant's principal place of Service immediately prior to the date of the Change in Control, or the imposition of travel requirements substantially more demanding of the Participant than such travel requirements existing immediately prior to the date of the Change in Control; or

(iii) Any failure by the Participating Company Group (or its successor) to pay, or any material reduction by the applicable Participating Company (or its successor) of, (A) the Participant's base salary in effect immediately prior to the date of the Change in Control (unless reductions comparable in amount and duration are concurrently made for all other similarly situated persons with responsibilities, organizational level and title comparable to the Participant's), or (B) the Participant's bonus compensation, if any, in effect immediately prior to the date of the Change in Control (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned by the Participant).

## 9. ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares,

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exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares, appropriate and proportionate adjustments shall be made in the number of Performance-based restricted stock units subject to the Award and/or the number and kind of shares to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of the grant of Performance-based restricted stock units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Performance-based restricted stock units originally acquired hereunder. Any fractional Performance-based restricted stock unit or share of Stock resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

#### 10. **RIGHTS AS A STOCKHOLDER.**

The Participant shall have no rights as a stockholder with respect to any shares of Stock which may be issued in settlement of this Award until the date of the issuance of a certificate for such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 9.

#### 11. **LEGENDS .**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of Stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

#### 12. **COMPLIANCE WITH SECTION 409A.**

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

**12.1 Separation from Service; Required Delay in Payment to Specified Employee.** Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

**12.2 Other Changes in Time of Payment .** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits which constitute a "deferral of compensation" within the meaning of the Section 409A Regulations in any manner which would not be in compliance with the Section 409A Regulations.

**12.3 Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and

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all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

**12.4 Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

**13. SERVICE CONDITIONS.** In accepting the Award, the Participant acknowledges and agrees that:

(a) Any notice period mandated under applicable law shall not be treated as Service for the purpose of determining the vesting of the Award; and the Participant's right to vesting of Performance-based restricted stock units in settlement of the Award after termination of Service, if any, will be measured by the date of termination of the Participant's active Service and will not be extended by any notice period mandated under applicable laws. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement.

(c) The grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past.

(d) All decisions with respect to future Award grants, if any, will be at the sole discretion of the Company.

(e) The Participant's participation in the Plan shall not create a right to further Service with the Company or an Subsidiary and shall not interfere with the ability of with the Company or Subsidiary to terminate the Participant's Service at any time, with or without cause, subject to applicable laws.

(f) The Participant is voluntarily participating in the Plan.

(g) The Award is an extraordinary item that does not constitute compensation of any kind for Service of any kind rendered to the Company or Subsidiary and which is outside the scope of the Participant's employment contract, if any.

(h) The Award is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(i) In the event that the Participant is not an employee of the Company or Subsidiary, the Award grant will not be interpreted to form an employment contract or relationship with such entity that does not otherwise exist.

(j) The future value of the Performance-based restricted stock units is unknown and cannot be predicted with certainty. The value of the Performance-based restricted stock units may increase or decrease.

(k) No claim or entitlement to compensation or damages arises from termination of the Award or diminution in value of the Award or Performance-based restricted stock units and the Participant irrevocably releases the Company and Subsidiaries from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

**14. DATA PRIVACY CONSENT.** The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this document by the Company for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company holds certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Performance-based restricted stock units or directorships held in the Company, details of all Awards or any other entitlement to Performance-based restricted stock units awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan

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(“ **Data** ”). The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant’s country or elsewhere, and that the recipient’s country may have different including less stringent data privacy laws and protections than the Participant’s country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant’s local human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant’s participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any Performance-based restricted stock units acquired pursuant to the Award. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant’s participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant’s local human resources representative. The Participant understands, however, that refusing or withdrawing the Participant’s consent may affect the Participant’s ability to participate in the Plan. For more information on the consequences of the Participant’s refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Participant’s local human resources representative.

## 15. MISCELLANEOUS PROVISIONS.

15.1 **Termination or Amendment.** The Committee may terminate or amend the Plan at any time. No amendment or addition to this Agreement shall be effective unless in writing and, to the extent such amendment is necessary to comply with applicable law or government regulation (including, but not limited to Section 409A), may be made without the consent of the Participant.

15.2 **Nontransferability of the Award.** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Performance-based restricted stock units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant’s beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant’s lifetime only by the Participant or the Participant’s guardian or legal representative.

15.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

15.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant’s heirs, executors, administrators, successors and assigns.

15.5 **Delivery of Documents and Notices .** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party’s signature to the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company’s stockholders, may be delivered to the Participant electronically. In addition, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 15.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 15.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by

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telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 15.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 15.6(a).

**15.6 Confidentiality.** The Participant shall not at any time divulge, communicate, use to the detriment of the Company or for the benefit of any other person or persons, or misuse in any way, any Confidential Information. Any Confidential Information now or hereafter acquired by the Participant shall be deemed a valuable, special and unique asset of the Company that is received by the Participant in confidence and as a fiduciary, and the Participant shall remain a fiduciary to the Company with respect to all of such information.

**15.7 Country-Specific Terms and Conditions.** Notwithstanding any other provision of this Agreement to the contrary, the Award shall be subject to the specific terms and conditions, if any, set forth in the Appendix to this Agreement which are applicable to the Participant's country of residence, the provisions of which are incorporated in and constitute part of this Agreement. Moreover, if the Participant relocates to one of the countries included in the Appendix, the specific terms and conditions applicable to such country will apply to the Award to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with applicable laws or facilitate the administration of the Plan or this Agreement.

**15.8 Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with any employment, service or other agreement between the Participant and a Participating Company referring to the Award, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

**15.9 Applicable Law .** This Agreement shall be governed by the laws of the State of Delaware as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within the State of Delaware.

**15.10 Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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**ADDITIONAL TERMS AND CONDITIONS OF  
LULULEMON ATHLETICA INC.  
PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT  
UNDER THE  
LULULEMON ATHLETICA INC. 2014 EQUITY INCENTIVE PLAN**

This Appendix includes additional terms and conditions that govern the Performance-based restricted stock units granted to the Participant under the Plan if the Participant resides in one of the countries listed below. Capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

The Participant understands and agrees that the Company strongly recommends that the Participant not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because applicable rules and regulations regularly change, sometimes on a retroactive basis, and the information may be out of date at the time the Performance-based restricted stock units vests or the Shares are issued under the Plan.

The Participant further understands and agrees that if the Participant is a citizen or resident of a country other than the one in which the Participant is currently working, transfer employment after grant of the Participant, or is considered a resident of another country for local law purposes, the information contained herein may not apply to the Participant, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply.

**AUSTRALIA**

*Notifications*

**Securities Law Information.**

The offering and resale of Performance-based restricted stock units acquired under the Plan to a person or entity resident in Australia may be subject to disclosure requirements under Australian law. The Participant should obtain legal advice regarding any applicable disclosure requirements prior to making any such offer.

**Award Subject to tax deferred treatment in Australia.**

This Award is intended to receive tax deferred treatment under Subdivision 83A-C of the Income Tax Assessment Act 1997(Cth) of Australia.

*Terms and Conditions*

**Australian Securities Laws.**

If Participant acquires Performance-based restricted stock units under the Plan and resells them in Australia, he or she may be required to comply with certain Australian securities law disclosure requirements.

**Foreign Exchange.**

Participant acknowledges and agrees that it is the Participant's sole responsibility to investigate and comply with any applicable exchange control laws in connection with the inflow of funds from the vesting of the Performance-based restricted stock units or subsequent sale of the Performance-based restricted stock units and any dividends (if any) and that the Participant shall be responsible for any reporting of inbound international fund transfers required under applicable law. The Participant is advised to seek appropriate professional advice as to how the exchange control regulations apply to the Participant's specific situation.

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## CHINA

### *Terms and Conditions*

#### **Mandatory Immediate Sale upon Vesting of Performance-based restricted stock units.**

Notwithstanding any provisions in the Plan to the contrary, unless the Company determines otherwise the Performance-based restricted stock units shall be immediately sold upon issuance following the settlement of the Award. A broker, agent or other third party approved by the Company will immediately sell all of such Performance-based restricted stock units, use the proceeds to pay any applicable fees and/or taxes and remit the balance to the Participant in cash.

### *Notification*

#### **Special Administration in China.**

The grant of the Award, and the Participant's ability to receive Vested Performance-based restricted stock units upon settlement of the Award shall all be contingent upon the Company or the Subsidiary obtaining approval from SAFE for the related foreign exchange transaction and the establishment of a SAFE-approved bank account. The receipt of funds by the Participant from the sale of the Performance-based restricted stock units and the conversion of those funds to the local currency must be approved by SAFE. In order to comply with the SAFE regulations, the proceeds from the sale of the Performance-based restricted stock units must be repatriated into China through a SAFE-approved bank account set up and monitored by the Company. The Participant may contact his or her local HR office for more details about the SAFE approved bank account.

## FRANCE

### *Terms and Conditions*

#### **Awards Not Tax-Qualified**

The Award is not intended to be a tax-qualified or tax-preferred award, including without limitation, under Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code. The Participant is encouraged to consult with a personal tax advisor to understand the tax and social insurance implications of the Award.

#### **Language Consent**

By accepting the French Award, the Participant confirms having read and understood the documents relating to this grant (the Plan and the Agreement) which were provided in English language. The Participant accepts the terms of those documents accordingly. The Participant confirms that the Participant has a good knowledge of the English language.

En acceptant l'Attribution, le Bénéficiaire confirme avoir lu et compris les documents relatifs à cette attribution (le Plan et ce Contrat) qui ont été fournis en langue anglaise. Le Bénéficiaire accepte les dispositions de ces documents en connaissance de cause. Etant précisé que le Titulaire a une bonne maîtrise de la langue anglaise.

### *Notifications*

#### **Securities Disclaimer**

The participation in the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Directive as implemented in France.

#### **Foreign Asset/Account Information**

The Participant may hold Performance-based restricted stock units acquired upon vesting/settlement of the Award, any proceeds resulting from the sale of Performance-based restricted stock units or any dividends paid on such Performance-based restricted stock units outside of France, provided the Participant declares all foreign bank and

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brokerage accounts (including any accounts that were opened or closed during the tax year) with his or her annual income tax return. Failure to complete this reporting may trigger penalties for the Participant.

## GERMANY

### *Notifications*

**Exchange Control Information.** If Participant remits proceeds in excess of €12,500 out of or into Germany, such cross-border payment must be reported monthly to the State Central Bank. In the event that Participant makes or receives a payment in excess of this amount, Participant is responsible for obtaining the appropriate form from a German bank and complying with applicable reporting requirements. In addition, Participant must also report on an annual basis in the unlikely event that Participant holds Shares exceeding 10% of the total voting capital of the Company.

**Securities Disclaimer.** The grant of Performance-based restricted stock units under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Directive as implemented in Germany.

## HONG KONG

### *Notification*

#### **Securities Law Notice.**

WARNING: The Performance-based restricted stock units issued upon settlement of the Award do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company. The Agreement, including these additional terms, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The Performance-based restricted stock units are intended only for the personal use of each eligible employee of the Company or its Subsidiaries and may not be distributed to any other person. If the Participant is in any doubt about any of the contents of the Agreement, including this Appendix, or the Plan, the Participant should obtain independent professional advice.

#### **Occupational Retirement Schemes Ordinance Alert.**

The Company specifically intends that neither the Award nor the Plan will be considered or deemed an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance (“ORSO”).

### *Terms and Conditions*

#### **Sale of Shares.**

Any Shares received at grant or vesting are accepted as a personal investment. In the event that any portion of this Award vests within six months of the grant date, the Participant agrees that he or she will not offer to the public or otherwise dispose of the Shares acquired prior to the six-month anniversary of the grant date.

## IRELAND

### *Notifications*

#### **Director Notification Requirement.**

If the Participant is a director, shadow director or secretary of an Irish Affiliate, the Participant is required to notify such Irish Affiliate in writing within five business days of (i) receiving or disposing of an interest in the Company (e.g., Award, Shares, etc.), (ii) becoming aware of the event giving rise to the notification requirement, or (iii)

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becoming a director, shadow director or secretary of an Irish Affiliate if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or children under the age of 18 (whose interests will be attributed to the director, shadow director or secretary, as the case may be).

**Securities Disclaimer.**

The participation in the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Directive as implemented in Ireland.

**JAPAN**

*Notifications*

**Foreign Exchange.**

Under certain circumstance, Participant may be required to file a report with the Ministry of Finance if Participant intends to acquire Shares whose value exceeds a certain amount. The reporting, if required, is due within 20 days from the acquisition of the Shares.

Participant is advised to seek appropriate professional advice as to how the exchange control regulations apply to his or her specific situation. Please note that laws and regulations change frequently and occasionally on a retroactive basis.

**Foreign Asset/Account Reporting Information**

Japanese residents holding assets outside of Japan with a total net fair market value exceeding ¥50,000,000 (as of December 31 each year) are required to comply with annual tax reporting obligations with respect to such assets. Participant is advised to consult with a personal tax advisor to ensure that he or she is properly complying with applicable reporting requirements.

**KOREA**

*Notifications*

**Exchange Control Notification.**

If the Participant realizes US\$500,000 or more from the Award, including from sales of the Shares, in a single transaction, he or she must repatriate the proceeds to Korea within eighteen months of the payment. Accordingly, the Participant is strongly encouraged to consult his or her personal legal advisor if the sum of amounts from the Award exceeds this threshold.

**Foreign Assets Reporting Information.**

Korean residents must declare all foreign financial accounts (e.g., non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 1 billion (or an equivalent amount in foreign currency). The Participant should consult with his or her personal tax advisor to determine how to value his or her foreign accounts for purposes of this reporting requirement and whether he or she is required to file a report with respect to such accounts.

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## NEW ZEALAND

### *Notification*

#### **Securities Law Notice.**

The Participant is being offered an opportunity to participate in the Plan. In compliance with New Zealand securities law, the Participant is hereby notified that all documents related to the Plan have either been provided to the Participant or are available via website or hard copy.

A copy of the above documents will be provided to the Participant, free of charge, on written request to the Company.

The Participant is encouraged to read the provided materials carefully before making a decision whether to participate in the Plan. When reading these materials, the Participant should note that all references to the exercise price are listed in U.S. dollars. In addition, the Participant should consult a tax advisor for specific information concerning personal tax situation with regard to Plan participation.

#### **Warning.**

If the Company runs into financial difficulties and is wound up, you will be paid only after all creditors and holders of preference shares have been paid. You may lose some or all of your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share option purchase scheme.

As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

You have a right, upon request, to receive from lululemon athletica inc., free of charge, a copy (or electronic copy) of the Company's relevant financial statements for the most recently completed financial year and the auditor's report. The relevant financial statements are those of lululemon athletica inc. and its subsidiaries prepared in accordance with US GAAP for the most recently completed accounting period. Please address any such requests to lululemon athletica inc., Attn: HR, [1818 CORNWALL AVENUE, Vancouver, British Columbia V6J 1C7]

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

#### **Financial Information Notice**

You have a right to receive the following financial information, free of charge, upon request:

- A copy of the Company's latest annual report prepared under any enactment or overseas law (if any); and
- A copy of the Company's relevant financial statements and either the auditor's report on them or a statement that they are not audited.

## SINGAPORE

### *Notifications*

**Securities Law Information** . The grant of the Performance-based restricted stock units is being made pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Participant should note that the Performance-based restricted stock units are subject to section 257 of the SFA and Participant will not be able to make any subsequent sale in Singapore of the Shares acquired through the vesting of the Performance-based restricted stock units or any offer of such sale in Singapore unless such sale or

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offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA.

**Director Notification Obligation** . If Participant is a director, associate director or shadow director of a Singapore Subsidiary, Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore Subsidiary in writing when Participant receives an interest ( e.g ., Performance-based restricted stock units or shares of Stock) in the Company or any Subsidiary. In addition, Participant must notify the Singapore Subsidiary when Participant sells Shares of the Company or any Subsidiary (including when Participant sells shares acquired through the vesting of Performance-based restricted stock units). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any Affiliate. In addition, a notification must be made of Participant’s interests in the Company or any Affiliate within two business days of becoming a director.

## SWITZERLAND

### *Notifications*

**Securities Law Notification.** The grant of the Performance-based restricted stock units is considered a private offering and therefore is not subject to securities registration in Switzerland.

## UNITED ARAB EMIRATES

### *Notifications*

#### **Securities Law Information.**

Participation in the Plan is being offered only to selected Participants and is in the nature of providing equity incentives to Participants in the United Arab Emirates. The Plan and the Agreement are intended for distribution only to such Participants and must not be delivered to, or relied on by, any other person. Prospective acquirers of the securities offered, including the Participant, should conduct their own due diligence on the securities. The Participants is encouraged to consult a legal or financial advisor if the Participants does not understand the contents of the Agreement or the Plan or any aspect of the Award.

If the Participant does not understand the contents of the Plan and the Agreement, the Participant should consult an authorized financial adviser. The Emirates Securities and Commodities Authority and the Dubai Financial Services Authority have no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved the Plan or the Agreement nor taken steps to verify the information set out therein, and have no responsibility for such documents.

## UNITED KINGDOM

### *Terms and Conditions*

#### **Tax Reporting and Payment Liability.**

The following provision supplements Section 7 (Responsibility for Taxes) of the Agreement:

The Participant agrees that the Company or the Employer may calculate the Tax-Related Items to be withheld and accounted for by reference to the maximum applicable rates, without prejudice to any right the Participant may have to recover any overpayment from relevant U.K. tax authorities. If payment or withholding of any income tax liability arising in connection with the Participant's participation in the Plan is not made by the Participant to the Employer within ninety (90) days of the event giving rise to such income tax liability or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “ **Due Date** ”), The Participant understands and agrees that the amount of any uncollected income tax will constitute a loan owed by the Participant to the Employer, effective on the Due Date. The Participant understands and agrees that the loan will bear interest at the then-current official rate of Her Majesty’s Revenue and Customs, it will be immediately due and repayable by the Participant, and the Company and/or the Employer may recover it at any time thereafter by any of the means referred to in the Plan and/or this Agreement. Notwithstanding the foregoing, the Participant understands and agrees

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that if they are a director or an executive officer of the Company (within the meaning of such terms for purposes of Section 13(k) of the Exchange Act), they will not be eligible for such a loan to cover the income tax liability. In the event that the Participant is a director or executive officer and the income tax is not collected from or paid by the Participant by the Due Date, The Participant understands that the amount of any uncollected income tax will constitute an additional benefit to the Participant on which additional income tax and National Insurance Contributions will be payable. The Participant understands and agrees that they will be responsible for reporting and paying any income tax due on this additional benefit directly to Her Majesty's Revenue and Customs under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any primary and (to the extent legally possible) secondary class 1 national insurance contributions due on this additional benefit which the Company or the Employer may recover from the Participant by any of the means referred to in the Plan and/or this Agreement.

Notwithstanding the foregoing, if Participant is an executive officer or director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the provision above will not apply. In the event that Participant is an executive office or director and income tax is not collected from or paid by Participant by the Due Date, the amount of any uncollected income tax will constitute a benefit to Participant on which additional income tax and National Insurance Contributions (“*NICs*”) (including Employer's NICs, as defined below) may be payable. Participant understands that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company and/or the Employer (as appropriate) for the value of any NICs due on this additional benefit.

*Notification*

**Securities Disclaimer.**

Neither this Agreement nor Appendix is an approved prospectus for the purposes of section 85(1) of the Financial Services and Markets Act 2000 (“FSMA”) and no offer of transferable securities to the public (for the purposes of section 102B of FSMA) is being made in connection with the Plan. The Plan and the Performance-based restricted stock units are exclusively available in the UK to bona fide employees and former employees and any other UK Affiliate.

**TAIWAN**

*Notification*

**Securities Disclaimer.**

Neither the Plan nor the Performance-based restricted stock units are registered in Taiwan with the Securities and Futures Bureau or subject to the securities laws of Taiwan.

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**LULULEMON ATHLETICA INC.**  
**POLICY FOR RECOVERY OF INCENTIVE-BASED COMPENSATION**

In the event lululemon athletica inc. (the “Company”) determines it must prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the U. S. federal securities laws, the Company will seek to recover, at the direction of the Compensation Committee (the “Committee”) of the Board of Directors after it has reviewed the facts and circumstances that led to the requirement for the restatement and the costs and benefits of seeking recovery, the amount of erroneously awarded incentive-based compensation received by a covered officer during the three-year period immediately preceding the date on which the Company is required to prepare the restatement. The Committee will determine in its discretion the amount, if any, the Company will seek to recover from such covered officer. The Company may offset the recovery amount against current or future incentive-based and non-incentive-based compensation and through cancellation of unvested or vested equity awards. In addition, the Committee may, to the extent permitted by law, take other remedial and recovery action, as determined by the Committee. The recovery of erroneously awarded incentive-based compensation under this policy is in addition to any other right or remedy available to the Company.

For purposes of this policy (i) the term “covered officer” means executive officers of the Company as defined under the Securities Exchange Act of 1934, as amended, and such other senior executives as may be determined by the Committee and (ii) the term “erroneously awarded incentive-based compensation” means the amount of incentive-based compensation received that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the accounting restatement. This policy extends to individuals who were covered officers on or after adoption of the policy but ceased being a covered officer before a restatement triggering recovery under this policy occurs.

The Committee shall have full and final authority to make all determinations under this policy. The Company shall take such action as it deems necessary or appropriate to implement this Policy, including requiring all covered officers to acknowledge the rights and powers of the Company and the Committee hereunder.

This policy shall be effective as of the date adopted by the Board of Directors as set forth below and shall apply to incentive-based compensation that is approved, awarded or granted on or after that date.

Adopted September 2, 2015  
Board of Directors  
lululemon athletica inc

**LULULEMON ATHLETICA INC.  
NOTICE OF GRANT OF RESTRICTED STOCK UNITS**

The Participant has been granted an award of Restricted Stock Units (the “*Award*”) pursuant to the lululemon athletica inc. 2014 Equity Incentive Plan (the “*Plan*”) and the Restricted Stock Units Agreement attached hereto (the “*Agreement*”), as follows:

**Participant:** \_\_\_\_\_ **Employee ID:** \_\_\_\_\_

**Grant Date:** \_\_\_\_\_ **Grant No.:** \_\_\_\_\_

**Target Number of Units:** \_\_\_\_\_, subject to adjustment as provided by the Agreement.

**Settlement Date:** Except as otherwise provided in the Agreement or a separate written employment or other agreement between a Participating Company and the Participant, as soon as practicable on or after each Unit Vesting Date (or such other date on which the Award vests pursuant to Sections 4 or 7 of the Agreement), but in any event no later than seventy four (74) days following such date.

**Vested Units:** Except as provided in the Restricted Stock Units Agreement or a separate written employment or other agreement between a Participating Company and the Participant and provided that the Participant’s Service has not terminated prior to the applicable Unit Vesting Date set forth below, the percentage of the Total Number of Units which become Vested Units on each Unit Vesting Date Shall be as follows:

Unit Vesting Date	Percentage of Total Number of Units Vesting:
[Insert vesting dates]	[Insert vesting percentages]

**Recovery Policy:** The Award is subject to the terms and conditions of the Company’s Policy for Recovery of Incentive-Based Compensation, as amended from time to time (the “*Clawback Policy*”).

By their signatures below, the Company and the Participant agree that the Award is governed by this Notice and by the provisions of the Plan and the Agreement, both of which are made a part of this document. The Participant acknowledges receipt of a copy of the Plan, the Agreement and the prospectus for the Plan, represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of their terms and conditions.

By: \_\_\_\_\_  
\_\_\_\_\_

LULULEMON ATHLETICA INC.

Address: 1818 Cornwall Avenue  
Vancouver, British Columbia  
Canada, V6J 1C7

ATTACHMENTS: Restricted Stock Units Agreement  
Policy for Recovery of Incentive-Based Compensation

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**LULULEMON ATHLETICA INC.**  
**RESTRICTED STOCK UNITS AGREEMENT**

lululemon athletica inc. has granted to the Participant named in the *Notice of Grant of Restricted Stock Units* (the “**Grant Notice**”) to which this Restricted Stock Units Agreement (the “**Agreement**”) is attached an Award consisting of Restricted Stock Units subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the lululemon athletica inc. 2014 Equity Incentive Plan (the “**Plan**”), as amended to the Grant Date, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan, and a prospectus for the Plan (the “**Plan Prospectus**”) in the form most recently prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Plan, (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan, and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.1.

**1. DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions** . Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

(a) “**Dividend Equivalent Units**” mean additional Restricted Stock Units credited pursuant to the Dividend Equivalent Right described in Section 3.3.

(b) “**Units**” means the Restricted Stock Units originally granted pursuant to the Award and the Dividend Equivalent Units credited pursuant to the Award, as both shall be adjusted from time to time pursuant to Section 8.

1.2 **Construction**. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

**2. ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Award. Any executive officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided such executive officer has apparent authority with respect to such matter, right, obligation, or election. The Company intends that the Award comply with, or be exempt from, Section 409A (including any amendments or replacements of such section), and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent.

**3. THE AWARD.**

3.1 **Grant of Units**. On the Grant Date, the Participant shall acquire, subject to the provisions of this Agreement, the Total Number of Units set forth in the Grant Notice, subject to adjustment as provided in Section 3.3 and 8. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) share of Stock.

3.2 **No Monetary Payment Required**. The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or Stock issued upon settlement of the Units, the consideration for which shall be past Services actually rendered and/or future Services to be rendered to a Participating Company. Notwithstanding the foregoing, if required by applicable law, the Participant

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shall furnish consideration in the form of cash or past Services having a value not less than the par value of the Stock issued upon settlement of the Units.

3.3 **Dividend Equivalent Units.** This Agreement also constitutes the award of a Dividend Equivalent Right to the Participant. On the date that the Company pays a cash dividend to holders of Stock generally, the Participant shall be credited with a number of additional whole Dividend Equivalent Units determined by dividing (a) the product of (i) the dollar amount of the cash dividend paid per share of Stock such date and (ii) the sum of the Total Number of Units and the number of Dividend Equivalent Units previously credited to the Participant pursuant to the Award and which have not been settled or forfeited as of such date, by (b) the Fair Market Value per share of Stock on such date. Any resulting fractional Dividend Equivalent Units shall be rounded down to the nearest whole number. Such additional Dividend Equivalent Units shall be subject to the same terms and conditions and shall be settled or forfeited in the same manner and at the same time as the Units originally subject to the Award with respect to which they have been credited.

#### 4. VESTING OF UNITS.

4.1 **In General.** Except as provided by this Section 4 and Section 7, the Units shall vest and become Vested Units as provided in the Grant Notice.

4.2 **Effect of Leave of Absence.** In the event that the Participant takes an approved leave or leaves of absence during the period beginning on the Grant Date and ending on the applicable Unit Vesting Date, the Units shall continue to vest during such leave or leaves of absence. If the Participant fails to return to Service at the end of the approved leave period, then, except to the extent required by applicable law, the Participant's Service shall be treated as having terminated on the last day of such approved leave.

4.3 **Termination for Any Reason Other Than Death or Disability.** In the event of the termination of the Participant's Service for any reason other than Death or Disability (whether voluntary or involuntary and with or without Cause) prior to a Unit Vesting Date, the Participant shall, subject to applicable laws, forfeit and the Company shall automatically reacquire all of the unvested Units subject to the Award. The Participant shall not be entitled to any payment for such forfeited Units. Termination of Service shall be deemed to be the last day of employment (whether voluntary or involuntary and with or without Cause), and not during or as of the end of any period following such date during which the Participant is in receipt of, or entitled to receive, statutory, contractual or common law notice of termination or any compensation in lieu of such notice.

4.4 **Termination by Reason of Death.** In the event of the death prior to any Unit Vesting Date, then on the date of such death unvested Units shall become Vested Units.

4.5 **Termination by Reason of Disability.** In the event of the termination of the Participant's Service by reason of Disability prior to any Unit Vesting Date, then on the date of such termination all unvested Units shall become Vested Units.

4.6 **Forfeiture For Violations of Non-Compete and/or Non-Solicitation Agreements.** Notwithstanding anything above to the contrary, if, during the Participant's Service, or following the Participant's termination of Service, the Participant violates any provision contained in a written service or other agreement applicable to the Participant (or any other written policy of the Participating Company Group of general application) relating to the prohibition of the Participant from engaging in activities which would violate any legally enforceable non-compete or non-solicitation clause or rule prior to any Unit Vesting Date, then all of the Units shall be treated as unvested and forfeited as of the date on which such violation occurs. In addition, effective upon any violation described above, any Units which have become Vested Units during the Participant's Service, or following the Participant's termination of Service shall be forfeited by the Participant and any shares of Stock retained by such Participant shall be returned to the Company or, if the Participant no longer retains such shares because the Participant has disposed of the shares, then the Participant shall remit the Fair Market Value of the shares on the date the Participant disposed of them.

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## 5. SETTLEMENT OF THE AWARD.

5.1 **Issuance of Stock** . Subject to the provisions of Section 5.3 below, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Unit one (1) share of Stock. Shares of Stock issued in settlement of Units shall be subject to any restrictions as may be required pursuant to Section 5.3, Section 6, or the Trading Compliance Policy.

5.2 **Beneficial Ownership of Shares of Stock; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all shares of Stock acquired by the Participant pursuant to the settlement of the Award. Except as otherwise provided by this Section 5.2, a certificate for the shares of Stock as to which the Award is settled shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant. In addition, shares of Stock settled as a result of this Agreement may be held in book entry form.

5.3 **Restrictions on Grant of the Award and Issuance of Shares of Stock** . The grant of the Award and issuance of shares of Stock upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state law or foreign law with respect to such securities. No share of Stock may be issued hereunder if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations, including, without limitation, the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares of Stock subject to the Award shall relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

5.4 **Fractional Shares.** The Company shall not be required to issue fractional shares of Stock upon the settlement of the Award. Any fractional share resulting from the determination of the number of Vested Units shall be rounded down to the nearest whole number.

## 6. TAX MATTERS.

6.1 **Responsibility for Taxes.** Notwithstanding any contrary provision of this Agreement, the Company shall have no obligation to process the settlement of the Award or to deliver Common Shares unless and until satisfactory arrangements (as determined by the Company) will have been made by Participant with respect to the payment of income, employment, social insurance, National Insurance Contributions, payroll tax, fringe benefit tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant including, without limitation, in connection with the grant, vesting or settlement of the Award, the subsequent sale of Common Shares acquired under the Plan and/or the receipt of any dividends on such Common Shares which the Company determines must be withheld (" *Tax-Related Items* "). Participant authorizes the Company and/or the Affiliate to withhold any Tax-Related Items legally payable by Participant from his or her wages or other cash compensation paid to Participant by the Company and/or the Affiliate or from proceeds of the sale of Common Shares. Further, if Participant is subject to tax in more than one jurisdiction between the date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the Company and/or Affiliate employer, or former employer, as applicable, may be required to withhold or account for tax in more than one jurisdiction. Regardless of any action of the Company or the Affiliate, Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Affiliate. Participant further acknowledges that the Company and the Affiliate (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result.

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6.2 **Withholding in Shares.** Subject to applicable law, in the event the Participant has not satisfied the tax withholding obligations described in Section 6.1 in accordance with Section 6.1, the tax withholding obligations shall be satisfied in the following manner:

(a) the Participant shall dispose of such portion of the Vested Units that represents rights to receive shares of Stock having a Fair Market Value equal to the Withholding Amount to the Company on the Settlement Date in consideration for cash in an amount equal to the Withholding Amount, and the full amount of such cash shall be withheld by the Company and remitted to the relevant taxing authority to satisfy the tax withholding obligations; and

(b) the portion of the Vested Units not disposed of in accordance with Section 6.2(a) shall be settled in accordance with Section 5.1.

## 7. CHANGE IN CONTROL.

7.1 **Acceleration of Vesting Upon a Change in Control.** In the event of the consummation of a Change in Control prior to any Unit Vesting Date, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the “*Acquiror*”), may assume or continue the Company’s rights and obligations with respect to outstanding Awards or substitute for outstanding Awards substantially equivalent rights with respect to the Acquiror’s stock. For purposes of this Section 7.1, an Award shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, for each Unit subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock of the Company on the effective date of the Change in Control was entitled for each Unit subject to an Award. In the event that the Acquiror elects not to assume, continue or substitute for the outstanding Awards in connection with a Change in Control, the vesting of 100% of the then unvested Units shall be accelerated in full and such Units shall be deemed Vested Units effective as of the date of the Change in Control, provided that the Participant’s Service has not terminated prior to the Change in Control. In settlement of the Award, the Company shall issue to the Participant one (1) share of Stock for each Vested Unit determined in accordance with this Section 7.1. The vesting of Units and settlement of the Award that was permissible solely by reason of this Section 7.1 shall be conditioned upon the consummation of the Change in Control. Notwithstanding the foregoing, the Committee may, in its discretion, determine that upon a Change in Control, each Award outstanding immediately prior to the Change in Control shall be canceled in exchange for payment with respect to 100% of the Units which are subject to accelerated vesting in (a) cash, (b) stock of the Company or the Acquiror, or (c) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of stock in the Change in Control for each such Unit (subject to any required tax withholding). Such payment shall be made as soon as practicable following the Change in Control.

7.2 **Termination After Change in Control.** Notwithstanding anything in this Agreement to the contrary, if the Award is assumed or continued following a Change in Control, and if the Participant’s Service ceases as a result of a Termination After Change in Control (as defined below), the surviving Units shall become Vested Units and the Award shall be settled promptly following such event.

(a) “*Termination After Change in Control*” shall mean either of the following events occurring within two (2) years after a Change in Control:

(i) Termination of the Participant’s Service with the Participating Company Group or such successor without Cause; or

(ii) The Participant’s resignation for Good Reason (as defined below) within ninety (90) days of the Participant first becoming aware of the event constituting Good Reason provided the Participant has provided the Company (or its successor) notice of such condition and the opportunity to cure the event.

Notwithstanding any provision herein to the contrary, Termination After Change in Control shall not include any termination of the Participant’s Service which (A) is for Cause; (B) is a result of the Participant’s voluntary termination of such relationship other than for Good Reason; or (C) occurs prior to the effectiveness of a Change in Control.

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(b) **“Good Reason”** shall mean any one or more of the following:

(i) Without the Participant’s written consent, a material adverse change in the Participant’s duties and responsibilities as compared to the Participant’s duties and responsibilities immediately prior to the Change in Control;

(ii) Without the Participant’s written consent, the relocation of the Participant’s principal place of Service to a location that is more than fifty (50) miles from the Participant’s principal place of Service immediately prior to the date of the Change in Control, or the imposition of travel requirements substantially more demanding of the Participant than such travel requirements existing immediately prior to the date of the Change in Control; or

(iii) Any failure by the Participating Company Group (or its successor) to pay, or any material reduction by the applicable Participating Company Group of, (A) the Participant’s base salary in effect immediately prior to the date of the Change in Control (unless reductions comparable in amount and duration are concurrently made for all other similarly situated persons with responsibilities, organizational level and title comparable to the Participant’s), or (B) the Participant’s target bonus opportunity, if any, in effect immediately prior to the date of the Change in Control (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned by the Participant).

#### 8. **ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant’s rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as “effected without receipt of consideration by the Company.” Any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of the grant of Units acquired pursuant to this Award will be immediately subject to the provisions of this Award on the same basis as all Units originally acquired hereunder. Any fractional Unit or share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

#### 9. **RIGHTS AS A STOCKHOLDER.**

The Participant shall have no rights as a stockholder with respect to any shares of Stock which may be issued in settlement of this Award until the date of the issuance of a certificate for such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 8.

#### 10. **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of Stock issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to this Award in the possession of the Participant in order to carry out the provisions of this Section.

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## 11. COMPLIANCE WITH SECTION 409A.

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

11.1 **Separation from Service; Required Delay in Payment to Specified Employee.** Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Participant's termination of Service which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "**Section 409A Regulations**") shall be paid unless and until the Participant has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Participant is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Participant's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "**Delayed Payment Date**") which is first day of the seventh month after the date of the Participant's separation from service or, if earlier, the date of the Participant's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

11.2 **Other Changes in Time of Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits which constitute a "deferral of compensation" within the meaning of the Section 409A Regulations in any manner which would not be in compliance with the Section 409A Regulations.

11.3 **Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with the Section 409A Regulations without prior notice to or consent of the Participant. The Participant hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Participant in connection with the Award, including as a result of the application of Section 409A.

11.4 **Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

12. **SERVICE CONDITIONS.** In accepting the Award, the Participant acknowledges and agrees that:

(a) Any notice period mandated under applicable law shall not be treated as Service for the purpose of determining the vesting of the Award; and the Participant's right to vesting of Common Shares in settlement of the Award after termination of Service, if any, will be measured by the date of termination of the Participant's active Service and will not be extended by any notice period mandated under applicable laws. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement.

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- (c) The grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past.
- (d) All decisions with respect to future Award grants, if any, will be at the sole discretion of the Company.
- (e) The Participant's participation in the Plan shall not create a right to further Service with the Company or an Affiliate and shall not interfere with the ability of with the Company or Affiliate to terminate the Participant's Service at any time, with or without cause, subject to applicable laws.
- (f) The Participant is voluntarily participating in the Plan.
- (g) The Award is an extraordinary item that does not constitute compensation of any kind for Service of any kind rendered to the Company or Affiliate and which is outside the scope of the Participant's employment contract, if any.
- (h) The Award is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.
- (i) In the event that the Participant is not an employee of a the Company or Affiliate, the Award grant will not be interpreted to form an employment contract or relationship with such entity that does not otherwise exist.
- (j) The future value of the underlying Common Shares is unknown and cannot be predicted with certainty. The value of the Common Shares may increase or decrease.
- (k) No claim or entitlement to compensation or damages arises from termination of the Award or diminution in value of the Award or Common Shares and the Participant irrevocably releases the Company and Affiliates from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

13. **DATA PRIVACY CONSENT.** The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this document by the Company for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company holds certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Common Shares or directorships held in the Company, details of all Awards or any other entitlement to Common Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("**Data**"). The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that the recipient's country may have different including less stringent data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any Common Shares acquired pursuant to the Award. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. The Participant understands, however, that refusing or withdrawing the Participant's consent may affect the Participant's ability to

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participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Participant's local human resources representative.

#### 14. MISCELLANEOUS PROVISIONS.

14.1 **Termination or Amendment.** The Committee may terminate or amend the Plan at any time. No amendment or addition to this Agreement shall be effective unless in writing and, to the extent such amendment is necessary to comply with applicable law or government regulation (including, but not limited to Section 409A), may be made without the consent of the Participant.

14.2 **Nontransferability of the Award .** Prior to the issuance of shares of Stock on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

14.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

14.4 **Binding Effect .** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

14.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature to the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 14.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 14.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 14.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 14.5(a).

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14.6 **Country-Specific Terms and Conditions.** Notwithstanding any other provision of this Agreement to the contrary, the Award shall be subject to the specific terms and conditions, if any, set forth in the Appendix to this Agreement which are applicable to the Participant's country of residence, the provisions of which are incorporated in and constitute part of this Agreement. Moreover, if the Participant relocates to one of the countries included in the Appendix, the specific terms and conditions applicable to such country will apply to the Award to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with applicable laws or facilitate the administration of the Plan or this Agreement.

14.7 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with any employment, service or other agreement between the Participant and a Participating Company referring to the Award, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

14.8 **Applicable Law.** This Agreement shall be governed by the laws of the State of Delaware as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within the State of Delaware.

14.9 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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**ADDITIONAL TERMS AND CONDITIONS OF  
LULULEMON ATHLETICA INC.  
RESTRICTED STOCK UNITS AGREEMENT  
UNDER THE  
LULULEMON ATHLETICA INC. 2014 EQUITY INCENTIVE PLAN**

This Appendix includes additional terms and conditions that govern the Restricted Stock Units granted to the Participant under the Plan if the Participant resides in one of the countries listed below. Capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

The Participant understands and agrees that the Company strongly recommends that the Participant not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because applicable rules and regulations regularly change, sometimes on a retroactive basis, and the information may be out of date at the time the Restricted Stock Units vests or the Shares are issued under the Plan.

The Participant further understands and agrees that if the Participant is a citizen or resident of a country other than the one in which the Participant is currently working, transfer employment after grant of the Participant, or is considered a resident of another country for local law purposes, the information contained herein may not apply to the Participant, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply.

**AUSTRALIA**

*Notifications*

**Securities Law Information.**

The offering of Restricted Stock Units and resale of Shares acquired under the Plan to a person or entity resident in Australia may be subject to disclosure requirements under Australian law. The Participant should obtain legal advice regarding any applicable disclosure requirements prior to making any such offer.

**Award Subject to tax deferred treatment in Australia.**

The Award is intended to receive tax deferred treatment under Subdivision 83A-C of the Income Tax Assessment Act 1997(Cth) of Australia.

*Terms and Conditions*

**Australian Securities Laws.**

If Participant acquires Shares under the Plan and resells them in Australia, he or she may be required to comply with certain Australian securities law disclosure requirements.

**Foreign Exchange.**

Participant acknowledges and agrees that it is the Participant's sole responsibility to investigate and comply with any applicable exchange control laws in connection with the inflow of funds from the vesting of the Restricted Stock Units or subsequent sale of the Shares and any dividends (if any) and that the Participant shall be responsible for any reporting of inbound international fund transfers required under applicable law. The Participant is advised to seek appropriate professional advice as to how the exchange control regulations apply to the Participant's specific situation.

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## CHINA

### *Terms and Conditions*

#### **Mandatory Immediate Sale upon Vesting of Restricted Stock Units.**

Notwithstanding any provisions in the Plan to the contrary, unless the Company determines otherwise the Shares shall be immediately sold upon vesting and settlement of the Award. A broker, agent or other third party approved by the Company will immediately sell all of such Shares, use the proceeds to pay any applicable fees and/or taxes and remit the balance to the Participant in cash.

### *Notification*

#### **Special Administration in China.**

The grant of the Award, and the Participant's ability to receive Shares upon settlement of the Award shall all be contingent upon the Company or the Affiliate obtaining approval from SAFE for the related foreign exchange transaction and the establishment of a SAFE-approved bank account. The receipt of funds by the Participant from the sale of the Shares and the conversion of those funds to the local currency must be approved by SAFE. In order to comply with the SAFE regulations, the proceeds from the sale of the Shares must be repatriated into China through a SAFE-approved bank account set up and monitored by the Company. The Participant may contact his or her local HR office for more details about the SAFE approved bank account.

## FRANCE

### *Terms and Conditions*

#### **Awards Not Tax-Qualified.**

The Award is not intended to be a tax-qualified or tax-preferred award, including without limitation, under Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code. The Participant is encouraged to consult with a personal tax advisor to understand the tax and social insurance implications of the Award.

#### **Language Consent.**

By accepting the French Award, the Participant confirms having read and understood the documents relating to this grant (the Plan and the Agreement) which were provided in English language. The Participant accepts the terms of those documents accordingly. The Participant confirms that the Participant has a good knowledge of the English language.

*En acceptant l'Attribution, le Bénéficiaire confirme avoir lu et compris les documents relatifs à cette attribution (le Plan et ce Contrat) qui ont été fournis en langue anglaise. Le Bénéficiaire accepte les dispositions de ces documents en connaissance de cause. Etant précisé que le Titulaire a une bonne maîtrise de la langue anglaise.*

### *Notifications*

#### **Securities Disclaimer.**

The participation in the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Directive as implemented in France.

#### **Foreign Asset/Account Information.**

The Participant may hold Shares acquired upon vesting/settlement of the Award, any proceeds resulting from the sale of Shares or any dividends paid on such Shares outside of France, provided the Participant declares all foreign bank and brokerage accounts (including any accounts that were opened or closed during the tax year) with his or her annual income tax return. Failure to complete this reporting may trigger penalties for the Participant.

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## GERMANY

### *Notifications*

**Exchange Control Information.** If Participant remits proceeds in excess of €12,500 out of or into Germany, such cross-border payment must be reported monthly to the State Central Bank. In the event that Participant makes or receives a payment in excess of this amount, Participant is responsible for obtaining the appropriate form from a German bank and complying with applicable reporting requirements. In addition, Participant must also report on an annual basis in the unlikely event that Participant holds Shares exceeding 10% of the total voting capital of the Company.

**Securities Disclaimer.** The grant of Restricted Stock Units under the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Directive as implemented in Germany.

## HONG KONG

### *Notification*

#### **Securities Law Notice.**

WARNING: The Restricted Stock Units and Shares issued upon settlement of the Restricted Stock Units do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company. The Agreement, including this Appendix, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The Restricted Stock Units are intended only for the personal use of each eligible employee of the Company or its Subsidiaries and may not be distributed to any other person. If the Participant is in any doubt about any of the contents of the Agreement, including these additional terms, or the Plan, the Participant should obtain independent professional advice.

#### **Occupational Retirement Schemes Ordinance Alert.**

The Company specifically intends that neither the Award nor the Plan will be considered or deemed an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance (“ORSO”).

### *Terms and Conditions*

#### **Sale of Shares**

Any Shares received at grant or vesting are accepted as a personal investment. In the event that any portion of this Award vests within six months of the grant date, the Participant agrees that he or she will not offer to the public or otherwise dispose of the Shares acquired prior to the six-month anniversary of the grant date.

## IRELAND

### *Notifications*

#### **Director Notification Requirement**

If the Participant is a director, shadow director or secretary of an Irish Affiliate, the Participant is required to notify such Irish Affiliate in writing within five business days of (i) receiving or disposing of an interest in the Company (e.g., Award, shares of Stock, etc.), (ii) becoming aware of the event giving rise to the notification requirement, or (iii) becoming a director, shadow director or secretary of an Irish Affiliate if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or children under the age of 18 (whose interests will be attributed to the director, shadow director or secretary, as the case may be).

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## **Securities Disclaimer**

The participation in the Plan is exempt or excluded from the requirement to publish a prospectus under the EU Prospectus Directive as implemented in Ireland.

## **JAPAN**

### *Notifications*

### **Foreign Exchange**

Under certain circumstance, Participant may be required to file a report with the Ministry of Finance if Participant intends to acquire Shares whose value exceeds a certain amount. The reporting, if required, is due within 20 days from the acquisition of the Shares.

Participant is advised to seek appropriate professional advice as to how the exchange control regulations apply to his or her specific situation. Please note that laws and regulations change frequently and occasionally on a retroactive basis.

### **Foreign Asset/Account Reporting Information**

Japanese residents holding assets outside of Japan with a total net fair market value exceeding ¥50,000,000 (as of December 31 each year) are required to comply with annual tax reporting obligations with respect to such assets. Participant is advised to consult with a personal tax advisor to ensure that he or she is properly complying with applicable reporting requirements.

## **KOREA**

### *Notifications*

### **Exchange Control Notification**

If the Participant realizes US\$500,000 or more from the Award, including from sales of the Shares, in a single transaction, he or she must repatriate the proceeds to Korea within eighteen months of the payment. Accordingly, the Participant is strongly encouraged to consult his or her personal legal advisor if the sum from the Award exceeds this threshold.

### **Foreign Assets Reporting Information**

Korean residents must declare all foreign financial accounts (e.g., non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 1 billion (or an equivalent amount in foreign currency). The Participant should consult with his or her personal tax advisor to determine how to value his or her foreign accounts for purposes of this reporting requirement and whether he is she is required to file a report with respect to such accounts.

## **NEW ZEALAND**

### *Notification*

### **Securities Law Notice.**

The Participant is being offered an opportunity to participate in the Plan. In compliance with New Zealand securities law, the Participant is hereby notified that all documents related to the Plan have either been provided to the Participant or are available via website or hard copy.

A copy of the above documents will be provided to the Participant, free of charge, on written request to the Company.

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The Participant is encouraged to read the provided materials carefully before making a decision whether to participate in the Plan. When reading these materials, the Participant should note that all references to the exercise price are listed in U.S. dollars. In addition, the Participant should consult a tax advisor for specific information concerning personal tax situation with regard to Plan participation.

**Warning.**

If the Company runs into financial difficulties and is wound up, you will be paid only after all creditors and holders of preference shares have been paid. You may lose some or all of your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share option purchase scheme.

As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

You have a right, upon request, to receive from lululemon athletica inc., free of charge, a copy (or electronic copy) of the Company's relevant financial statements for the most recently completed financial year and the auditor's report. The relevant financial statements are those of lululemon athletica inc. and its subsidiaries prepared in accordance with US GAAP for the most recently completed accounting period. Please address any such requests to lululemon athletica inc., Attn: HR, [1818 CORNWALL AVENUE, Vancouver, British Columbia V6J 1C7]

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

**Financial Information Notice**

You have a right to receive the following financial information, free of charge, upon request:

- A copy of the Company's latest annual report prepared under any enactment or overseas law (if any); and
- A copy of the Company's relevant financial statements and either the auditor's report on them or a statement that they are not audited.

**SINGAPORE**

***Notifications***

**Securities Law Information** . The grant of the Restricted Stock Units is being made pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Participant should note that the Restricted Stock Units are subject to section 257 of the SFA and Participant will not be able to make any subsequent sale in Singapore of the Shares acquired through the vesting of the Restricted Stock Units or any offer of such sale in Singapore unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA.

**Director Notification Obligation** . If Participant is a director, associate director or shadow director of a Singapore Affiliate, Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore Affiliate in writing when Participant receives an interest ( *e.g.* , Restricted Stock Units or Shares) in the Company or any Affiliate. In addition, Participant must notify the Singapore Affiliate when Participant sells Shares of the Company or any Affiliate (including when Participant sells Shares acquired through the vesting of Restricted Stock Units). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any Affiliate. In addition, a notification must be made of Participant's interests in the Company or any Affiliate within two business days of becoming a director.

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## SWITZERLAND

### *Notifications*

**Securities Law Notification.** The grant of the Restricted Stock Units is considered a private offering and therefore is not subject to securities registration in Switzerland.

## UNITED KINGDOM

### *Terms and Conditions*

#### **Tax Reporting and Payment Liability.**

The following provision supplements Section 6 of the Agreement:

The Participant agrees that the Company or the Employer may calculate the Tax-Related Items to be withheld and accounted for by reference to the maximum applicable rates, without prejudice to any right the Participant may have to recover any overpayment from relevant U.K. tax authorities. If payment or withholding of any income tax liability arising in connection with the Participant's participation in the Plan is not made by the Participant to the Employer within ninety (90) days of the event giving rise to such income tax liability or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), The Participant understands and agrees that the amount of any uncollected income tax will constitute a loan owed by the Participant to the Employer, effective on the Due Date. The Participant understands and agrees that the loan will bear interest at the then-current official rate of Her Majesty's Revenue and Customs, it will be immediately due and repayable by the Participant, and the Company and/or the Employer may recover it at any time thereafter by any of the means referred to in the Plan and/or this Agreement. Notwithstanding the foregoing, the Participant understands and agrees that if they are a director or an executive officer of the Company (within the meaning of such terms for purposes of Section 13(k) of the Exchange Act), they will not be eligible for such a loan to cover the income tax liability. In the event that the Participant is a director or executive officer and the income tax is not collected from or paid by the Participant by the Due Date, The Participant understands that the amount of any uncollected income tax will constitute an additional benefit to the Participant on which additional income tax and National Insurance Contributions will be payable. The Participant understands and agrees that they will be responsible for reporting and paying any income tax due on this additional benefit directly to Her Majesty's Revenue and Customs under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any primary and (to the extent legally possible) secondary class 1 national insurance contributions due on this additional benefit which the Company or the Employer may recover from the Participant by any of the means referred to in the Plan and/or this Agreement.

Notwithstanding the foregoing, if Participant is an executive officer or director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the provision above will not apply. In the event that Participant is an executive officer or director and income tax is not collected from or paid by Participant by the Due Date, the amount of any uncollected income tax will constitute a benefit to Participant on which additional income tax and National Insurance Contributions ("NIC s") (including Employer's NICs, as defined below) may be payable. Participant understands that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company and/or the Employer (as appropriate) for the value of any NICs due on this additional benefit.

### *Notification*

**Securities Disclaimer.** Neither this Agreement nor Appendix is an approved prospectus for the purposes of section 85(1) of the Financial Services and Markets Act 2000 ("FSMA") and no offer of transferable securities to the public (for the purposes of section 102B of FSMA) is being made in connection with the Plan. The Plan and the Restricted

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Stock Units are exclusively available in the UK to bona fide employees and former employees and any other UK Affiliate.

## TAIWAN

### *Notification*

**Securities Disclaimer.** Neither the Plan nor the Restricted Stock Units are registered in Taiwan with the Securities and Futures Bureau or subject to the securities laws of Taiwan.

## UNITED ARAB EMIRATES

### *Notifications*

#### **Securities Law Information.**

Participation in the Plan is being offered only to selected Participants and is in the nature of providing equity incentives to Participants in the United Arab Emirates. The Plan and the Agreement are intended for distribution only to such Participants and must not be delivered to, or relied on by, any other person. Prospective acquirers of the securities offered, including the Participant, should conduct their own due diligence on the securities. The Participants is encouraged to consult a legal or financial advisor if the Participants does not understand the contents of the Agreement or the Plan or any aspect of the Award.

If the Participant does not understand the contents of the Plan and the Agreement, the Participant should consult an authorized financial adviser. The Emirates Securities and Commodities Authority and the Dubai Financial Services Authority have no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved the Plan or the Agreement nor taken steps to verify the information set out therein, and have no responsibility for such documents.

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**LULULEMON ATHLETICA INC.**  
**POLICY FOR RECOVERY OF INCENTIVE-BASED COMPENSATION**

In the event lululemon athletica inc. (the “Company”) determines it must prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the U. S. federal securities laws, the Company will seek to recover, at the direction of the Compensation Committee (the “Committee”) of the Board of Directors after it has reviewed the facts and circumstances that led to the requirement for the restatement and the costs and benefits of seeking recovery, the amount of erroneously awarded incentive-based compensation received by a covered officer during the three-year period immediately preceding the date on which the Company is required to prepare the restatement. The Committee will determine in its discretion the amount, if any, the Company will seek to recover from such covered officer. The Company may offset the recovery amount against current or future incentive-based and non-incentive-based compensation and through cancellation of unvested or vested equity awards. In addition, the Committee may, to the extent permitted by law, take other remedial and recovery action, as determined by the Committee. The recovery of erroneously awarded incentive-based compensation under this policy is in addition to any other right or remedy available to the Company.

For purposes of this policy (i) the term “covered officer” means executive officers of the Company as defined under the Securities Exchange Act of 1934, as amended, and such other senior executives as may be determined by the Committee and (ii) the term “erroneously awarded incentive-based compensation” means the amount of incentive-based compensation received that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the accounting restatement. This policy extends to individuals who were covered officers on or after adoption of the policy but ceased being a covered officer before a restatement triggering recovery under this policy occurs.

The Committee shall have full and final authority to make all determinations under this policy. The Company shall take such action as it deems necessary or appropriate to implement this Policy, including requiring all covered officers to acknowledge the rights and powers of the Company and the Committee hereunder.

This policy shall be effective as of the date adopted by the Board of Directors as set forth below and shall apply to incentive-based compensation that is approved, awarded or granted on or after that date.

Adopted September 2, 2015  
Board of Directors  
lululemon athletica inc.

I, Laurent Potdevin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of lululemon athletica inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ L AURENT P OTDEVIN

Laurent Potdevin

Chief Executive Officer and Director

(Principal Executive Officer)

Date: June 1, 2017

I, Stuart Haselden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of lululemon athletica inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ S TUART H ASELDEN

Stuart Haselden

Chief Financial Officer

(Principal Financial Officer and

Principal Accounting Officer)

Date: June 1, 2017

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of lululemon athletica inc. (the "Company") on Form 10-Q for the first quarter of fiscal 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ L AURENT P OTDEVIN  
Laurent Potdevin  
Chief Executive Officer and Director  
(Principal Executive Officer)

Date: June 1, 2017

By: /s/ S TUART H ASELDEN  
Stuart Haselden  
Chief Financial Officer  
(Principal Financial Officer and  
Principal Accounting Officer)

Date: June 1, 2017

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.