

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

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended October 31, 2007
- 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

lululemon athletica inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-3842867

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

**2285 Clark Drive,
Vancouver, British Columbia**
(Address of principal executive offices)

V5N 3G9
(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

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At November 28, 2007, there were 46,592,145 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

Exchangeable and Special Voting Shares:

At November 28, 2007, there were outstanding 20,935,041 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 November 28, 2007, the registrant had outstanding 20,935,041 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.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>FINANCIAL STATEMENTS:</u>	
<u>CONSOLIDATED BALANCE SHEETS as of October 31, 2007 and January 31, 2007</u>	1
<u>CONSOLIDATED STATEMENTS OF OPERATIONS for the three and nine months ended October 31, 2007 and October 31, 2006</u>	2
<u>CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY for the nine months ended October 31, 2007</u>	3
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS for the nine months ended October 31, 2007 and October 31, 2006</u>	4
<u>NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS</u>	5
<u>Item 2.</u>	
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	16
<u>Item 3.</u>	
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	29
<u>Item 4.</u>	
<u>CONTROLS AND PROCEDURES</u>	29
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u>	
<u>LEGAL PROCEEDINGS</u>	30
<u>Item 1A.</u>	
<u>RISK FACTORS</u>	30
<u>Item 2.</u>	
<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	33
<u>Item 3.</u>	
<u>DEFAULTS UPON SENIOR SECURITIES</u>	33
<u>Item 4.</u>	
<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	33
<u>Item 5.</u>	
<u>OTHER INFORMATION</u>	34
<u>Item 6.</u>	
<u>EXHIBITS</u>	34
<u>SIGNATURES</u>	35

**PART I
FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS

**lululemon athletica inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS**

	<u>October 31, 2007</u>	<u>January 31, 2007</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 36,324,627	\$ 16,028,534
Accounts receivable	4,532,440	2,482,967
Inventories	49,694,303	26,628,113
Prepaid expenses, current deferred taxes and other current assets	1,827,792	3,353,129
	<u>92,379,162</u>	<u>48,492,743</u>
Property and equipment, net	36,376,624	18,175,944
Goodwill	1,007,612	811,678
Intangible assets, net	7,774,194	2,140,011
Deferred income taxes	939,237	588,397
Other assets	2,698,902	2,084,336
	<u>\$ 141,175,731</u>	<u>\$ 72,293,109</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 12,604,922	\$ 4,935,037
Accrued liabilities	15,518,945	14,518,556
Income taxes payable	2,482,683	9,177,953
Other current liabilities	5,334,494	2,652,491
	<u>35,941,044</u>	<u>31,284,037</u>
Deferred income taxes	205,725	384,354
Other liabilities	6,968,310	2,678,221
	<u>43,115,079</u>	<u>34,346,612</u>
Non-controlling interest	474,649	567,699
Stockholders' equity		
Undesignated preferred stock, \$0.01 par value, 5,000,000 shares authorized, none issued and outstanding	—	—
Exchangeable stock, no par value, 30,000,000 shares authorized, issued and outstanding 20,935,041 and 20,935,041 shares	—	—
Special voting stock, \$0.00001 par value, 30,000,000 shares authorized, issued and outstanding 20,935,041 and 20,935,041 shares	209	209
Common stock, \$0.01 par value, 200,000,000 shares authorized, issued and outstanding 46,592,145 and 44,290,778 shares	465,922	442,908
Additional paid-in capital	134,947,187	98,669,641
Accumulated deficit	(44,443,955)	(60,677,395)
Accumulated other comprehensive income	6,616,640	(1,056,565)
	<u>97,586,003</u>	<u>37,378,798</u>
	<u>\$ 141,175,731</u>	<u>\$ 72,293,109</u>

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2007	2006	2007	2006
			(Unaudited)	
Net revenue	\$66,150,280	\$35,967,615	\$ 169,620,680	\$96,668,633
Cost of goods sold (including stock-based compensation of \$202,936, \$76,530, \$564,975 and \$240,589)	<u>30,269,860</u>	<u>17,227,413</u>	<u>79,682,472</u>	<u>47,505,884</u>
Gross profit	35,880,420	18,740,202	89,938,208	49,162,749
Selling, general and administrative expenses (including stock-based compensation of \$1,643,161, \$530,310, \$4,249,647 and \$1,512,616)	<u>24,050,692</u>	<u>14,045,858</u>	<u>61,490,822</u>	<u>35,118,960</u>
Income from operations	11,829,728	4,694,344	28,447,386	14,043,789
Other expense (income), net	<u>(418,938)</u>	<u>(43,219)</u>	<u>(596,401)</u>	<u>(87,642)</u>
Income before income taxes	12,248,666	4,737,563	29,043,787	14,131,431
Provision for income tax	4,763,446	3,131,794	13,010,405	7,404,892
Non-controlling interest	<u>(84,157)</u>	<u>(58,138)</u>	<u>(200,058)</u>	<u>(58,138)</u>
Net income	<u>\$ 7,569,377</u>	<u>\$ 1,663,907</u>	<u>\$ 16,233,440</u>	<u>\$ 6,784,677</u>
Basic earnings per share	<u>\$ 0.11</u>	<u>\$ 0.03</u>	<u>\$ 0.25</u>	<u>\$ 0.10</u>
Diluted earnings per share	<u>\$ 0.11</u>	<u>\$ 0.02</u>	<u>\$ 0.23</u>	<u>\$ 0.10</u>
Basic weighted average number of shares outstanding	<u>67,476,972</u>	<u>65,225,819</u>	<u>65,981,081</u>	<u>65,168,542</u>
Diluted weighted average number of shares outstanding	<u>71,683,523</u>	<u>67,878,508</u>	<u>69,896,384</u>	<u>67,821,231</u>

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Exchangeable Stock		Special Voting Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total
	Shares	Par Value	Shares	Par Value	Shares	Par Value				
Balance at January 31, 2007	20,935,041	\$ —	20,935,041	\$ 209	44,290,778	\$ 442,908	\$ 98,669,641	\$ (60,677,395)	\$ (1,056,565)	\$ 37,378,798
Comprehensive income:										
Net income								16,233,440		16,233,440
Foreign currency translation adjustment									7,673,205	7,673,205
Comprehensive income										23,906,645
Stock-based compensation							4,814,622			4,814,622
Common stock issued for cash net of										
transaction costs					2,290,909	22,909	31,463,029			31,485,938
Restricted Stock					10,458	105	(105)			
Balance at October 31, 2007	<u>20,935,041</u>	<u>\$ —</u>	<u>20,935,041</u>	<u>\$ 209</u>	<u>46,592,145</u>	<u>\$ 465,922</u>	<u>\$ 134,947,187</u>	<u>\$ (44,443,955)</u>	<u>\$ 6,616,640</u>	<u>\$ 97,586,003</u>

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended October 31,	
	2007	2006
	(Unaudited)	
Cash flows from operating activities		
Net income	\$ 16,233,440	\$ 6,784,677
Items not affecting cash		
Depreciation and amortization	5,493,786	2,952,803
Stock-based compensation	4,814,622	1,753,205
Deferred income taxes	1,993,429	(2,408,174)
Non-controlling interest	(93,050)	641,606
Other, including net changes in other non-cash balances	(17,958,296)	(892,107)
	<u>10,483,931</u>	<u>8,832,010</u>
Cash flows from investing activities		
Purchase of property and equipment	(19,180,993)	(9,596,628)
Acquisition of franchises	(5,559,179)	(539,233)
	<u>(24,740,172)</u>	<u>(10,135,861)</u>
Cash flows from financing activities		
Proceeds from credit facility	1,454,775	188,008
Repayment of credit facility	(1,454,775)	—
Amounts received from related party	520,476	—
Capital stock issued for cash, net of issuance costs	38,349,817	446,419
Payment of initial public offering costs	(6,863,878)	—
	<u>32,006,415</u>	<u>634,427</u>
Effect of exchange rate changes on cash	<u>2,545,919</u>	<u>275,765</u>
Increase (decrease) in cash and cash equivalents	20,296,093	(393,659)
Cash and cash equivalents, beginning of period	16,028,534	3,877,017
Cash and cash equivalents, end of period	<u>\$ 36,324,627</u>	<u>\$ 3,483,358</u>

See accompanying notes to the interim consolidated financial statements

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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, manufacture and distribution of healthy lifestyle inspired athletic apparel, which is sold through a chain of corporate-owned and operated retail stores, independent franchises and a network of wholesale accounts. The Company’s primary markets are Canada, the United States, Japan and Australia, where 36, 22 and 4 and nil corporate-owned stores were in operation as at October 31, 2007, respectively.

Basis of presentation

The unaudited consolidated financial statements are presented using the United States dollar and are presented in accordance with United States generally accepted accounting principles (“GAAP”) for interim financial information and, accordingly, do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In conjunction with an initial public offering of common shares, the Company was reorganized (note 3). This reorganization was accounted for as a transfer of entities under common control, and accordingly, the financial statements as at January 31, 2007 were restated on an “as if” pooling basis. The restatement of prior financial statements effected the stockholders’ equity, equity incentive compensation plans, and earnings per share as explained in notes 3, 4 and 6.

The consolidated balance sheet at January 31, 2007 and the consolidated statements of operations for the three months ended October 31, 2006 and the nine months ended October 31, 2006 were combined to include all entities operating under common control and management.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes for the fiscal year ended January 31, 2007 included in our recently filed Registration Statement on Form S-1 (file no. 333-142477) relating to the Company’s initial public offering of shares of its common stock completed on August 2, 2007.

Our business is affected by the pattern of seasonality common to most retail apparel businesses. The results for the periods presented are not necessarily indicative of future financial results.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The unaudited consolidated financial statements include the accounts of lululemon athletica inc., its wholly owned subsidiaries and Lululemon Japan Inc., a 60% controlled joint venture entity. All inter-company balances and transactions have been eliminated. In the opinion of management, all adjustments, consisting primarily of normal recurring accruals, considered necessary for a fair presentation of the Company’s results of operations for the interim periods reported and of its financial condition as of the date of the interim balance sheet have been included.

Prior to July 26, 2007, the financial statements of the Company reflected the combined financial position and results of operations of the entities under common control as described in note 3.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with original maturities of less than three months.

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accounts receivable

Accounts receivable primarily arise out of sales to wholesale accounts, sales of material, royalties on sales owed to the Company by its franchisees and landlord tenant inducements. The allowance for doubtful accounts represents management’s best estimate of probable credit losses in accounts receivable and is reviewed monthly. Receivables are written off against the allowance when management believes that the amount receivable will not be recovered.

Inventories

Inventories, consisting of finished goods, raw materials and work in process, are stated at the lower of cost and market value. Cost is determined using standard costs, which approximate average costs. For finished goods and work in process, market is defined as net realizable value, and for raw materials, market is defined as replacement cost. Cost of inventories includes acquisition and production costs including raw material, labor and an allocation of overhead, as applicable, and all costs incurred to deliver inventory to the Company’s distribution centers including freight, non-refundable taxes, duty and other landing costs.

The Company periodically reviews its inventories and makes provisions as necessary to appropriately value obsolete or damaged goods. The amount of the provision is equal to the difference between the cost of the inventory and its estimated net realizable value based upon assumptions about future demand, selling prices and market conditions.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Costs related to software used for internal purposes are capitalized in accordance with the provisions of the Statement of Position 98-1, “*Accounting for Costs of Computer Software Developed or Obtained for Internal Use*”, whereby direct internal and external costs incurred during the application development stage or for upgrades that add functionality are capitalized. All other costs related to internal use software are expensed as incurred. Amortization commences when an asset is put into use.

Leasehold improvements are amortized on a straight-line basis over the lesser of the length of the lease, without consideration of option renewal periods, and the estimated useful life of the assets, to a maximum of five years. All other property and equipment are amortized using the declining balance method as follows:

Furniture and fixtures	20%
Computer hardware and software	30%
Equipment	30%
Vehicles	30%

Deferred revenue

Payments received from franchisees for goods not shipped as well as receipts from the sale of gift cards are accounted for as deferred revenue. Franchise inventory deposits are included in other current liabilities and recognized as sales when the goods are shipped. Amounts received in respect of gift cards are recorded as deferred revenue. When gift cards are redeemed for apparel, the Company recognizes the related revenue.

Based on historical experience, the Company estimates the value of gift cards not expected to be redeemed and, to the extent allowed by local laws, amortizes these amounts into income.

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Revenue recognition

Sales revenue includes sales of apparel to customers through corporate-owned and operated retail stores, phone sales, sales through a network of wholesale accounts, initial license and franchise fees, royalties from franchisees and sales of apparel to franchisees.

Sales to customers through corporate-owned retail stores and phone sales are recognized at the point of sale, net of an estimated allowance for sales returns.

Initial license and franchise fees are recognized when all material services or conditions relating to the sale of a franchise right have been substantially performed or satisfied by the Company, provided collection is reasonably assured. Substantial performance is considered to occur when the franchisee commences operations. Franchise royalties are calculated as a percentage of franchise sales and are recognized in the month that the franchisee makes the sale.

Sales of apparel to franchisees and wholesale accounts are recognized when goods are shipped and collection is reasonably assured.

All revenues are reported net of sales taxes collected for various governmental agencies.

Store pre-opening costs

Operating costs incurred prior to the opening of new stores are expensed as incurred.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of inventory valuation, depreciation and amortization, impairment of long-lived assets and goodwill and recognition of breakage on gift cards. Actual amounts could differ materially from those estimates.

Stock-based compensation

The Company accounts for stock-based compensation using the fair value method as required by Statement of Financial Accounting Standards No. 123R, “*Share Based Payment*” (SFAS 123R). The fair value of awards granted is estimated at the date of grant and recognized as employee compensation expense on a straight-line basis over the requisite service period with the offsetting credit to additional paid-in capital. For awards with service and/or performance conditions, the total amount of compensation cost to be recognized is based on the number of awards expected to vest and is adjusted to reflect those awards that do ultimately vest. For awards with performance conditions, the Company recognizes the compensation cost if and when the Company concludes that it is probable that the performance condition will be achieved. The Company reassesses the probability of achieving the performance condition at each reporting date. For awards with market conditions, all compensation cost is recognized irrespective of whether such conditions are met.

Certain employees are entitled to share-based awards from a principal stockholder of the Company. These awards are accounted for by the Company as employee compensation expense in accordance with the above-noted policies.

The Company commenced applying SFAS 123R when it introduced stock-based awards for its employees during the year ended January 31, 2006.

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income taxes

The Company follows the liability method with respect to accounting for income taxes. Deferred tax assets and liabilities are determined based on temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates that will be in effect when these differences are expected to reverse. Deferred income tax assets are reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In July 2006, the Financial Accounting Standards Board (the “FASB”) issued Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or “FIN 48”, which clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on the de-recognition, classification, interest and penalties, accounting in interim periods, and disclosure requirements for uncertain tax positions. The Company adopted the provisions of FIN 48 beginning February 1, 2007.

We file income tax returns in the U.S., Canada and various foreign and state jurisdictions. We are subject to income tax examination by tax authorities in all jurisdictions from our inception to date. Our policy is to recognize interest expense and penalties related to income tax matters as tax expense. At October 31, 2007, we do not have any significant accruals for interest related to unrecognized tax benefits or tax penalties. Based on the Company’s evaluation, there are no significant uncertain tax positions requiring recognition in accordance with FIN 48.

Recently issued accounting standards

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, *“The Fair Value Option for Financial Assets and Financial Liabilities”* (SFAS 159). This Statement permits entities to choose to measure various financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for the Company beginning January 1, 2008. The Company is currently evaluating the impact that adopting SFAS 159 will have on its financial position and results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, *“Fair Value Measurements”* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly does not require any new fair value measurements. The provisions of SFAS 157 are to be applied prospectively as of the beginning of the fiscal year in which it is initially applied, with any transition adjustment recognized as a cumulative-effect adjustment to the opening balance of retained earnings. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that the adoption of SFAS 157 will have on its financial position and results of operations.

Comparability

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current period.

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 3. STOCKHOLDERS' EQUITY

Reorganization in connection with initial public offering

On August 2, 2007 the Company completed an initial public offering. In connection with the initial public offering, the Company entered into an Agreement and Plan of Reorganization dated April 26, 2007 (Reorganization Agreement), with all of its shareholders, lululemon usa inc. (Lulu USA), lululemon athletica canada inc. (LACI), Lulu Canadian Holding, Inc. (LCHI), LIPO Investments (Canada) Inc. (LIPO), LIPO Investments (USA), Inc. ("LIPO USA") and Slinky Financial ULC: an entity owned by a principal stockholder of the Company. The parties executed a corporate reorganization of the Company on July 26, 2007, immediately following the execution of the underwriting agreement entered into in connection with the initial public offering. In the reorganization, all outstanding shares of the Company (which consisted of Series A shares and Series TS shares) and all outstanding shares of LIPO, which was combined with the Company prior to the reorganization, were exchanged for common shares of the Company or exchangeable shares issued by LCHI. Upon completion of the reorganization, Lulu USA and LACI became direct or indirect wholly-owned subsidiaries of the Company.

As part of the reorganization, a 2.38267841 for one stock split was effected for all authorized, issued, and outstanding shares of common stock of the Company issued in exchange for the preferred shares. All common shares presented in the consolidated financial statements and the notes to the consolidated financial statements have been restated to reflect the July 26, 2007 stock split. The reorganization and the stock split resulted in the holders of 108,495 Series A shares held prior to the reorganization of the Company receiving 31,380,425 common shares of the Company and the holders of 117,000,361 LIPO shares and 116,994 Series TS shares receiving 12,910,353 common shares and 20,935,041 special voting stock of the Company and 20,935,041 exchangeable shares of LCHI. Lulu US repurchased all outstanding shares of its non-participating preferred stock for a purchase price of \$1.00 per share.

The exchangeable shares of LCHI and the special voting shares of the Company, when taken together, are the economic equivalent of the corresponding common shares of the Company and entitle the holder to one vote on the same basis and in the same circumstances as one corresponding share of the common shares of the Company. The exchangeable shares are exchangeable at any time, at the option of the holder on a one-for-one basis with the corresponding common shares of the Company.

Prior to the reorganization, LIPO and LIPO USA had created stock-based compensation plans for eligible employees of LACI and Lulu USA. The eligible employees were granted options to acquire shares of LIPO and LIPO USA. The outstanding unvested stock options of LIPO were modified and exchanged for options of LIPO USA which allow the holder to acquire shares of LIPO USA. Vested LIPO options were immediately exercised for shares in LIPO and then exchanged for a fraction of an exchangeable share or common share in the Company. The exercise price and the number of common shares of the Company subject to the new Company stock options (note 4) were set to preserve the terms and conditions of the LIPO and LIPO USA stock options being exchanged.

LACI and Lulu US also had share option plans to purchase common shares of LACI and Lulu US. These options were exchanged for 4,479,176 options of the Company (note 4).

For accounting purposes, the corporate reorganization has been reflected as if it had occurred for all periods presented.

Authorized share capital

As part of the reorganization in connection with the initial public offering, the Company's stockholders approved an amended and restated charter that provides for the issuance of up to 200,000,000 shares of common stock, 5,000,000 shares of undesignated preferred stock and 30,000,000 shares of special voting stock. Upon completion of the reorganization there were 44,290,778 shares of common stock, 20,935,041 shares of exchangeable stock and 20,935,041 shares of special voting stock outstanding. Additionally, 10,000,000 shares of common

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

stock are reserved for issuance under the Company’s 2007 Equity and Incentive Plan (the “2007 Plan”). The holders of common stock and special voting stock are entitled to one vote for each common share held.

NOTE 4. STOCK BASED COMPENSATION

As described in note 3, a reorganization and stock split resulted in changes to the capital structure of the Company. Information in this note has been presented to reflect the combination of the stockholder sponsored plans. The number of options and exercise prices for options issued under the predecessor plans prior to the corporate reorganization have been presented to reflect the replacement options of the Company that have been issued as if the replacement options had always been issued.

In July 2007, the Board adopted, and the Company’s stockholders approved, in conjunction with the reorganization of the Company, the 2007 Equity Incentive Plan (note 3). Upon completion of the reorganization of the Company, outstanding awards under the Company’s predecessor plan were exchanged for awards under the 2007 Plan in such a way that no incremental compensation cost resulted from the exchange. The 2007 Plan provides for the grants of stock options, stock appreciation rights, restricted stock or restricted stock units to employees (including officers and directors who are also employees) of the Company or of a parent or subsidiary of the Company. Stock options granted to date have a 4-year vesting period and vest at a rate of 25% per each year on the anniversary date of the grant. Restricted stock issued under the 2007 Plan vest one year from the grant date and has no exercise price. To date, 10,458 shares of restricted stock have been issued under the 2007 Plan to certain directors of the Company.

The restricted common stock vests one year after the grant date. Once granted, the restricted common stock is included in total shares outstanding but is not included in the weighted average number of common shares outstanding in each period used to calculate basic earnings per share until the shares vest. There have been no stock appreciation rights issued under the 2007 Plan to date.

The following is a summary of the total number of outstanding stock options and restricted common stock issued under the plan:

	<u>Outstanding Options</u>	<u>Weighted Average Exercise Price</u>	<u>Outstanding Non Vested Restricted Common Stock</u>	<u>Weighted Average Exercise price</u>
Balance at January 31, 2007	4,523,839	\$ 0.58	—	\$ —
Granted	291,698	\$ 19.38	10,458	—
Exercised	—	—	—	—
Cancelled	46,663	\$ 1.58	—	—
Balance at October 31, 2007	<u>4,768,874</u>	<u>\$ 1.89</u>	<u>10,458</u>	<u>\$ —</u>

Stockholder sponsored awards

During the year ended January 31, 2006, LIPO and LIPO USA, entities controlled by a principal stockholder of the Company created stock-based compensation plans (the LIPO Plans) for certain eligible employees of the Company in order to provide incentive to increase stockholder value. Under the provisions of the LIPO Plans, the eligible employees were granted options to acquire shares of LIPO and LIPO USA respectively. The board of directors of LIPO and LIPO USA would exchange the LIPO and LIPO USA shares held in trust for an equivalent number of shares of the Company to be held by LIPO and LIPO USA, respectively, on the exchange date.

On December 1, 2005, LIPO and LIPO USA each granted 5,295,952 Series A options with an exercise price of CA\$0.00001 and an expiry date of December 1, 2009 and 11,062,179 Series B options with an expiry date of December 1, 2010, respectively. The LIPO and LIPO USA Series B options had exercise prices of CA\$0.99 and \$0.01, respectively. Each Series A option and each Series B option entitled the holder to acquire one share of common stock of the respective companies.

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

While all of the Series A options of both companies vested on December 5, 2005 and were immediately exercised, 3,549,444 of the common shares of LIPO and LIPO USA issued were designated as forfeitable. These forfeitable shares are considered to be non-vested for accounting purposes and were considered not to be earned as of December 5, 2005. These non-vested shares became non-forfeitable over a 4-year requisite service period ending on December 5, 2009. In addition, on December 5, 2005, 2,239,395 of the Series B options vested, with the remaining options vesting over a 5-year period ending December 5, 2010.

In connection with the reorganization of the Company, the LIPO Series A awards and vested LIPO Series B awards were exchanged for exchangeable shares of the Company through a series of transactions. The LIPO Series B unvested options were cancelled and new LIPO USA Series B stock options with an exercise price of \$0.01 were issued using a conversion factor set out in the reorganization agreement. The cancellation of the LIPO Series B unvested options and the issuance of the new LIPO USA Series B stock options occurred with the terms and conditions being preserved through the number and terms of new options being granted.

The summary of activity related to forfeitable shares formerly issued under the LIPO Series A options and LIPO Series B options which were vested on July 27, 2007 and were converted to exchangeable shares pursuant to the reorganization agreement (note 3), is as follows:

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Balance at January 31, 2007	541,394	\$ 1.26
Granted	—	—
Vested	—	—
Forfeited	—	—
Balance at October 31, 2007	<u>541,394</u>	<u>\$ 1.26</u>

The Company records compensation expense for forfeitable shares issued under LIPO Series A over the requisite service period of 5 years. Under the fair value method, compensation expenses were \$196,589 and \$216,141 for the three month periods ended October 31, 2006 and 2007, and \$579,230 and \$606,306 for the nine month periods ended October 31, 2006 and 2007, respectively

The summary of option grants, forfeitures, vesting and exercises under the LIPO USA Series B Plan since inception is as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price CA\$</u>
Balance at January 31, 2007	33,303,016	\$ 0.01
Exercisable at January 31, 2007	4,110,511	0.01
Granted	—	—
Exercised	—	—
Cancelled	—	—
Balance at October 31, 2007	<u>33,303,016</u>	<u>\$ 0.01</u>
Exercisable at October 31, 2007	<u>4,110,511</u>	<u>\$ 0.01</u>

The Company records compensation expense for shares issued under the LIPO Series B options, over the requisite service period of 5 years. Under the fair value method, compensation expenses were \$154,759 and

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

\$170,153 for the three month periods ended October 31, 2006 and 2007, and \$455,984 and \$477,301 for the nine month periods ended October 31, 2006 and 2007, respectively.

The LIPO USA Series B stock options allow the holder to receive common shares upon exercise at a conversion factor as set out in the Reorganization Agreement. If all of the LIPO USA Series B options were to vest and be exercised at October 31, 2007, they would result in the delivery of 1,474,925 common shares.

Class B LIPO USA Options and LIPO USA Forfeitable Shares issued on exercise of Class A LIPO USA Options vest as follows:

<u>Date</u>	<u>Class B Options</u>	<u>Forfeitable Shares</u>	<u>Total</u>
December 5, 2005	2,141,116	1,744,816	3,885,932
December 5, 2006	1,969,395	1,195,821	3,165,216
December 5, 2007	9,032,783	1,195,822	10,228,605
December 5, 2008	8,809,836	861,389	9,671,225
December 5, 2009	7,204,148	287,706	7,491,854
December 5, 2010	4,145,738	—	4,145,738
Total	33,303,016	5,285,554	38,588,570

NOTE 5. LEGAL PROCEEDINGS

On March 14, 2007, a former executive officer filed suit against the Company for breach of contract, wrongful dismissal and negligent misrepresentation seeking damages plus costs and interest. The Company believes the claim is without merit and is vigorously defending against it.

The Company is, from time to time, involved in routine legal matters incidental to its business. Management believes that the ultimate resolution of any such current proceedings will not have a material adverse effect on the Company's continued financial position, results of operations or cash flows.

NOTE 6. EARNINGS PER SHARE

In conjunction with the initial public offering of the Company as explained in note 3, the Company's capital structure was reorganized such that LIPO became an indirect, wholly-owned subsidiary of the Company, and the holders of preferred shares of the Company acquired common shares of the Company in exchange for their preferred shares, while the holders of LIPO shares acquired either common shares of the Company or a combination of exchangeable shares of LCHI plus shares of special voting stock of the Company, in exchange for their LIPO shares. In connection with the reorganization, each outstanding share of the Company's common stock was split into 2.38267841 shares of common stock, with a corresponding effect on outstanding options and exercise prices. Earnings per share has been computed based on the post reorganization capital structure as if the common shares had been outstanding for all periods presented or since the respective share transaction occurred. For diluted earnings per share the equivalent potential common stock issued on a post reorganization basis has been used. The common stock and options outstanding as of the completion of the reorganization was 65,225,819 shares and 4,479,176 options, respectively. In addition, the outstanding stock options of Lulu Canada and Lulu US were exchanged for options to acquire common shares of the Company at an adjusted exercise price. The exercise of options under the LIPO Plans have been excluded as any shares of LAI ultimately issued on exercise of these options have already been included in the exchangeable shares.

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The detail of the computation of basic and diluted earnings per share is as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2007	2006	2007	2006
Net income	\$ 7,569,377	\$ 1,663,907	\$ 16,233,440	\$ 6,784,677
Basic weighted average number of shares outstanding	67,476,972	65,225,819	65,981,081	65,168,542
Basic earnings per share	\$ 0.11	\$ 0.03	\$ 0.25	\$ 0.10
Basic weighted average number of shares outstanding	67,476,972	65,225,819	65,981,081	65,168,542
Effect of stock options assume exercised	4,206,551	2,652,689	3,915,303	2,652,689
Diluted weighted average number of shares outstanding	71,683,523	67,878,508	69,896,384	67,821,231
Diluted earnings per share	\$ 0.11	\$ 0.02	\$ 0.23	\$ 0.10

Our calculation of weighted average shares include the common stock of the Company as well as the exchangeable shares of LCHI. Exchangeable shares are the equivalent of common shares in all respects. All classes of stock have in effect the same rights and share equally in undistributed net income. For the three and nine months ended October 31, 2007, 42,250 stock options were anti-dilutive to earnings and therefore have been excluded from the computation of diluted earnings per share.

NOTE 7. SUPPLEMENTARY FINANCIAL INFORMATION

A summary of certain balance sheet accounts is as follows:

	October 31, 2007	January 31, 2007
Accounts receivable:		
Trade accounts receivable	\$ 1,862,711	\$ 1,751,857
Other accounts receivable	2,634,602	538,808
Due from related parties	35,127	192,302
Allowance for doubtful accounts	—	—
	<u>\$ 4,532,440</u>	<u>\$ 2,482,967</u>
Inventories:		
Finished goods	\$ 48,421,351	\$ 21,310,791
Work in process	232,036	1,634,196
Raw materials	2,871,539	4,644,620
Provision to reduce inventory to market value	(1,830,623)	(961,494)
	<u>\$ 49,694,303</u>	<u>\$ 26,628,113</u>

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	<u>October 31,</u> <u>2007</u>	<u>January 31,</u> <u>2007</u>
Property and equipment:		
Leasehold improvements	\$ 29,705,877	\$ 16,393,457
Furniture and fixtures	11,801,921	5,287,109
Computer hardware	3,229,160	1,941,252
Computer software	5,241,953	1,591,572
Equipment	130,328	90,808
Vehicles	103,529	83,398
Accumulated amortization	(13,836,144)	(7,211,652)
	<u>\$ 36,376,624</u>	<u>\$ 18,175,944</u>
Intangible assets:		
Reacquired franchise rights	\$ 9,473,229	\$ 2,835,441
Non-competition agreements	947,468	769,252
Accumulated amortization	(2,646,503)	(1,464,682)
	<u>\$ 7,774,194</u>	<u>\$ 2,140,011</u>
Accrued liabilities:		
Settlement of lawsuit	\$ —	\$ 7,228,310
Inventory in transit	5,693,984	1,877,065
Wages and vacation payable	5,513,832	2,816,751
Sales tax collected	1,332,322	927,555
Accrued rent	949,992	459,249
Other	2,028,815	1,209,626
	<u>\$ 15,518,945</u>	<u>\$ 14,518,556</u>
Other liabilities:		
Deferred lease liability	\$ 3,140,029	\$ 1,585,097
Tenant inducements	2,949,989	438,571
Deferred revenue	5,343,890	3,307,044
Less: Current portion	(4,465,598)	(2,652,491)
	<u>\$ 6,968,310</u>	<u>\$ 2,678,221</u>

lululemon athletica inc. and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 8. SEGMENT REPORTING

The Company's reportable segments are comprised of corporate-owned stores, franchises and other. Phone sales, warehouse sales and showrooms sales have been combined into other. Information for these segments is detailed in the table below:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2007	2006	2007	2006
Net revenue:				
Corporate-owned stores	\$ 59,935,203	\$ 29,144,531	\$ 151,034,626	\$ 78,121,223
Franchises	4,222,730	5,338,879	12,541,274	14,184,513
Other	1,992,347	1,484,205	6,044,780	4,362,897
Income from operations before general corporate expense:				
Corporate-owned stores	\$ 19,283,680	\$ 8,831,635	\$ 48,728,067	\$ 23,992,424
Franchises	2,041,352	2,716,048	6,066,621	6,985,075
Other	915,781	815,688	2,787,928	2,069,367
General corporate expense	10,411,085	7,669,027	29,135,230	19,003,077
Net operating income	11,829,728	4,694,344	28,447,386	14,043,789
Other expense (income), net	(418,938)	(43,219)	(596,401)	(87,642)
Income before income taxes	<u>\$ 12,248,666</u>	<u>\$ 4,737,563</u>	<u>\$ 29,043,787</u>	<u>\$ 14,131,431</u>
Capital expenditures:				
Corporate-owned Stores	\$ 7,095,157	\$ 2,597,980	\$ 14,624,617	\$ 8,482,214
Corporate	1,753,890	463,549	4,556,376	1,114,414
Depreciation:				
Corporate-owned stores	\$ 1,580,855	\$ 483,939	\$ 4,067,900	\$ 2,026,515
Corporate	277,265	288,779	680,528	806,744

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 "Management's Discussion and Analysis of Financial Condition and Results of Operations." These factors include without limitation:

- our ability to manage operations at our current size or manage growth effectively;
- our ability to locate suitable locations to open new stores and to attract customers to our stores;
- our ability to successfully expand in the United States and other new markets;
- our ability to finance our growth and maintain sufficient levels of cash flow;
- increased competition causing us to reduce the prices of our products or to increase significantly our marketing efforts in order to avoid losing market share;
- our ability to effectively market and maintain a positive brand image;
- our ability to maintain recent levels of comparable store sales or average sales per square foot;
- our ability to continually innovate and provide our consumers with improved products;
- the ability of our suppliers or manufacturers to produce or deliver our products in a timely or cost-effective manner;
- our lack of long-term supplier contracts;
- our lack of patents or exclusive intellectual property rights in our fabrics and manufacturing technology;
- our ability to attract and maintain the services of our senior management and key employees;
- the availability and effective operation of management information systems and other technology;
- changes in consumer preferences or changes in demand for technical athletic apparel and other products;
- our ability to accurately forecast consumer demand for our products;
- our ability to accurately anticipate and respond to seasonal or quarterly fluctuations in our operating results;
- our ability to find suitable joint venture partners and expand successfully outside North America;

- our ability to maintain effective internal controls; and
- changes in general economic or market conditions, including as a result of political or military unrest or terrorist attacks.

Although we believe that the assumptions inherent in the forward-looking statements contained in this Form 10-Q are reasonable, undue reliance should not be placed on these statements, which only apply as of the date hereof. In addition to the assumptions specifically identified herein, assumptions have been made regarding, among other things:

- the continued and growing demand for our products;
- the impact of competition;
- the ability to obtain and maintain existing financing on acceptable terms; and
- currency exchange and interest rates.

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. The following discussion should be read in conjunction with our unaudited condensed interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes thereto for the year ended January 31, 2007 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Prospectus filed pursuant to Rule 424(b) under the Securities Act with the Securities and Exchange Commission on July 27, 2007, and the unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on 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.

Overview

We believe lululemon is one of the fastest growing designers and retailers of technical athletic apparel in North America. Our yoga-inspired apparel is marketed under the lululemon athletica brand name. We offer a comprehensive line of apparel and accessories including fitness pants, shorts, tops and jackets designed for athletic pursuits such as yoga, dance, running and general fitness. As of October 31, 2007, our branded apparel was principally sold through 70 corporate-owned and franchise stores that are primarily located in Canada and the United States. We believe our vertical retail strategy allows us to interact more directly with and gain insights from our customers while providing us with greater control of our brand. For the first nine months of fiscal 2007, 81.5% of our net revenue was derived from sales of our products in Canada, 17.2% of our net revenue was derived from the sales of our products in the United States and 1.3% of our net revenue was derived from sales of our products in Australia and Japan.

Our net revenue has grown from \$40.7 million for fiscal 2004 to \$148.9 million for fiscal 2006. This represents a compound annual growth rate of 91.1%. Our net revenue also increased from \$36.0 million for the third quarter of fiscal 2006 to \$66.2 million for the third quarter of fiscal 2007, representing a 83.9% increase. By the end of fiscal 2004, we operated 20 stores including 14 corporate-owned stores and six franchise stores in Canada, the United States and Australia. The majority of our stores were located in Canada, with only three corporate-owned stores in the United States and one franchise store in Australia. Our increase in net revenue from fiscal 2004 to fiscal 2006 resulted from the addition of 17 retail locations in fiscal 2005 and 14 retail locations in fiscal 2006 and strong comparable store sales growth of 19% and 25% in fiscal 2005 and fiscal 2006, respectively. Our ability to open new stores and grow sales in existing stores has been driven by increasing demand for our technical athletic apparel and a growing recognition of the lululemon athletica brand. We believe our superior products, strategic store locations, inviting store environment, grassroots marketing approach and distinctive corporate culture are responsible for our strong financial performance.

The two most important determinants of our future net revenue, earnings and cash flow growth are the successful expansion of our corporate-owned store base and increases in comparable store sales. Though we expect

continued growth in net revenues, we expect our growth rate to decline in the future relative to the rate of growth we have experienced in historical periods as incremental revenue is measured against a larger revenue base. Moreover, we expect a significant portion of our new store growth to be concentrated in the United States. While we believe there is a significant opportunity to expand our store base in the United States, our brand is still relatively new in the United States and, therefore, our success is uncertain. To help manage our growth in the United States, we have hired senior-level employees over the last eighteen months with experience in the United States retail environment. Additionally, we are focused on continuing to grow our comparable store sales by increasing brand awareness through our community-based marketing efforts, developing innovative technical athletic apparel that our customers demand and offering a distinctive retail experience. Future comparable store sales growth will depend on our ability to continue to attract and retain motivated corporate and store-level employees that are passionate about the lululemon athletica vision. Other external factors that could affect our net revenue, earnings and cash flows, though to a lesser degree than the factors above, include fluctuations in currency exchange rates and general economic conditions in our target markets.

lululemon was founded in 1998 by Dennis “Chip” Wilson in Vancouver, Canada. lululemon athletica inc. (formerly known as Lululemon Corp. and before that as Lulu Holding, Inc.) is the holding company for all our related entities, including our two primary operating companies lululemon usa inc. and lululemon athletica canada inc. On August 2, 2007 lululemon athletica inc. completed an initial public offering.

We have three reportable segments: corporate-owned stores, franchises and other. We report our segments based on the financial information we use in managing our businesses. While we receive financial information for each corporate-owned store, we have aggregated all of the corporate-owned stores into one reportable segment due to the similarities in the economic and other characteristics of these stores. Our franchises segment accounted for more than 10% of our net revenues for each of fiscal 2005 and fiscal 2006 and 7.4% of our net revenues for the first nine months of fiscal 2007. Opening new franchise stores is not a significant part of our near-term store growth strategy, and we therefore expect that if the revenue derived from our franchise stores continues to comprise less than 10% of the net revenue we report in future fiscal years. Our other operations accounted for less than 10% of our revenues in each of fiscal 2005 and fiscal 2006 and 3.6% of our revenues for the first nine months of fiscal 2007.

As of October 31, 2007, we sold our products through 62 corporate-owned stores located in Canada, the United States and Japan. Most of our corporate-owned stores are located in North America, with only four corporate-owned stores located in Japan. We plan to increase our net revenue in North America by opening additional corporate-owned stores in new and existing markets. Corporate-owned stores net revenue accounted for 81.1% of total net revenue for fiscal 2006 and 89.0% of total net revenue for the first nine months of fiscal 2007.

As of October 31, 2007, we also had 6 franchise stores located in North America and 2 franchise stores located in Australia. In the past, we have entered into franchise agreements to distribute lululemon athletica branded products to more quickly disseminate our brand name and increase our net revenue and net income. In exchange for the use of our brand name and the ability to operate lululemon athletica stores in certain regions, our franchisees generally pay us a one-time franchise fee and ongoing royalties based on their gross revenue. Additionally, unless otherwise approved by us, our franchisees are required to sell only lululemon athletica branded products, which are purchased from us at a discount to the suggested retail price. Pursuing new franchise partnerships or opening new franchise stores is not a significant part of our near-term store growth strategy. In some cases, we may exercise our contractual rights to purchase franchises where it is attractive to us. Franchises net revenue accounted for 14.3% of total net revenue for fiscal 2006 and 7.4% of total net revenue for the first nine months of fiscal 2007.

We believe that our athletic apparel has and will continue to appeal to consumers outside of North America who value its technical attributes as well as its function and style. In 2004, we opened our first franchise store in Australia. In the second quarter of fiscal 2007 we opened our second franchise store in Australia. We intend to convert the Australian franchise operations into a joint venture partnership. In 2005, we opened a franchise store in Japan. In 2006, we terminated our franchise arrangement and entered into a joint venture agreement with Descente Ltd, or Descente, a global leader in fabric technology, to operate our stores in Japan. This joint venture company is named Lululemon Japan Inc. As of October 31, 2007, we operated four stores through Lululemon Japan Inc. Because we own 60% of the joint venture and maintain control over it, the financial results of Lululemon Japan Inc. are consolidated and included in our corporate-owned stores segment. We plan to increase net revenue in markets

outside of North America primarily by opening additional stores with joint venture partners in existing markets as well as opening stores in new markets with new joint venture partners.

In addition to deriving revenue from sales through our corporate-owned stores and our franchises, we also derive other net revenue, which includes the sale of our products directly to wholesale customers, telephone sales to retail customers, including related shipping and handling charges, warehouse sales and sales through a limited number of company operated showrooms. Wholesale customers include select premium yoga studios, health clubs and fitness centers. Telephone sales are taken directly from retail customers through our call center. Warehouse sales are typically held at one or more times a year to sell slow moving inventory or inventory from prior seasons to retail customers at discounted prices. Our showrooms are typically small locations that we open from time to time when we enter new markets and feature a limited selection of our product offering during select hours. Other net revenue accounted for 4.6% of total net revenue for fiscal 2006 and 3.6% of total net revenue for the first nine months of fiscal 2007.

We believe that a number of trends relevant to our industry have affected our results and may continue to do so. Specifically, we believe that there is an increasing appreciation for the health benefits of yoga and related fitness activities in our markets and that women, our primary customers, are increasingly embracing an active healthy lifestyle. As such, we believe that participation in yoga and related fitness activities will continue to grow. There is also an increasing demand for technical athletic apparel relative to traditional athletic apparel, and we believe that more people are wearing technical apparel in casual environments to create a healthy lifestyle perception. The duration and extent of these trends, however, is unknown, and adverse changes in these trends may negatively impact our net revenue, earnings or cash flows.

For fiscal years through fiscal 2006, our fiscal year ends on January 31st in the year following the year mentioned. Commencing with fiscal 2007, our fiscal year will end on the first Sunday following January 30th in the year following the year mentioned.

Results of Operations

Three months ended October 31, 2007 compared to three months ended October 31, 2006

The following table summarizes key components of our results of operations for the three months ended October 31, 2007 and October 31, 2006. The operating results are expressed in dollar amounts as well as relevant percentages, presented as a percentage of net revenue.

	Three Months Ended October 31			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(In thousands)		(Percentages)	
Net revenue	\$ 66,150	\$ 35,967	100.0	100.0
Cost of goods sold (including stock-based compensation expense of \$203 and \$77)	<u>30,270</u>	<u>17,227</u>	45.8	47.9
Gross profit	35,880	18,740	54.2	52.1
Operating expenses:				
Selling, general and administrative expenses (including stock-based compensation expense of \$1,643 and \$530)	<u>24,051</u>	<u>14,046</u>	36.4	39.1
Income from operations	11,829	4,694	17.9	13.1
Other expenses (income)	<u>(419)</u>	<u>(43)</u>	(0.6)	(0.1)
Income before income taxes	<u>12,248</u>	<u>4,737</u>	18.5	13.2
Provision for income taxes	4,763	3,131	7.2	8.7
Non-controlling interest	<u>(84)</u>	<u>(58)</u>	(0.1)	(0.2)
Net income	<u>\$ 7,569</u>	<u>\$ 1,664</u>	11.4	4.6

Net Revenue

Net revenue increased \$30.2 million, or 83.9%, to \$66.2 million for the third quarter of fiscal 2007 from \$36.0 million for the third quarter of fiscal 2006. This increase was the result of increased comparable store sales, and sales from new stores opened. Assuming the average exchange rate between the Canadian and United States dollars for the third quarter of fiscal 2006 remained constant, our net revenue would have increased \$25.5 million or 70.9% for the third quarter of fiscal 2007.

	Three Months Ended October 31,	
	2007	2006
	(In thousands)	
Net revenue by segment:		
Corporate-owned stores	\$ 59,935	\$ 29,144
Franchises	4,223	5,339
Other	1,992	1,484
Net revenue	\$ 66,150	\$ 35,967

Corporate-Owned Stores. Net revenue from our corporate-owned stores segment increased \$30.8 million, or 105.6%, to \$59.9 million for the third quarter of fiscal 2007 from \$29.1 million for the third quarter of fiscal 2006. The following contributed to the \$30.8 million increase in net revenue from our corporate-owned stores segment.

- Net revenue from corporate-owned stores we opened during the third quarter, and therefore not included in the comparable store sales growth, and corporate-owned stores we opened subsequent to October 31, 2006 contributed \$14.2 million or 46.1% of the increase. New store openings from the third quarter of fiscal 2006 included 6 stores in Canada, 16 stores in the United States and 2 stores in Japan.
- Comparable store sales growth of 36% in the third quarter of fiscal 2007 contributed \$10.4 million, or 33.8%, of the increase. Assuming the average exchange rate between the Canadian and the United States dollars for the third quarter of fiscal 2006 remained constant our comparable store sales would have increased 26% for the third quarter of fiscal 2007 and contributed \$7.4 million, or 23.9% of the increase. The increase in comparable store sales was driven primarily by the strength of our existing product lines, successful introduction of new products and increasing recognition of the lululemon athletica brand name.
- The acquisition of three Calgary franchise stores in April 2007 contributed \$6.2 million, or 20.1% of the increase.

Franchises. Net revenue from our franchises segment decreased \$1.1 million, or 20.9%, to \$4.2 million for the third quarter of fiscal 2007 from \$5.3 million for the third quarter of fiscal 2006. The decrease in net revenue from our franchises segment consisted primarily of franchises net revenue of \$2.7 million that shifted to corporate-owned stores net revenue when we acquired three franchise stores in Calgary offset by increased franchise revenue of \$1.6 million from our remaining franchise locations.

Other. Net revenue from our other segment increased \$0.5 million, or 34.2%, to \$2.0 million for the third quarter of fiscal 2007 from \$1.5 million for the third quarter of fiscal 2006. The \$0.5 million increase was primarily the result of increased wholesale, phone and showroom sales.

Gross Profit

Gross profit increased \$17.1 million, or 91.5%, to \$35.9 million for the third quarter of fiscal 2007 from \$18.7 million for the third quarter of fiscal 2006. The increase in gross profit was driven principally by:

- an increase of \$30.8 million in net revenue from our corporate-owned stores segment; and
- an increase of \$0.5 million in net revenue from our other segment; and
- a decrease of \$0.3 million in expenses related to distribution costs.

This amount was partially offset by:

- an increase in product costs of \$9.0 million associated with our sale of goods through corporate-owned stores, franchises and other segments;
- an increase in occupancy costs of \$2.3 million related to an increase in corporate-owned stores;
- an increase in depreciation of \$1.1 million primarily related to an increase in corporate-owned stores; and
- a net increase in the raw materials provision of \$0.1 million and the finished goods provision of \$0.1 million recorded in current period from the comparative period.

Gross profit as a percentage of net revenue, or gross margin, increased 2.1% to 54.2% for the third quarter of fiscal 2007 from 52.1% for the third quarter of fiscal 2006. The increase in gross margin resulted from:

- a reduction in product costs as a percentage of net revenue that contributed to an increase in gross margin of 1.6%; and
- a decrease in expenses related to our production, design, merchandising and distribution departments (including stock-based compensation expense) as a percentage of net revenue from fiscal 2006 to fiscal 2007 which contributed to an increase in gross margin of 1.6%.

This amount was partially offset by:

- an increase in depreciation costs as a percentage of revenue contributed to a decrease in gross margin of 1.0%.

Our costs of goods sold in the third quarter of fiscal 2007 and the third quarter of fiscal 2006 included \$0.2 million and \$0.1 million, respectively, of stock-based compensation expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$10.0 million, or 71.2%, to \$24.1 million for the third quarter of fiscal 2007 from \$14.0 million for the third quarter of fiscal 2006. As a percentage of net revenue; selling, general and administrative expenses decreased 2.7% to 36.4% from 39.1%. The \$10.0 million increase in selling, general and administrative expenses was principally comprised of:

- an increase in store employee compensation of \$4.4 million or 103.4% related to opening additional corporate-owned stores;
- an increase in other store operating expenses of \$2.8 million or 135.6% primarily related to packaging, distribution, marketing and supplies;
- an increase in corporate compensation of \$2.6 million or 99.4% principally due to hiring of additional employees to support our growth; and
- an increase in other corporate expenses such as stock based compensation, travel expenses and rent associated with corporate facilities of \$1.9 million or 81.9%.

This amount was partially offset by:

- a decrease in professional fees of \$0.3 million or 17.5%.

Our selling, general and administrative expenses in the third quarter of fiscal 2007 and the third quarter of fiscal 2006 included \$1.6 million and \$0.5 million, respectively, of stock-based compensation expense.

Income from Operations

The increase of \$7.1 million in income from operations for the third quarter of fiscal 2007 was primarily due to a \$17.1 million increase in gross profit resulting from increased comparable store sales and additional sales from corporate-owned stores opened, partially offset by an increase of \$10.0 million in selling, general and administrative expenses.

On a segment basis, we determine income from operations without taking into account our general corporate expenses such as corporate employee costs, travel expenses and corporate rent. For purposes of our management's analysis of our financial results, we have allocated some general product expenses to our corporate-owned stores segment. For example, all expenses related to our production, design and distribution departments have been allocated to this segment.

Income from operations (before general corporate expenses) from:

- our corporate-owned stores segment increased \$10.5 million, or 118.3%, to \$19.3 million for the third quarter of fiscal 2007 from \$8.8 million for the third quarter of fiscal 2006 primarily due to an increase in corporate-owned stores gross profit of \$17.7 million, offset by an increase of \$4.4 million in store employee expenses and an increase of \$2.8 million in other store expenses;
- our franchises segment decreased \$0.7 million, or 24.8%, to \$2.0 million for the third quarter of fiscal 2007 from \$2.7 million for the third quarter of fiscal 2006 primarily from franchises income from operations of \$1.3 million included in the comparative period that shifted to corporate-owned stores income from operations when we acquired three franchise stores in Calgary which was partially offset by an increase of \$0.6 million in franchise income from operations from our remaining franchise locations and new locations; and
- our other segment increased \$0.1 million, or 12.3%, to \$0.9 million for the third quarter of fiscal 2007 from \$0.8 million for the third quarter of fiscal 2006 primarily due to an increase in revenue of \$0.5 million and an increase of \$0.4 million in product costs.

Other income, net increased \$0.3 million to \$0.4 million for the third quarter of fiscal 2007 from \$0.1 million for the third quarter of fiscal 2006. The increase was primarily due to interest income earned on higher cash balances.

Provision for Income Taxes

Provision for income taxes increased \$1.6 million to \$4.8 million for the third quarter of fiscal 2007 from \$3.1 million for the third quarter of fiscal 2006. Our effective tax rate was 38.9% compared to 66.1% for the third quarter of fiscal 2006. In the third quarter of fiscal 2006, we generated losses in the United States which we were unable to offset against our income in Canada for tax purposes. In the third quarter of fiscal 2006 and the third quarter of fiscal 2007, we also incurred stock-based compensation expenses of \$0.6 million and \$1.8 million, respectively, which were not deductible for tax purposes during these periods as there were no option exercises.

Net Income

Net income increased \$5.9 million to \$7.6 million for the third quarter of fiscal 2007 from \$1.7 million for the third quarter of fiscal 2006. The increase in net income of \$5.9 million for the third quarter of fiscal 2007 was a result of an increase in gross profit of \$17.1 million resulting from increased comparable store sales and additional sales from corporate-owned stores opened, offset by increases in selling, general and administrative expenses of \$10.0 million and an increase of \$1.6 million in provision for income taxes.

Nine months ended October 31, 2007 compared to nine months ended October 31, 2006

The following table summarizes key components of our results of operations for the nine months ended October 31, 2007 and October 31, 2006. The operating results are expressed in dollar amounts as well as relevant percentages, presented as a percentage of net revenue.

	Nine Months Ended October 31			
	2007 (In thousands)	2006	2007 (Percentages)	2006
Net revenue	\$ 169,621	\$ 96,669	100.0	100.0
Cost of goods sold (including stock-based compensation expense of \$565 and \$241)	79,682	47,506	47.0	49.1
Gross profit	89,939	49,163	53.0	50.9
Operating expenses:				
Selling, general and administrative expenses (including stock-based compensation expense of \$4,250 and \$1,513)	61,491	35,119	36.3	36.3
Income from operations	28,448	14,044	16.8	14.5
Other expense (income), net	(596)	(88)	(0.4)	(0.1)
Income before income taxes	29,044	14,132	17.1	14.6
Provision for income taxes	13,010	7,405	7.7	7.7
Non-controlling interest	(200)	(58)	(0.1)	(0.1)
Net income	<u>\$ 16,234</u>	<u>\$ 6,785</u>	9.6	7.0

Net Revenue

Net revenue increased \$73.0 million, or 75.5%, to \$169.6 million for the first nine months of fiscal 2007 from \$96.7 million for the first nine months of fiscal 2006. This increase was the result of increased comparable store sales and sales from new stores opened. Assuming the average exchange rate between the Canadian and United States dollars for the first nine months of fiscal 2006 remained constant, our net revenue would have increased \$66.5 million or 68.8% for the first nine months of fiscal 2007.

	Nine Months Ended October 31	
	2007	2006
	(In thousands)	
Net revenue by segment:		
Corporate-owned stores	\$ 151,035	\$ 78,121
Franchises	12,541	14,185
Other	6,045	4,363
Net revenue	<u>\$ 169,621</u>	<u>\$ 96,669</u>

Corporate-Owned Stores. Net revenue from our corporate-owned stores segment increased \$72.9 million, or 93.3%, to \$151.0 million for the first nine months of fiscal 2007 from \$78.1 million for the first nine months of fiscal 2006. The following contributed to the \$72.9 million increase in net revenue from our corporate-owned stores segment.

- Net revenue from corporate-owned stores we opened during the third quarter, and therefore not included in the comparable store sales growth, and corporate-owned stores we opened subsequent to October 31, 2006 contributed \$36.2 million or 46.1% of the increase. This consisted of 11 stores in Canada, 18 stores in the United States and 2 stores in Japan.

- Comparable store sales growth of 30% in the first nine months of fiscal 2007 contributed \$22.7 million, or 31.2%, of the increase. Assuming the average exchange rate between the Canadian and the United States dollars for the first nine months of fiscal 2006 remained constant our comparable store sales would have increased 24% for the first nine months of fiscal 2007 and contributed \$18.5 million, or 25.4% of the increase. The increase in comparable store sales was driven primarily by the strength of our existing product lines, successful introduction of new products and increasing recognition of the lululemon athletica brand name.
- The acquisition of three Calgary franchise stores in April 2007 contributed \$14.0 million, or 19.2% of the increase.

Franchises. Net revenue from our franchises segment decreased \$1.6 million, or 11.6%, to \$12.5 million for the first nine months of fiscal 2007 from \$14.2 million for the first nine months of fiscal 2006. The decrease in net revenue from our franchises segment consisted primarily of franchises net revenue of \$5.6 million that shifted to corporate-owned stores net revenue when we acquired three franchise stores in Calgary offset by increased franchise revenue of \$4.0 million from our remaining franchise locations.

Other. Net revenue from our other segment increased \$1.7 million, or 38.5%, to \$6.0 million for the first nine months of fiscal 2007 from \$4.4 million for the first nine months of fiscal 2006. The \$1.7 million increase was primarily the result of increased wholesale, phone and showroom sales.

Gross Profit

Gross profit increased \$40.8 million, or 82.9%, to \$89.9 million for the first nine months of fiscal 2007 from \$49.2 million for the first nine months of fiscal 2006. The increase in gross profit was driven principally by:

- an increase of \$72.9 million in net revenue from our corporate-owned stores segment; and
- an increase of \$1.7 million in net revenue from our other segment.

This amount was partially offset by:

- an increase in product costs of \$22.8 million associated with our sale of goods through corporate-owned stores, franchises and other segments;
- an increase in occupancy costs of \$5.2 million related to an increase in corporate-owned stores;
- an increase in depreciation of \$2.0 million primarily related to an increase in corporate-owned stores;
- a net increase in the raw materials provision of \$0.7 million and an increase of \$0.2 million in finished goods provision recorded in current period from the comparative period; and
- an increase of \$0.5 million in expenses related to distribution costs to support our growth.

Gross profit as a percentage of net revenue, or gross margin, increased 2.1% to 53.0% for the first nine months of fiscal 2007 from 50.9% for the first nine months of fiscal 2006. The increase in gross margin resulted from:

- a reduction in product costs as a percentage of net revenue that contributed to an increase in gross margin of 1.4%; and
- a decrease in expenses related to our production, design, merchandising and distribution departments (including stock-based compensation expense) as a percentage of net revenue from the first nine months of fiscal 2007 compared to the first nine months of fiscal 2006 which contributed to an increase in gross margin of 1.1%.

This amount was partially offset by:

- an increase in store depreciation as a percentage of net revenue from the first nine months of fiscal 2007 compared to the first nine months of fiscal 2006 which contributed to a decrease in gross margin of 0.3%.

Our costs of goods sold in the first nine months of fiscal 2007 and the first nine months of fiscal 2006 included \$0.6 million and \$0.2 million, respectively, of stock-based compensation expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$26.4 million, or 75.1%, to \$61.5 million for the first nine months of fiscal 2007 from \$35.1 million for the first nine months of fiscal 2006. As a percentage of net revenue, selling, general and administrative expenses remained consistent at 36.3%. The \$26.4 million increase in selling, general and administrative expenses was principally comprised of:

- an increase in store employee compensation of \$10.3 million or 88.5% related to opening additional corporate-owned stores;
- an increase in corporate compensation of \$8.0 million or 128.3% principally due to hiring of additional employees to support our growth;
- an increase in other store operating expenses of \$5.9 million or 133.0% primarily related to packaging, distribution, marketing and supplies;
- an increase in stock-based compensation expense of \$2.7 million or 181.0%; and
- an increase in other corporate expenses such as travel expenses and rent associated with corporate facilities of \$2.6 million or 59.0%.

This amount was partially offset by:

- a decrease in professional fees of \$1.9 million or 38.0%; and
- a foreign exchange gain of \$0.9 million or 632.4%.

Our selling, general and administrative expenses in the first nine months of fiscal 2007 and the first nine months of fiscal 2006 included \$4.2 million and \$1.5 million, respectively, of stock-based compensation expense.

Income from Operations

The increase of \$14.4 million in income from operations for the first nine months of fiscal 2007 was primarily due to a \$40.8 million increase in gross profit resulting from increased comparable store sales and additional sales from corporate-owned stores opened during fiscal 2006 and the first nine months of fiscal 2007, partially offset by an increase of \$26.4 million in selling, general and administrative expenses.

On a segment basis, we determine income from operations without taking into account our general corporate expenses such as corporate employee costs, travel expenses and corporate rent. For purposes of our management's analysis of our financial results, we have allocated some general product expenses to our corporate-owned stores segment. For example, all expenses related to our production, design and distribution departments have been allocated to this segment.

Income from operations (before general corporate expenses) from:

- our corporate-owned stores segment increased \$24.7 million, or 103.1%, to \$48.7 million for the first nine months of fiscal 2007 from \$24.0 million for the first nine months of fiscal 2006 primarily due to an increase in corporate-owned stores gross profit of \$41.0 million, offset by an increase of \$10.3 million in store employee expenses and an increase of \$5.9 million in other store expenses;
- our franchises segment decreased \$0.9 million, or 13.1%, to \$6.1 million for the first nine months of fiscal 2007 from \$7.0 million for the first nine months of fiscal 2006 primarily from franchises income from operations of \$2.6 million included in the comparative period that shifted to corporate-owned stores income from operations when we acquired three franchise stores in Calgary which was partially offset by \$1.6 million of increased franchise income from operations from our remaining franchise locations; and
- our other segment increased \$0.7 million, or 34.7%, to \$2.8 million for the first nine months of fiscal 2007 from \$2.1 million for the first nine months of fiscal 2006 primarily due to an increase in revenue of \$1.7 million and an increase of \$1.0 million in product costs.

Other income, net increased \$0.4 million to \$0.5 million for the first nine months of fiscal 2007 from \$0.1 million for the first nine months of fiscal 2006. The increase was primarily due to interest income earned on higher cash balances.

Provision for Income Taxes

Provision for income taxes increased \$5.6 million to \$13.0 million for the first nine months of fiscal 2007 from \$7.4 million for the first nine months of fiscal 2006. For the first nine months of fiscal 2007, our effective tax rate was 44.8% compared to 52.4% for the first nine months of fiscal 2006. In both the first nine months of fiscal 2006 and the first nine months of fiscal 2007, we generated losses in the United States which we were unable to offset against our income in Canada for tax purposes. In the first nine months of fiscal 2006 and the first nine months of fiscal 2007, we also incurred stock-based compensation expenses of \$1.8 million and \$4.8 million, respectively, which were not deductible for tax purposes during these periods.

Net Income

Net income increased \$9.4 million to \$16.2 million for the first nine months of fiscal 2007 from \$6.8 million for the first nine months of fiscal 2006. The increase in net income of \$9.4 million for the first nine months of fiscal 2007 was a result of an increase in gross profit of \$40.8 million resulting from increased comparable store sales and additional sales from corporate-owned stores opened, offset by increases in selling, general and administrative expenses of \$26.4 million and an increase of \$5.6 million in provision for income taxes.

Liquidity and Capital Resources

Our cash requirements are principally for working capital and capital expenditures, principally the build out cost of new stores, renovations of existing stores, and improvements to our distribution facility and corporate infrastructure. Our need for working capital is seasonal, with the greatest requirements from August through the end of November each year as a result of our inventory build-up and concentration of new store openings during this period for our holiday selling season. Historically, our main sources of liquidity have been cash flow from operating activities and borrowings under our existing and previous revolving credit facilities, and our initial public offering on August 2, 2007.

At October 31, 2007, our working capital (excluding cash and cash equivalents) was \$20.1 million and our cash and cash equivalents were \$36.3 million.

The following presents the major components of net cash flows provided by and used in operating, investing and financing activities for the periods indicated.

Operating Activities

Operating Activities consist primarily of net income adjusted for certain non-cash items, including depreciation and amortization, deferred income taxes, stock-based compensation expense and the effect of the changes in non-cash working capital items, principally accounts receivable, inventories, accounts payable and accrued expenses.

For the nine months ended October 31, 2007, cash provided by operating activities increased \$1.7 million to \$10.5 million compared to cash provided by operating activities of \$8.8 million in the nine months ended October 31, 2006. The \$1.7 million increase was primarily a result of:

- an increase in net income of \$9.4 million; and
- an increase in items not affecting cash of \$9.3 million.

This amount was partially offset by a net decrease in other working capital balances of \$17.1 million primarily due to an increase in inventories of \$16.2 million, an increase in income taxes payable of \$14.8 million and an increase of \$2.2 million in tenant inducement receivable offset by an increase in trade accounts payable of \$8.9 million, an increase in other non-cash balances of \$2.6 million, an increase in other current liabilities of \$3.1 million and an increase in accrued liabilities of \$0.7 million.

Investing Activities

Investing Activities relate entirely to capital expenditures and acquisitions of franchises. Cash used in investing activities increased \$14.6 million to \$24.7 million for the nine months ended October 31, 2007 from \$10.1 million

for the nine months ended October 31, 2006. The \$14.6 million increase was a result of our \$5.6 million acquisition of three franchise stores in Calgary compared to our acquisition of one franchise store in Portland for \$0.5 million during the comparative period and an increase in the purchase of property and equipment resulting primarily from new store openings and IT capital expenditures of \$9.6 million.

Financing Activities

Financing Activities consist primarily of proceeds received from our initial public offering on August 2, 2007. Cash provided by financing activities increased to \$32.0 million for the nine months ended October 31, 2007 from \$0.6 million for the nine months ended October 31, 2006.

We believe that our cash from operations, proceeds from our initial public offering 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 24 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 "Risk Factors." In addition, we may make discretionary capital improvements with respect to our stores, distribution facility, headquarters, or other systems, which we would expect to fund through the 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 from operations.

Seasonality

In fiscal 2005 and fiscal 2006, we recognized over 35% of our net revenue in the fourth quarter due to significant increases in sales during the holiday season. We recognized 48.8% and 11.5% of our net income in the fourth quarter in fiscal 2005 and fiscal 2006, respectively. The amount of net income attributable to the fourth quarter in fiscal 2006 was substantially impacted by a lawsuit expense of \$7.2 million that was accrued for in the fourth quarter of fiscal 2006. Despite the fact that we have experienced a significant amount of our net revenue and net income in the fourth quarter of our fiscal year, we believe that the true extent of the seasonality or cyclical nature of our business may have been overshadowed by our rapid growth to date.

The level of our working capital reflects the seasonality of our business. We expect inventory, accounts payable and accrued expenses to be higher in the third and fourth quarters in preparation for the holiday selling season. Because our products are sold primarily through our stores, order backlog is not material to our business.

Revolving Credit Facility

In April 2007, the Company executed a new credit facility with the Royal Bank that provided for a CA\$20,000,000 uncommitted demand revolving credit facilities to fund the working capital requirements of the Company. This agreement cancels the previous CA\$8,000,000 credit facility. Borrowings under the uncommitted credit facilities are made on a when-and-as-needed basis at the discretion of the Company.

Borrowings under the credit facility can be made either as i) *Revolving Loans* — Revolving loan borrowings will bear interest at a rate equal to the Bank's CA\$ or US\$ annual base rate (defined as zero% plus the lender's annual prime rate) per annum, ii) *Offshore Loans* — Offshore rate loan borrowings will bear interest at a rate equal to a base rate based upon LIBOR for the applicable interest period, plus 1.125 percent per annum, iii) *Bankers Acceptances* — Bankers acceptance borrowings will bear interest at the bankers acceptance rate plus 1.125 percent per annum and iv) *Letters of Credit and Letters of Guarantee* — Borrowings drawn down under letters of credit or guarantee issued by the banks will bear a 1.125 percent per annum fee.

At October 31, 2007, there were \$nil USD of borrowings outstanding under this credit facility.

Off-Balance Sheet Arrangements

We enter into documentary letters of credit to facilitate the international purchase of merchandise. We also enter into standby letters of credit to secure certain of our obligations, including insurance programs and duties related to import purchases. As of October 31, 2007, letters of credit and letters of guaranty totaling \$0.8 million have been issued.

Other than these standby letters of credit, we do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt. In addition, we have not entered into any derivative contracts or synthetic leases.

Critical Accounting Policies

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 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 recently filed Registration Statement on Form S-1 (file no. 333-142477) and in Note 2 included in Item 1 of Part I of this Quarterly Report on Form 10-Q. We believe that there have been no other significant changes during the three months ended October 31, 2007 to our critical accounting policies.

Operating Locations

Our operating locations by country, state and province as of October 31, 2007, and the overall totals as of October 31, 2007, are summarized in the table below.

Country, Province/State	Number of Operating Locations		Total
	Corporate	Franchise	
Canada			
Alberta	7	—	7
British Columbia	9	2	11
Manitoba	1	—	1
Ontario	15	—	15
Quebec	4	—	4
Saskatchewan	—	1	1
Total Canadian	<u>36</u>	<u>3</u>	<u>39</u>
United States			
California	11	1	12
Colorado	—	1	1
Florida	2	—	2
Illinois	2	—	2
Massachusetts	2	—	2
New York	1	—	1
Oregon	1	—	1
Texas	1	—	1
Virginia	2	—	2
Washington	—	1	1
Total United States	<u>22</u>	<u>3</u>	<u>25</u>
International			
Australia	—	2	2
Japan	4	—	4
Total International	<u>4</u>	<u>2</u>	<u>6</u>
Overall total, as of October 31, 2007	<u>62</u>	<u>8</u>	<u>70</u>
Overall total, as of January 31, 2007	<u>41</u>	<u>10</u>	<u>51</u>

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. We currently generate a majority of our net revenue in Canada. The reporting currency for our consolidated financial statements is the U.S. dollar. Historically, our operations were based largely in Canada. As of October 31, 2007, we operated 36 stores in Canada and 4 stores in Japan. As a result, we have been impacted by changes in exchange rates and may be impacted materially for the foreseeable future. For example, because we recognize net revenue from sales in Canada in Canadian dollars, if the U.S. dollar strengthens it would have a negative impact on our Canadian operating results upon translation of those results into U.S. dollars for the purposes of consolidation. The exchange rate of the Canadian dollar against the U.S. dollar is currently near a multi-year high. Any hypothetical loss in net revenue could be partially or completely offset by lower cost of sales and lower selling, general and administrative expenses that are generated in Canadian dollars. A 10% appreciation in the relative value of the U.S. dollar compared to the Canadian dollar would have resulted in lost income from operations of approximately \$3.3 million for the first nine months of fiscal 2007. To the extent the ratio between our net revenue generated in Canadian dollars increases as compared to our expenses generated in Canadian dollars, we expect that our results of operations will be further impacted by changes in exchange rates. We do not currently hedge foreign currency fluctuations. However, in the future, 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 sales contracts and option contracts. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

Interest Rate Risk. In April 2007, we entered into an uncommitted senior secured demand revolving credit facility with Royal Bank of Canada which replaces our existing credit facility. 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. At October 31, 2007, we had no outstanding borrowings on our revolving facility. We do not believe we are significantly exposed to changes in interest rate risk. We currently do not engage in any interest rate hedging activity and currently have no intention to do so in the foreseeable future. However, in the future, if we have a meaningful outstanding balance, 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 sales contracts, option contracts, and interest rate swaps. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of the end of the period covered by this report. Based on that evaluation, our management with the participation of our principal executive officer and principal financial officer concluded that these controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is, from time to time, involved in routine legal matters incidental to its business. Management believes that the ultimate resolution of any such current proceedings will not have a material adverse effect on the Company's continued financial position, results of operations or cash flows. Refer to note 5 of the interim consolidated financial statements for information regarding specific legal proceedings.

ITEM 1A. RISK FACTORS

In addition to other information set forth in this report, you should carefully consider the risk factors discussed in our Registration Statement on Form S-1 (file no. 333-142477). There have been no material changes to the risk factors previously disclosed in our Registration Statement on Form S-1 (file no. 333-142477), except as noted below.

Our stock price has been volatile and your investment in our common stock could suffer a decline in value.

The market price of our common stock has been subject to significant fluctuations and may continue to fluctuate or decline. Since our initial public offering in August 2007, the price of our common stock has ranged from a low of \$24.92 to a high of \$60.70 on the Nasdaq Global Select Market and from a low of CDN \$26.40 to a high of CDN \$58.77 on the Toronto Stock Exchange. More recently, from October 22, 2007 to November 26, 2007, our common stock has been particularly volatile as the price of our common stock has ranged from a low of \$33.80 to a high of \$60.70 on the Nasdaq Global Select Market and from a low of CDN \$33.36 to a high of CDN \$58.77 on the Toronto Stock Exchange. Broad market and industry factors may harm the price of our common stock, regardless of our actual operating performance. Factors that could cause fluctuation in the price of our common stock may include, among other things:

- actual or anticipated fluctuations in quarterly operating results or other operating metrics, such as comparable store sales, that may be used by the investment community;
- changes in financial estimates by us or by any securities analysts who might cover our stock;
- speculation about our business in the press or the investment community;
- conditions or trends affecting our industry or the economy generally, including fluctuations in foreign currency exchange rates;
- stock market price and volume fluctuations of other publicly traded companies and, in particular, those that are in the technical athletic apparel industry;
- announcements by us or our competitors of new products, significant acquisitions, strategic partnerships or divestitures;
- changes in product mix between high and low margin products;
- capital commitments;
- our entry into new markets;
- timing of new store openings;
- percentage of sales from new stores versus established stores;
- additions or departures of key personnel;
- actual or anticipated sales of our common stock, including sales by our directors, officers or significant stockholders;
- significant developments relating to our manufacturing, distribution, joint venture or franchise relationships;

- customer purchases of new products from us and our competitors;
- investor perceptions of the apparel industry in general and our company in particular;
- major catastrophic events;
- volatility in our stock price, which may lead to higher stock-based compensation expense under applicable accounting standards;
- changes in accounting standards, policies, guidance, interpretation or principles; and
- speculative trading of our common stock in the investment community.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation, even if it does not result in liability for us, could result in substantial costs to us and divert management's attention and resources.

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

The labeling, distribution, importation and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, or FTC, state attorneys general in the U.S., 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 those regulations, we could become subject to 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 may impair the marketing of our products, resulting in significant loss of net sales.

In addition, our failure to comply with FTC or state regulations, or with regulations in foreign markets that cover our product claims and advertising, including direct claims and advertising by us, may result in enforcement actions and imposition of penalties or otherwise harm the distribution and sale of our products.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand we may be unable to sell our products, which would harm our business and cause the results of our operations to suffer.

We believe that the brand image we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing the lululemon athletica brand is critical to maintaining and expanding our customer base. Maintaining and enhancing our brand may require us to make substantial investments in areas such as research and development, store operations, community relations and employee training, and these investments may not be successful. As of October 31, 2007, our brand is sold in only 19 cities in Canada, 23 cities in the United States, 2 metropolitan areas in Australia and 2 metropolitan areas in Japan. A primary component of our strategy involves expanding into other geographic markets, particularly within the United States. As we expand into new geographic markets, consumers in these markets may not accept our brand image and may not be willing to pay a premium to purchase our technical athletic apparel as compared to traditional athletic apparel. We anticipate that, as our business expands into new markets and as the market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Conversely, as we penetrate these markets and our brand becomes more widely available, it could potentially detract from the appeal stemming from the scarcity of our brand. Our brand may also be adversely affected if our public image or reputation is tarnished by negative publicity. Maintaining and enhancing our brand will depend largely on our ability to be a leader in the athletic apparel industry, to offer a unique store experience to our customers and to continue to provide high quality products and services, which we may not do successfully. If we are unable to maintain or enhance our brand image our results of operations may suffer and our business may be harmed.

We rely on third-party suppliers to provide fabrics for and to produce our products, and we have limited control over them and may not be able to obtain quality products on a timely basis or in sufficient quantity.

We do not manufacture our products or the raw materials for them and rely instead on third-party 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. For example, our Luon fabric, which is included in many of our products, is supplied to the mills we use by a single manufacturer in Taiwan, and the fibers used in manufacturing our Luon fabric are supplied to our Taiwanese manufacturer by a single company. In fiscal 2006, approximately 85% of our products were produced by our top ten manufacturing suppliers.

If we experience significant increased demand, or need to replace an existing manufacturer, there can be no assurance that additional supplies of fabrics or raw materials or additional manufacturing capacity will be available when required on terms that are acceptable to us, or at all, or that any supplier or manufacturer would allocate sufficient capacity to us in order to meet our requirements or fill our orders in a timely manner. 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 customer demand for our products and result in lower net revenue and income from operations both in the short and long term.

In addition, there can be no assurance that our suppliers and manufacturers will continue to provide fabrics and raw materials or manufacture products that comply with our technical specifications and are consistent with our standards. 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. In that event, 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 defects in the manufacture of our products are not discovered until after such products are purchased by our customers, our customers could lose confidence in the technical attributes of our products and our results of operations could suffer and our business may be harmed.

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

On July 26, 2007 our registration statement on Form S-1 covering the offering of 18,200,000 shares of our common stock, par value \$0.01 per share, commission file number 333-142477 was declared effective. We sold 2,290,909 shares of common stock in the offering and the selling stockholders sold 15,909,091 shares of common stock in the offering, not including the over-allotment option. The offering closed on August 2, 2007 and did not terminate before any securities were sold. As of the date of filing this report the offering has terminated and all of the securities registered pursuant to the offering have been sold.

The offering was managed by Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, UBS Securities LLC, William Blair & Company LLC, CIBC World Markets Corp., Wachovia Capital Markets LLC and Thomas Weisel Partners LLC, as representatives of the several underwriters named in the Registration Statement (“the Underwriters”).

The Underwriters exercised an over-allotment option to purchase an additional 2,730,000 shares of our common stock from certain selling stockholders on August 2, 2007. The total price to the public for the shares offered and sold in the offering, including the over-allotment, was \$376,740,000.

The amount of expenses (in thousands) incurred for the Company’s account in connection with the offering is as follows:

	<u>(in thousands)</u>
Underwriting discounts and commissions	\$ 2,887
Finders Fees	—
Expenses paid to or for our underwriters	—
Other expenses	6,864
Total expenses	9,751

The foregoing expenses are a reasonable estimate of the expenses incurred by us in the initial public offering and do not represent the exact amount of expenses incurred.

The net proceeds of the offering including the over-allotment option, to us (after deducting the foregoing expenses) were \$31,485,939. Since August 2, 2007, the settlement date of the offering, we have used approximately \$26.9 million of the net proceeds for capital expenditures, including new store openings, and inventory purchases. The remainder of the net proceeds have been utilized as temporary investments in cash and cash equivalents.

All of the foregoing expenses were direct or indirect payments to persons other than (i) our directors, officers or any of their associates; (ii) persons owning ten (10%) or more of our common stock; or (iii) our affiliates.

There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b).

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On September 28, 2007 we held a special meeting of stockholders.

At the Special Meeting, our Stockholders voted on the adoption of the lululemon athletica inc. 2007 Employee Share Purchase Plan as follows:

	<u>Votes</u>
For	57,673,366
Against	3,259,907
Abstain	2,126
Broker Non-Votes	0

ITEM 5. OTHER INFORMATION

(a) In fiscal 2005, in connection with the commencement of his employment, Robert Meers, our Chief Executive Officer, was granted an option to acquire common stock of each of our principal operating subsidiaries. In each case, 60% of those options were subject to time-based vesting, based on Mr. Meers' continued service to us and our affiliates, and 40% of those options were subject to performance-based vesting, based on the returns realized by certain of our institutional investors in connection with a sale of our assets or a sale of more than 80% of the shares held by those investors in one transaction or a series of transactions.

In connection with our pre-initial public offering reorganization, those subsidiary options were replaced by options to acquire 2,285,422 and 501,802 of our common stock at an exercise price of \$0.60 and \$0.49, respectively. This substitution preserved the aggregate option exercise price, option spread, vesting conditions, duration and all other material terms of the original awards.

In November 2007, in recognition of the fact that the original option agreements were prepared at the time the Company was not a publicly traded company and contained provisions more suitable for a private company than a public company, we agreed with Mr. Meers to modify the replacement options. Consistent with current best practices in corporate governance applicable to publicly traded companies, the options were amended to delete "drag-along" provisions benefiting our institutional investors, requiring Mr. Meers to participate in and otherwise support change of control transactions favored by our institutional investors. The options were amended to provide that the return multiples that are the basis for vesting of the performance-vested portions of the options may be realized in multiple transactions, so long as the investors ultimately sell 80% of their shares (or realize a return equal to five times their original investment, regardless of percentage of shares sold). The remaining terms of those options are unchanged.

Copies of the restated option agreements are filed with this Quarterly Report as Exhibits 10.1 and 10.2.

(b) In October 2007, the compensation plan for outside directors was amended to provide pro rata grants of equity awards for a director appointed or elected to the board of directors between annual meetings of stockholders. A summary of the outside director plan is filed with this Quarterly Report as Exhibit 10.4.

(c) On November 27, 2007, our board of directors approved a change in our fiscal year from the twelve months ending on January 31st of each year to a 52/53 week fiscal year ending on the first Sunday following January 30th of each year. The change in our fiscal year will take effect for the current fiscal year and, therefore, there will be no transition period in connection with this change of fiscal year end. Our 2007 fiscal year will end on February 3, 2008 and our 2008 fiscal year will end on February 1, 2009. The remaining quarters in fiscal 2008 will be the thirteen weeks ended May 4, 2008, the thirteen weeks ended August 3, 2008 and the thirteen weeks ended November 2, 2008.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
10.1#	Non-Qualified Stock Option Award Agreement with Robert Meers to purchase 2,285,422 shares of common stock under the lululemon athletica inc. 2007 Equity Incentive Plan
10.2#	Non-Qualified Stock Option Award Agreement with Robert Meers to purchase 501,802 shares of common stock under the lululemon athletica inc. 2007 Equity Incentive Plan
10.3#	lululemon athletica inc. Employee Share Purchase Plan
10.4	Outside Director Compensation Plan
31.1	Certification by Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)
31.2	Certification by Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)
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

Indicates management contract or compensatory plan

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.

Dated: November 29, 2007

By: */s/ JOHN CURRIE

JOHN CURRIE
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit Index

Exhibit Number	Description of Document
10.1#	Non-Qualified Stock Option Award Agreement with Robert Meers to purchase 2,285,422 shares of common stock under the lululemon athletica inc. 2007 Equity Incentive Plan
10.2#	Non-Qualified Stock Option Award Agreement with Robert Meers to purchase 501,802 shares of common stock under the lululemon athletica inc. 2007 Equity Incentive Plan
10.3#	lululemon athletica inc. Employee Share Purchase Plan
10.4	Outside Director Compensation Plan
31.1	Certification by Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)
31.2	Certification by Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)
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

Indicates management contract or compensatory plan

**Non-Qualified Stock Option Agreement
under the
lululemon athletica inc. 2007 Equity Incentive Plan**

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (this "Agreement") is made between lululemon athletica inc. (the "Company") and ROBERT MEERS (the "Optionee").

WHEREAS, the Company maintains the lululemon athletica inc. 2007 Equity Incentive Plan (the "Plan"); and

WHEREAS, the Plan permits the award of Options to purchase Shares, subject to the terms of the Plan; and

WHEREAS, on January 27, 2006 (the "Original Grant Date") the Optionee was granted an option to purchase 1,170,000 shares of common stock of the Company's Canadian operating subsidiary, lululemon athletica canada inc. (f/k/a Lululemon Athletica Inc.), under the Lululemon Athletica Inc. 2005 Equity Incentive Plan (such option is hereinafter referred to as the "Original Option"); and

WHEREAS, on or about July 27, 2007 and in connection with the Company's corporate reorganization (the "Reorganization"), an option under the Plan (the "Substitute Option") was substituted for the Original Option to reflect the effects of the Reorganization; and

WHEREAS, the Company and the Optionee wish to amend and restate the Substitute Option to reflect certain negotiated changes.

NOW, THEREFORE, in consideration of these premises and the agreements set forth herein, the parties intending to be legally bound hereby, agree as follows:

1. Award of Option. This Option constitutes an amendment and restatement of the Substitute Option. This Option represents the right to purchase 2,285,422 Shares (the "Option Shares"). In addition to the terms set forth herein, the Option is subject to the terms of the Plan applicable to non-qualified stock options, which terms are incorporated herein by this reference. Except as otherwise specified herein, or unless the context requires otherwise, the terms defined in the Plan will have the same meanings herein.

2. Nature of the Option. This Option is intended to be a nonstatutory 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 Optionee.

3. Date of Grant; Term. The Option is restated pursuant to the authorization of the Compensation Committee of the Company's Board of Directors on November 28, 2007 (the "Effective Date") and may not be exercised later than the tenth anniversary of the Original Grant Date, subject to earlier termination as provided in the Plan.

4. Option Exercise Price. The total cost to the Optionee to purchase, pursuant to this Agreement, one Share is \$0.60. All dollar amounts reflected in this Agreement are expressed in U.S. dollars.

5. Exercise of Option.

(a) Right to Exercise. This Option will become exercisable as follows:

i. Immediately Vested Portion. The Option will be vested and exercisable with respect to 15% of the Option Shares immediately upon the Effective Date.

ii. Time Vested Portion. The Option will become vested and exercisable with respect to 15% of the Option Shares on each of the following dates: January 27, 2008, January 27, 2009 and January 27, 2010 (such 45% of the Option Shares being herein referred to as the "Time Vested Portion"); provided, in each case, that the Optionee remains in continuous service with the Company through the applicable date. Notwithstanding the foregoing, the Option will become vested and exercisable with respect to the Time Vested Portion immediately prior to (and contingent upon) the occurrence of a Sale (as defined below in Section 17(j)), provided the Optionee remains in continuous service with the Company through the date of that Sale. Solely for purposes of this Agreement, service with the Company will be deemed to include service with an Affiliated Company (as defined below in Section 17(c)) for so long as such entity remains an Affiliated Company.

iii. Performance Vested Portion. The Option may become vested and exercisable with respect to 40% of the Option Shares (the "Performance Vested Portion"), based upon the Return Multiple (as defined below in Section 17(i)) realized by the Institutional Holders while this Option remains outstanding, as follows:

(1) Immediately prior to (and contingent upon) the occurrence of an Investor Sale (as defined below in Section 17(g)), and provided the Optionee remains in continuous service with the Company through the date of the Investor Sale, the Performance Vested Portion will become vested and exercisable based on the Return Multiple realized upon completion of the Investor Sale:

Return Multiple Achieved	Percentage of Option Shares Exercisable
$x < 2.00$	None
$2.00 \leq x < 2.25$	3.08%
$2.25 \leq x < 2.50$	6.15%
$2.50 \leq x < 2.75$	9.23%
$2.75 \leq x < 3.00$	12.31%
$3.00 \leq x < 3.25$	15.38%
$3.25 \leq x < 3.50$	18.46%
$3.50 \leq x < 3.75$	21.54%
$3.75 \leq x < 4.00$	24.62%
$4.00 \leq x < 4.25$	27.69%
$4.25 \leq x < 4.50$	30.77%
$4.50 \leq x < 4.75$	33.84%
$4.75 \leq x < 5.00$	36.92%
$5.00 \leq x$	40%

(2) If the Return Multiple increases following an Investor Sale due to a subsequent Transfer and the Optionee remains in continuous service with the Company through the date of that subsequent Transfer, the Option will then become vested and exercisable with respect to an additional number of Option Shares determined (in accordance with the chart contained in Section 5(a)(iii)(1), above) based on the cumulative Return Multiple achieved, reduced by the number of Option Shares with respect to which the Performance Vested Portion has previously become vested and exercisable (taking into account any adjustments pursuant to Section 3(c) of the Plan). This provisions of this Section 5(a)(iii)(2) will apply with respect to each subsequent Transfer until the Performance Vested Portion terminates.

(3) At such time as no further increases to the Return Multiple are possible (e.g., when the Institutional Holders and their Permitted Transferees have Transferred their entire capital stock holdings in the Company and its Affiliates), any portion of the Performance Vested Portion that has not, by that time, become vested and exercisable will terminate immediately and automatically.

(4) Notwithstanding anything to the contrary in this Section 5(a)(iii), the Performance Vested Portion will become fully vested and exercisable if and when a Return Multiple of 5.00 or greater is realized, regardless of whether such Return Multiple is realized in connection with an Investor Sale, provided the Optionee remains in continuous service with the Company through the date that such Return Multiple is realized.

(b) Method of Exercise. The Optionee may exercise the Option by providing written notice to the Company and shall be delivered in person or by certified mail to the Secretary of the Company (or such other person as may be designated by the Company). The written notice shall be accompanied by payment of the purchase price and, if requested by the Company, an executed counterpart to the Stockholders Agreement. The certificate(s) for the Shares as to which the Option shall have been exercised will be registered in the name of the Optionee and, in addition to any other legend that may be required pursuant to applicable law, the Plan, the Stockholders Agreement or otherwise, will contain the following legend:

THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS OF A NON-QUALIFIED STOCK OPTION AGREEMENT ENTERED INTO BETWEEN ROBERT MEERS AND LULULEMON ATHLETICA INC. A COPY OF THAT AGREEMENT IS ON FILE IN THE PRINCIPAL OFFICES OF LULULEMON ATHLETICA INC. AND WILL BE MADE AVAILABLE TO THE HOLDER OF THIS CERTIFICATE WITHOUT CHARGE UPON REQUEST TO THE SECRETARY OF LULULEMON ATHLETICA INC.

(c) **Partial Exercise.** The Option may be exercised in whole or in part; provided, however, that any exercise may apply only with respect to whole numbers of Option Shares.

(d) **Restrictions on Exercise.** The Option may not be exercised if the issuance of the Option Shares upon such exercise would constitute a violation of any applicable law or regulation or any exchange listing requirements.

6. Investment Representations. Unless the Option Shares have been registered under the Securities Act of 1933 (the "Securities Act"), in connection with the acquisition of this Option, the Optionee represents and warrants to the Company that:

(a) he or she is acquiring the Option, and upon exercise of the Option, will be acquiring the Option Shares for investment for his or her own account, not as a nominee or agent, and not with a view to or for resale in connection with any distribution thereof; and

(b) he or she has a preexisting personal or business relationship with the Company or one of its directors, officers or controlling persons and, by reason of his or her business or financial experience, has, and can be reasonably assumed to have, the capacity to protect his or her interests in connection with the acquisition of the Option and the Option Shares.

In addition, as a further condition to the exercise of the Option, the Company may require the Optionee to make any representation or warranty to the Company as may be required by or advisable under any applicable law, regulation or exchange listing requirement.

7. Withholding. The Company reserves the right to withhold from any consideration payable or property transferable to the Optionee any taxes required to be withheld by law as a result of the grant or exercise of this Option or the sale or other disposition of the Option Shares. If the amount of any consideration payable to the Optionee is insufficient to pay such taxes or if no consideration is then payable to the Optionee, upon the request of the Company and as a condition to the grant or exercise of this Option or the sale or other disposition of the Option Shares, the Optionee (or such other person entitled to exercise this Option pursuant to Section 5 of the Plan) will pay to the Company an amount sufficient for the Company to satisfy any such tax withholding requirements.

8. The Plan. The Optionee has received a copy of the Plan (a copy of which is attached hereto), has read the Plan and is familiar with its terms, and hereby accepts the Option subject to all of the terms and provisions of the Plan. Pursuant to the Plan, the Board is authorized to interpret the Plan and to adopt rules and regulations not inconsistent with the Plan as it deems appropriate. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board regarding any questions arising under the Plan or this Agreement.

9. Governing Law. This Option Agreement will be construed in accordance with the laws of the State of Delaware, without regard to the application of the principles of conflicts of laws.

10. Amendment. This Agreement may only be amended by a writing signed by each of the parties hereto.

11. Entire Agreement. This Agreement, together with the Plan, represents the entire agreement between the parties hereto relating to the subject matter hereof, and merges and supersedes all prior and contemporaneous discussions, agreements and understandings of every nature (including, without limitation, Section 2.3 of the Employment and Restrictive Covenant Agreement dated December 5, 2005 between the Optionee and Lululemon Athletica Inc. and Exhibit A attached thereto). For avoidance of doubt, the Optionee further acknowledges that (i) the Original Option, and all the Optionee's rights thereunder, were replaced by the Substitute Option, and (ii) this Option amends and restates the Substitute Option in its entirety.

12. Market Stand-Off.

(a) The Optionee hereby agrees that, in connection with any registration under the Securities Act of 1933, as amended, of any Option Shares, the Optionee (and the Optionee's permitted transferees, if any) shall not sell or otherwise transfer (including through short-sales, hedging, or similar transactions) any Option Shares during the period that the Board specifies (a "Holdback"); provided, however, that such period shall not exceed one hundred eighty (180) days (or other such period that the underwriters reasonably require) following the effective date of the applicable registration statement filed under the Securities Act (the "Market Stand-Off Period"). Until the end of such Market Stand-Off Period, the Company may impose, with respect to Option Shares, stop-transfer instructions that are subject to the foregoing restrictions.

(b) Optionee also agrees to be bound by any restriction agreed to by holders of not less than a majority of the then outstanding Shares (giving effect to the pro forma conversion of all outstanding preferred shares and other convertible securities and the pro forma exercise of all stock options, warrants and other rights, to the extent then exercisable).

(c) In addition, if any managing underwriter or book runner of any such offering or registration (the "Underwriter") requests, the Optionee will execute and deliver to the Underwriter such documents, agreements, and instruments that the Underwriter shall reasonably require to enable the Underwriter to obtain the benefit of the Holdback during the Market Stand-Off Period. In connection with the foregoing, the Optionee hereby appoints the Chairman of the Company's Board of Directors as the Optionee's attorney-in-fact, with full power of substitution, to execute and deliver all documents, agreements and instruments to be executed and delivered by the Optionee, and to take all actions to be taken by the Optionee in each case in connection with effecting any Holdback.

13. Restrictions on Transfer of Option and Option Shares.

(a) The Option may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner either voluntarily or involuntarily by operation of law, other than by will or by the laws of descent or distribution. During the Optionee's lifetime, the Option is exercisable only by the Optionee. Subject to the foregoing, the terms of the Option will be binding upon the executors, administrators and heirs of the Optionee.

(b) The Optionee is not prohibited from transferring Option Shares to an Affiliate, provided the Affiliate agrees to be bound by the provisions of Sections 12, 13, 14, and 15 (with the repurchase contemplated by Section 15 being triggered by the termination of service of the Optionee).

(c) Except as permitted under this Agreement, the Optionee may not sell, pledge, assign, encumber, hypothecate, gift, transfer, bequeath, devise, donate or otherwise dispose of, in any way or manner whatsoever, whether voluntary or involuntary, any legal or beneficial interest in any Option Shares. If the Optionee, without complying with this Agreement's terms and conditions, attempts to transfer or alienate any legal or beneficial interest in any Option Shares, then the transfer or alienation will not take effect and the Company will not, and will not be compelled to, recognize or record on its books any such transfer or alienation or issue to the purported recipient of such Option Shares any stock certificate(s) representing those Option Shares. The Optionee agrees not to deposit any Option Shares in a voting trust or subject Option Shares to any arrangement or agreement with respect to the voting of such Shares.

14. Right of First Refusal.

(a) If the Optionee desires, in any manner, to alienate or transfer, to any person, group of people, or one or more entities (other than the Company or an Affiliate) (collectively, the "Proposed Transferee"), any Option Shares, the Optionee first will deliver to the Company written notice (the "Transfer Notice") specifying: (i) the number of Option Shares that the Optionee proposes to transfer to the Proposed Transferee (hereinafter the "Subject Shares"), (ii) the name and address of the Proposed Transferee, (iii) the consideration, if any, that the Proposed Transferee will pay to the Optionee in connection with the proposed transfer of such Subject Shares, and (iv) all other material terms and conditions of the proposed transfer. The Optionee will deliver to the Company the Transfer Notice at least forty-five (45) days prior to the proposed transfer.

(b) The Company (including, for purposes of this section, an assignee of the Company) will have the option to purchase, at the same price and under the same terms and conditions as set forth in the Transfer Notice, any or all of the Subject Shares (the "Right of First Refusal Option"). In order for the Company to exercise its Right of First Refusal Option set forth in this Section 14(b), the Company must, by no later than fifteen (15) days after receipt by the Company of a Transfer Notice, deliver to the Optionee written notice of the Company's intent to exercise its Right of First Refusal Option (a "Company Acceptance Notice"). If the Company duly exercises the Right of First Refusal Option, then the closing of such purchase and sale will take place at the Company's offices on such date that is selected with the consent of the Company; *provided, however*, that such purchase and sale date must not be more than ninety (90) days, nor less than thirty (30) days, after the date of the Company Acceptance Notice. At such closing, the Company will pay to the Optionee the required consideration, and the Company and the Optionee will proceed with the purchase and sale, under the Transfer Notice's specified terms and conditions, of those of the Optionee's Subject Shares to which the Company's written option-exercise notice refers. Notwithstanding the foregoing, to the extent that the consideration that the Proposed Transferee offered to pay to the Optionee for the Subject Shares consists of property other than a promissory note or cash, the consideration that the Company is required to pay to the Optionee may, at the Company's option, in whole or in part, consist of cash equal to the property's value, as mutually agreed-upon, reasonably and in good faith, by the Company and the Optionee.

(c) At such closing, the Company and the Optionee each will execute and deliver to the other all customary documentation that the Company and the Optionee reasonably require to effect, in accordance with this Section 14 and the Transfer Notice's specified terms and conditions, the sale and purchase of the Optionee's Subject Shares.

(d) If less than all of the Subject Shares are purchased by the Company in accordance with this Section 14, then the Optionee will be permitted, free from the provisions of this Section 14 and for a period of thirty (30) days from the date that the applicable Right of First Refusal Option exercise period expired, to offer and sell to the Proposed Transferee the Optionee's remaining Subject Shares; *provided, however*, that any such transfer or sale must take place at the same price and under terms and conditions no more favorable to the Proposed Transferee than the Transfer Notice's specified terms and conditions; and *provided, further*, that as a condition of any such transfer or sale, the Proposed Transferee must execute and deliver an agreement in form and substance requested by the Company pursuant to which Proposed Transferee will agree to be bound by the provisions of Sections 12, 13, 14, and 15 (with the repurchase contemplated by Section 15 being triggered by the termination of service of the Optionee), and any stock certificate representing any transferred Option Shares will bear any restrictive legends deemed appropriate by the Company.

(e) The Company's release or failure to exercise its rights under this Section 14 will not adversely affect the Company's right to participate, as this Section 14 provides, in the Optionee's subsequent proposed transfers.

(f) The rights and obligations under this Section 14 shall terminate immediately upon (and shall not apply in connection with any sale by Optionee of Option Shares as a part of) a Qualified Public Offering. For purposes of this Agreement, "Qualified Public Offering" means the initial sale of shares of common stock of the Company (or a successor to the Company) in an underwritten public offering registered under the Securities Act ("IPO") in which the gross proceeds to the Company from the IPO are not less than \$75,000,000.

15. Call Upon Cessation of Service.

(a) If the Optionee's service with the Company ceases for any reason, the Company or its assignee may repurchase up to all the Option Shares. The price payable by the Company or its assignee to repurchase Option Shares pursuant to this Section 15(a) will be the Fair Market Value (as defined in the Plan) of those shares at the time the right described in this Section 15 is exercised. Such price may be paid (i) in cash; (ii) by offset of any obligation of the Optionee to the Company or its Affiliates; or (iii) a promissory note of the Company payable in four (4) equal annual installments of principal and interest, commencing one year from the date of the repurchase of the Option Shares and bearing simple interest at the prime rate as reported in the Wall Street Journal on the date of the repurchase of the Option Shares. Any promissory note issued under this Section 15 will be subject to prepayment in part or in full at any time at the Company's option and without penalty. Payments under any promissory note issued under this Section 15 may be deferred to the extent necessary in order to avoid a violation by the Company of the terms of any credit, loan or other debt financing agreement or any of the other loan documents related thereto.

(b) With respect to each Option Share subject to repurchase pursuant to this Section 15, the Company (or its assignee) may exercise its repurchase right by delivery of written notice to the holder of such share at any time during the 90-day period beginning on the later of (i) the date the Optionee's service to the Company ceases, or (ii) six months following the date the Optionee acquires that Option Share. All the rights of the holder of any such shares, other than the right to receive payment in the manner described in Section 15(a), will terminate as of the date of delivery by the Company of the written notice described in this paragraph. The only representation, warranty or covenant which the holder of such shares will be required to make in connection with a sale pursuant to Section 15(a) is a representation and warranty with respect to his or her ownership of the shares and his or her ability to convey title thereto free and clear of liens, claims or encumbrances.

(c) If a holder of Option Shares becomes obligated to transfer shares to the Company or its assignee pursuant to this Agreement, that holder will endorse in blank the certificates evidencing the shares to be sold and deliver those certificates to the Company or its assignee within 15 days of receipt of the notice described above in Section 15(b). If a holder of Option Shares fails to deliver those shares in accordance with the terms of this Agreement, the Company or its assignee may, at its option, in addition to all other remedies it may have, either (i) send to that holder the purchase price for such shares, as herein specified, or (ii) deposit such amount with a trustee or escrow agent for the benefit of that holder for release upon delivery of shares in accordance with the terms of this Agreement. Thereupon, the Company or its assignee, upon written notice to the holder, will (x) cancel on its books the certificate or certificates representing the Option Shares required to be transferred, and (y) issue, in lieu thereof, in the name of the Company (or its assignee) a new certificate or certificates representing such shares.

(d) The rights and obligations under this Section 15 shall terminate immediately upon the consummation of a Qualified Public Offering.

16. [Reserved]

17. Definitions

(a) "Advent Funds" means (i) Advent International GPE V Limited Partnership, Advent International GPE V-B Limited Partnership and Advent International GPE V-I Limited Partnership, each a limited partnership formed under the laws of the Cayman Islands, and (ii) Advent International GPE V-A Limited Partnership, Advent International GPE V-G Limited Partnership, Advent Partners III Limited Partnership, Advent Partners GPE V Limited Partnership, Advent Partners GPE V-A Limited Partnership and Advent Partners GPE V-B Limited Partnership, each a Delaware limited partnership.

(b) "Affiliate" means, as to any specified person or entity, (i) any other person or entity controlling, controlled by or under common control with such specified person or entity or (ii) any member of the Family Group of such specified person or of any individual who is an Affiliate of such specified person by reason of clause (i) of this definition; *provided, however, that* no person shall be deemed an Affiliate of any other person or entity solely by reason of any investment in the Company. The term "control," with respect to any person or entity, means possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting securities or a

partnership interest, by contract or otherwise. With respect to each of the Institutional Holders, the term “Affiliate” shall also include (1) any entity in which such Institutional Holder (or one of its Affiliates) is a general partner or member and (2) each investor in such Institutional Holder, but only in connection with the liquidation, winding up or dissolution of the Institutional Holder, and only to the extent of such investor’s pro rata share in the Institutional Holder. With respect to each Advent Fund, the term “Affiliate” shall also include any investment fund managed by Advent International Corporation, a Delaware corporation. For purposes of this Agreement, “Family Group” means, as to any holder of capital stock who is a natural person, such holder’s spouse, ancestors, the lineal descendants of such individual’s grandparents, and trusts for the benefit of any of the foregoing, *provided that* all the income beneficiaries and remainderman of any such trust are such individual’s spouse, ancestors or lineal descendants.

(c) “Affiliated Company” means (i) lululemon usa inc., a Nevada corporation, (ii) lululemon atletica canada inc., a company formed under the laws of British Columbia, (iii) Lululemon FC USA Inc., a Nevada corporation, (iv) Lulu Canadian Holding, Inc., a company formed under the laws of British Columbia, (v) Lululemon Athletica International SRL, a company formed under the laws of Barbados and (vi) any Affiliate of any of the foregoing.

(d) “Brooke Funds” means Brooke Private Equity Advisors Fund I-A, L.P. and Brooke Private Equity Advisors Fund I (D), L.P., each a Delaware limited partnership.

(e) “Highland Funds” means Highland Capital Partners VI Limited Partnership, Highland Capital Partners VI-B Limited Partnership, and Highland Entrepreneurs’ Fund VI Limited Partnership, each a Delaware limited partnership.

(f) “Institutional Holder” means, individually, each of the Advent Funds, Brooke Funds and Highland Funds, and collectively, the “Institutional Holders.”

(g) “Investor Sale” means (i) a Transfer that, when added to all prior Transfers, results in the Institutional Holders and their Permitted Transferees ceasing to hold or control at least 20% of the voting power represented by all the capital stock of the Company held by them collectively as of the Original Grant Date, or (ii) the sale of substantially all the assets of the Company (other than (a) a transfer of financial assets made in the ordinary course of business for the purpose of securitization or (b) pursuant to any recapitalization, reorganization or any similar transaction pursuant to which control of the Company is substantially unaffected).

(h) “Permitted Transferee” means, with respect to a holder of shares of capital stock of the Company (a “Holder” and collectively, the “Holders”):

i. an Affiliate of the Holder;

ii. any Person to whom the Holder may transfer its shares of capital stock to hold such shares of capital stock as such Holder’s nominee;

iii. in the case of an Institutional Holder, any Person who receives securities in a liquidating distribution by such fund or holder to its members, partners or shareholders;

iv. in the case of an Institutional Holder, one or more funds which invest in equity securities and are “qualified institutional buyers” or “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) in connection with the sale by such holder of any material part of its portfolio investments;

v. in the case of an Institutional Holder, any other Institutional Holder; and

vi. in the event of the death or incompetence of the Holder, a legal representative of the Holder.

(i) “Return Multiple” means as of any given date, the multiple achieved by dividing (i) the aggregate gross proceeds realized by the Institutional Holders and their Permitted Transferees in respect of their investment in capital stock of the Company and its Affiliates made on the Original Grant Date (including, without limitation, gross proceeds from any Transfer(s) to a third party in registered or private offerings or sales under Rule 144 of the Securities Act, but excluding gross proceeds received in connection with any Transfer to a Permitted Transferee), over (ii) \$92,783,505.15 (i.e., the aggregate cash amount invested by the Institutional Holders to acquire shares of capital stock of the Company and its Affiliates as of the Original Grant Date), all as determined by the Board in good faith immediately prior to (but as of) the relevant date and subject to the following principles:

i. the Board will determine the value of any illiquid consideration received in connection with any Transfer(s) by taking into account (among other things) any restrictions on the transfer of that property and other impairments on its value;

ii. the Board will determine the value of any contingent consideration potentially payable in connection with any Transfer(s) based on its best estimate of the likelihood that such contingent consideration will actually be received;

iii. dividends or other non-stock distributions paid prior to the date as of which the Return Multiple is being determined will be included in the calculation;

iv. securities of the Company and its Affiliates will not be counted as gross proceeds;

v. if the relevant transaction giving rise to a calculation of the Return Multiple is a sale of substantially all the assets of the Company, a liquidation of the Company will be deemed to occur immediately following that asset sale; and

vi. the Return Multiple will be calculated net of any commissions, discounts, underwriters’ compensation, attorneys’, accountants’ and bankers’ fees and any similar expenses or transaction costs that are incurred (A) by or on behalf of the Institutional Holders in connection with the acquisition of capital stock of the Company or its Affiliates through the Original Grant Date, or (B) by or on behalf of the Institutional Holders or any Permitted Transferees in connection with any Transfer(s) of any such capital stock (other than a Transfer between an Institutional Holder and a Permitted Transferee).

(j) “Sale” means (i) the sale, transfer, assignment or other disposition (including by merger, consolidation, recapitalization, reorganization or any similar transaction) by stockholders of the Company, in one transaction or a series of related transactions, of greater than 66 2/3% of the voting power represented by the then outstanding shares of capital stock (unless (a) such sale, transfer, assignment or other disposition by such Holder or Holders is made to a Permitted Transferee, (b) immediately after the completion of such transaction(s), control of the Company is substantially unaffected or (c) such merger, consolidation, recapitalization, reorganization or any similar transaction of the Company is with, into or among any Affiliated Company) or (ii) the sale of substantially all the assets of the Company (other than (a) a transfer of financial assets made in the ordinary course of business for the purpose of securitization or (b) pursuant to any recapitalization, reorganization or any similar transaction pursuant to which control of the Company is substantially unaffected).

(k) “Transfer” means a sale, transfer, assignment or other disposition of shares of capital stock of the Company or its Affiliates by one or more of the Institutional Holders or their Permitted Transferees.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been executed by each of the parties on the date indicated below, respectively.

lululemon athletica inc.

By: /s/ JOHN E. CURRIE

Name: John E. Currie

Title: Chief Financial Officer

Date: November 28, 2007

ROBERT MEERS

By: /s/ ROBERT MEERS

Name: Robert Meers

Date: November 28, 2007

**Non-Qualified Stock Option Agreement
under the
lululemon athletica inc. 2007 Equity Incentive Plan**

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (this "Agreement") is made between lululemon athletica inc. (the "Company") and ROBERT MEERS (the "Optionee").

WHEREAS, the Company maintains the lululemon athletica inc. 2007 Equity Incentive Plan (the "Plan"); and

WHEREAS, the Plan permits the award of Options to purchase Shares, subject to the terms of the Plan; and

WHEREAS, on January 27, 2006 (the "Original Grant Date") the Optionee was granted an option to purchase 1,170,000 shares of common stock of the Company's U.S. operating subsidiary, lululemon usa inc. (f/k/a Lululemon Athletica USA Inc.), under the Lululemon Athletica USA Inc. 2005 Equity Incentive Plan (such option is hereinafter referred to as the "Original Option"); and

WHEREAS, on or about July 27, 2007 and in connection with the Company's corporate reorganization (the "Reorganization"), an option under the Plan (the "Substitute Option") was substituted for the Original Option to reflect the effects of the Reorganization; and

WHEREAS, the Company and the Optionee wish to amend and restate the Substitute Option to reflect certain negotiated changes.

NOW, THEREFORE, in consideration of these premises and the agreements set forth herein, the parties intending to be legally bound hereby, agree as follows:

1. Award of Option. This Option constitutes an amendment and restatement of the Substitute Option. This Option represents the right to purchase 501,802 Shares (the "Option Shares"). In addition to the terms set forth herein, the Option is subject to the terms of the Plan applicable to non-qualified stock options, which terms are incorporated herein by this reference. Except as otherwise specified herein, or unless the context requires otherwise, the terms defined in the Plan will have the same meanings herein.

2. Nature of the Option. This Option is intended to be a nonstatutory 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 Optionee.

3. Date of Grant; Term. The Option is restated pursuant to the authorization of the Compensation Committee of the Company's Board of Directors on November 28, 2007 (the "Effective Date") and may not be exercised later than the tenth anniversary of the Original Grant Date, subject to earlier termination as provided in the Plan.

4. Option Exercise Price. The total cost to the Optionee to purchase, pursuant to this Agreement, one Share is \$0.49. All dollar amounts reflected in this Agreement are expressed in U.S. dollars.

5. **Exercise of Option.**

(a) **Right to Exercise.** This Option will become exercisable as follows:

i. **Immediately Vested Portion.** The Option will be vested and exercisable with respect to 15% of the Option Shares immediately upon the Effective Date.

ii. **Time Vested Portion.** The Option will become vested and exercisable with respect to 15% of the Option Shares on each of the following dates: January 27, 2008, January 27, 2009 and January 27, 2010 (such 45% of the Option Shares being herein referred to as the "**Time Vested Portion**"); **provided**, in each case, that the Optionee remains in continuous service with the Company through the applicable date. Notwithstanding the foregoing, the Option will become vested and exercisable with respect to the Time Vested Portion immediately prior to (and contingent upon) the occurrence of a Sale (as defined below in Section 17(j)), provided the Optionee remains in continuous service with the Company through the date of that Sale. Solely for purposes of this Agreement, service with the Company will be deemed to include service with an Affiliated Company (as defined below in Section 17(c)) for so long as such entity remains an Affiliated Company.

iii. **Performance Vested Portion.** The Option may become vested and exercisable with respect to 40% of the Option Shares (the "**Performance Vested Portion**"), based upon the Return Multiple (as defined below in Section 17(i)) realized by the Institutional Holders while this Option remains outstanding, as follows:

(1) Immediately prior to (and contingent upon) the occurrence of an Investor Sale (as defined below in Section 17(g)), and provided the Optionee remains in continuous service with the Company through the date of the Investor Sale, the Performance Vested Portion will become vested and exercisable based on the Return Multiple realized upon completion of the Investor Sale:

Return Multiple Achieved	Percentage of Option Shares Exercisable
$x < 2.00$	None
$2.00 \leq x < 2.25$	3.08%
$2.25 \leq x < 2.50$	6.15%
$2.50 \leq x < 2.75$	9.23%
$2.75 \leq x < 3.00$	12.31%
$3.00 \leq x < 3.25$	15.38%
$3.25 \leq x < 3.50$	18.46%
$3.50 \leq x < 3.75$	21.54%
$3.75 \leq x < 4.00$	24.62%
$4.00 \leq x < 4.25$	27.69%
$4.25 \leq x < 4.50$	30.77%
$4.50 \leq x < 4.75$	33.84%
$4.75 \leq x < 5.00$	36.92%
$5.00 \leq x$	40%

(2) If the Return Multiple increases following an Investor Sale due to a subsequent Transfer and the Optionee remains in continuous service with the Company through the date of that subsequent Transfer, the Option will then become vested and exercisable with respect to an additional number of Option Shares determined (in accordance with the chart contained in Section 5(a)(iii)(1), above) based on the cumulative Return Multiple achieved, reduced by the number of Option Shares with respect to which the Performance Vested Portion has previously become vested and exercisable (taking into account any adjustments pursuant to Section 3(c) of the Plan). This provisions of this Section 5(a)(iii)(2) will apply with respect to each subsequent Transfer until the Performance Vested Portion terminates.

(3) At such time as no further increases to the Return Multiple are possible (e.g., when the Institutional Holders and their Permitted Transferees have Transferred their entire capital stock holdings in the Company and its Affiliates), any portion of the Performance Vested Portion that has not, by that time, become vested and exercisable will terminate immediately and automatically.

(4) Notwithstanding anything to the contrary in this Section 5(a)(iii), the Performance Vested Portion will become fully vested and exercisable if and when a Return Multiple of 5.00 or greater is realized, regardless of whether such Return Multiple is realized in connection with an Investor Sale, provided the Optionee remains in continuous service with the Company through the date that such Return Multiple is realized.

(b) Method of Exercise. The Optionee may exercise the Option by providing written notice to the Company and shall be delivered in person or by certified mail to the Secretary of the Company (or such other person as may be designated by the Company). The written notice shall be accompanied by payment of the purchase price and, if requested by the Company, an executed counterpart to the Stockholders Agreement. The certificate(s) for the Shares as to which the Option shall have been exercised will be registered in the name of the Optionee and, in addition to any other legend that may be required pursuant to applicable law, the Plan, the Stockholders Agreement or otherwise, will contain the following legend:

THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS OF A NON-QUALIFIED STOCK OPTION AGREEMENT ENTERED INTO BETWEEN ROBERT MEERS AND LULULEMON ATHLETICA INC. A COPY OF THAT AGREEMENT IS ON FILE IN THE PRINCIPAL OFFICES OF LULULEMON ATHLETICA INC. AND WILL BE MADE AVAILABLE TO THE HOLDER OF THIS CERTIFICATE WITHOUT CHARGE UPON REQUEST TO THE SECRETARY OF LULULEMON ATHLETICA INC.

(c) **Partial Exercise.** The Option may be exercised in whole or in part; provided, however, that any exercise may apply only with respect to whole numbers of Option Shares.

(d) **Restrictions on Exercise.** The Option may not be exercised if the issuance of the Option Shares upon such exercise would constitute a violation of any applicable law or regulation or any exchange listing requirements.

6. Investment Representations. Unless the Option Shares have been registered under the Securities Act of 1933 (the "Securities Act"), in connection with the acquisition of this Option, the Optionee represents and warrants to the Company that:

(a) he or she is acquiring the Option, and upon exercise of the Option, will be acquiring the Option Shares for investment for his or her own account, not as a nominee or agent, and not with a view to or for resale in connection with any distribution thereof; and

(b) he or she has a preexisting personal or business relationship with the Company or one of its directors, officers or controlling persons and, by reason of his or her business or financial experience, has, and can be reasonably assumed to have, the capacity to protect his or her interests in connection with the acquisition of the Option and the Option Shares.

In addition, as a further condition to the exercise of the Option, the Company may require the Optionee to make any representation or warranty to the Company as may be required by or advisable under any applicable law, regulation or exchange listing requirement.

7. Withholding. The Company reserves the right to withhold from any consideration payable or property transferable to the Optionee any taxes required to be withheld by law as a result of the grant or exercise of this Option or the sale or other disposition of the Option Shares. If the amount of any consideration payable to the Optionee is insufficient to pay such taxes or if no consideration is then payable to the Optionee, upon the request of the Company and as a condition to the grant or exercise of this Option or the sale or other disposition of the Option Shares, the Optionee (or such other person entitled to exercise this Option pursuant to Section 5 of the Plan) will pay to the Company an amount sufficient for the Company to satisfy any such tax withholding requirements.

8. The Plan. The Optionee has received a copy of the Plan (a copy of which is attached hereto), has read the Plan and is familiar with its terms, and hereby accepts the Option subject to all of the terms and provisions of the Plan. Pursuant to the Plan, the Board is authorized to interpret the Plan and to adopt rules and regulations not inconsistent with the Plan as it deems appropriate. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board regarding any questions arising under the Plan or this Agreement.

9. Governing Law. This Option Agreement will be construed in accordance with the laws of the State of Delaware, without regard to the application of the principles of conflicts of laws.

10. Amendment. This Agreement may only be amended by a writing signed by each of the parties hereto.

11. Entire Agreement. This Agreement, together with the Plan, represents the entire agreement between the parties hereto relating to the subject matter hereof, and merges and supersedes all prior and contemporaneous discussions, agreements and understandings of every nature (including, without limitation, Section 2.3 of the Employment and Restrictive Covenant Agreement dated December 5, 2005 between the Optionee and Lululemon Athletica Inc. and Exhibit A attached thereto). For avoidance of doubt, the Optionee further acknowledges that (i) the Original Option, and all the Optionee's rights thereunder, were replaced by the Substitute Option, and (ii) this Option amends and restates the Substitute Option in its entirety.

12. Market Stand-Off.

(a) The Optionee hereby agrees that, in connection with any registration under the Securities Act of 1933, as amended, of any Option Shares, the Optionee (and the Optionee's permitted transferees, if any) shall not sell or otherwise transfer (including through short-sales, hedging, or similar transactions) any Option Shares during the period that the Board specifies (a "Holdback"); provided, however, that such period shall not exceed one hundred eighty (180) days (or other such period that the underwriters reasonably require) following the effective date of the applicable registration statement filed under the Securities Act (the "Market Stand-Off Period"). Until the end of such Market Stand-Off Period, the Company may impose, with respect to Option Shares, stop-transfer instructions that are subject to the foregoing restrictions.

(b) Optionee also agrees to be bound by any restriction agreed to by holders of not less than a majority of the then outstanding Shares (giving effect to the pro forma conversion of all outstanding preferred shares and other convertible securities and the pro forma exercise of all stock options, warrants and other rights, to the extent then exercisable).

(c) In addition, if any managing underwriter or book runner of any such offering or registration (the "Underwriter") requests, the Optionee will execute and deliver to the Underwriter such documents, agreements, and instruments that the Underwriter shall reasonably require to enable the Underwriter to obtain the benefit of the Holdback during the Market Stand-Off Period. In connection with the foregoing, the Optionee hereby appoints the Chairman of the Company's Board of Directors as the Optionee's attorney-in-fact, with full power of substitution, to execute and deliver all documents, agreements and instruments to be executed and delivered by the Optionee, and to take all actions to be taken by the Optionee in each case in connection with effecting any Holdback.

13. Restrictions on Transfer of Option and Option Shares.

(a) The Option may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner either voluntarily or involuntarily by operation of law, other than by will or by the laws of descent or distribution. During the Optionee's lifetime, the Option is exercisable only by the Optionee. Subject to the foregoing, the terms of the Option will be binding upon the executors, administrators and heirs of the Optionee.

(b) The Optionee is not prohibited from transferring Option Shares to an Affiliate, provided the Affiliate agrees to be bound by the provisions of Sections 12, 13, 14, and 15 (with the repurchase contemplated by Section 15 being triggered by the termination of service of the Optionee).

(c) Except as permitted under this Agreement, the Optionee may not sell, pledge, assign, encumber, hypothecate, gift, transfer, bequeath, devise, donate or otherwise dispose of, in any way or manner whatsoever, whether voluntary or involuntary, any legal or beneficial interest in any Option Shares. If the Optionee, without complying with this Agreement's terms and conditions, attempts to transfer or alienate any legal or beneficial interest in any Option Shares, then the transfer or alienation will not take effect and the Company will not, and will not be compelled to, recognize or record on its books any such transfer or alienation or issue to the purported recipient of such Option Shares any stock certificate(s) representing those Option Shares. The Optionee agrees not to deposit any Option Shares in a voting trust or subject Option Shares to any arrangement or agreement with respect to the voting of such Shares.

14. Right of First Refusal.

(a) If the Optionee desires, in any manner, to alienate or transfer, to any person, group of people, or one or more entities (other than the Company or an Affiliate) (collectively, the "Proposed Transferee"), any Option Shares, the Optionee first will deliver to the Company written notice (the "Transfer Notice") specifying: (i) the number of Option Shares that the Optionee proposes to transfer to the Proposed Transferee (hereinafter the "Subject Shares"), (ii) the name and address of the Proposed Transferee, (iii) the consideration, if any, that the Proposed Transferee will pay to the Optionee in connection with the proposed transfer of such Subject Shares, and (iv) all other material terms and conditions of the proposed transfer. The Optionee will deliver to the Company the Transfer Notice at least forty-five (45) days prior to the proposed transfer.

(b) The Company (including, for purposes of this section, an assignee of the Company) will have the option to purchase, at the same price and under the same terms and conditions as set forth in the Transfer Notice, any or all of the Subject Shares (the "Right of First Refusal Option"). In order for the Company to exercise its Right of First Refusal Option set forth in this Section 14(b), the Company must, by no later than fifteen (15) days after receipt by the Company of a Transfer Notice, deliver to the Optionee written notice of the Company's intent to exercise its Right of First Refusal Option (a "Company Acceptance Notice"). If the Company duly exercises the Right of First Refusal Option, then the closing of such purchase and sale will take place at the Company's offices on such date that is selected with the consent of the Company; *provided, however*, that such purchase and sale date must not be more than ninety (90) days, nor less than thirty (30) days, after the date of the Company Acceptance Notice. At such closing, the Company will pay to the Optionee the required consideration, and the Company and the Optionee will proceed with the purchase and sale, under the Transfer Notice's specified terms and conditions, of those of the Optionee's Subject Shares to which the Company's written option-exercise notice refers. Notwithstanding the foregoing, to the extent that the consideration that the Proposed Transferee offered to pay to the Optionee for the Subject Shares consists of property other than a promissory note or cash, the consideration that the Company is required to pay to the Optionee may, at the Company's option, in whole or in part, consist of cash equal to the property's value, as mutually agreed-upon, reasonably and in good faith, by the Company and the Optionee.

(c) At such closing, the Company and the Optionee each will execute and deliver to the other all customary documentation that the Company and the Optionee reasonably require to effect, in accordance with this Section 14 and the Transfer Notice's specified terms and conditions, the sale and purchase of the Optionee's Subject Shares.

(d) If less than all of the Subject Shares are purchased by the Company in accordance with this Section 14, then the Optionee will be permitted, free from the provisions of this Section 14 and for a period of thirty (30) days from the date that the applicable Right of First Refusal Option exercise period expired, to offer and sell to the Proposed Transferee the Optionee's remaining Subject Shares; *provided, however*, that any such transfer or sale must take place at the same price and under terms and conditions no more favorable to the Proposed Transferee than the Transfer Notice's specified terms and conditions; and *provided, further*, that as a condition of any such transfer or sale, the Proposed Transferee must execute and deliver an agreement in form and substance requested by the Company pursuant to which Proposed Transferee will agree to be bound by the provisions of Sections 12, 13, 14, and 15 (with the repurchase contemplated by Section 15 being triggered by the termination of service of the Optionee), and any stock certificate representing any transferred Option Shares will bear any restrictive legends deemed appropriate by the Company.

(e) The Company's release or failure to exercise its rights under this Section 14 will not adversely affect the Company's right to participate, as this Section 14 provides, in the Optionee's subsequent proposed transfers.

(f) The rights and obligations under this Section 14 shall terminate immediately upon (and shall not apply in connection with any sale by Optionee of Option Shares as a part of) a Qualified Public Offering. For purposes of this Agreement, "Qualified Public Offering" means the initial sale of shares of common stock of the Company (or a successor to the Company) in an underwritten public offering registered under the Securities Act ("IPO") in which the gross proceeds to the Company from the IPO are not less than \$75,000,000.

15. Call Upon Cessation of Service.

(a) If the Optionee's service with the Company ceases for any reason, the Company or its assignee may repurchase up to all the Option Shares. The price payable by the Company or its assignee to repurchase Option Shares pursuant to this Section 15(a) will be the Fair Market Value (as defined in the Plan) of those shares at the time the right described in this Section 15 is exercised. Such price may be paid (i) in cash; (ii) by offset of any obligation of the Optionee to the Company or its Affiliates; or (iii) a promissory note of the Company payable in four (4) equal annual installments of principal and interest, commencing one year from the date of the repurchase of the Option Shares and bearing simple interest at the prime rate as reported in the Wall Street Journal on the date of the repurchase of the Option Shares. Any promissory note issued under this Section 15 will be subject to prepayment in part or in full at any time at the Company's option and without penalty. Payments under any promissory note issued under this Section 15 may be deferred to the extent necessary in order to avoid a violation by the Company of the terms of any credit, loan or other debt financing agreement or any of the other loan documents related thereto.

(b) With respect to each Option Share subject to repurchase pursuant to this Section 15, the Company (or its assignee) may exercise its repurchase right by delivery of written notice to the holder of such share at any time during the 90-day period beginning on the later of (i) the date the Optionee's service to the Company ceases, or (ii) six months following the date the Optionee acquires that Option Share. All the rights of the holder of any such shares, other than the right to receive payment in the manner described in Section 15(a), will terminate as of the date of delivery by the Company of the written notice described in this paragraph. The only representation, warranty or covenant which the holder of such shares will be required to make in connection with a sale pursuant to Section 15(a) is a representation and warranty with respect to his or her ownership of the shares and his or her ability to convey title thereto free and clear of liens, claims or encumbrances.

(c) If a holder of Option Shares becomes obligated to transfer shares to the Company or its assignee pursuant to this Agreement, that holder will endorse in blank the certificates evidencing the shares to be sold and deliver those certificates to the Company or its assignee within 15 days of receipt of the notice described above in Section 15(b). If a holder of Option Shares fails to deliver those shares in accordance with the terms of this Agreement, the Company or its assignee may, at its option, in addition to all other remedies it may have, either (i) send to that holder the purchase price for such shares, as herein specified, or (ii) deposit such amount with a trustee or escrow agent for the benefit of that holder for release upon delivery of shares in accordance with the terms of this Agreement. Thereupon, the Company or its assignee, upon written notice to the holder, will (x) cancel on its books the certificate or certificates representing the Option Shares required to be transferred, and (y) issue, in lieu thereof, in the name of the Company (or its assignee) a new certificate or certificates representing such shares.

(d) The rights and obligations under this Section 15 shall terminate immediately upon the consummation of a Qualified Public Offering.

16. [Reserved]

17. Definitions

(a) "Advent Funds" means (i) Advent International GPE V Limited Partnership, Advent International GPE V-B Limited Partnership and Advent International GPE V-I Limited Partnership, each a limited partnership formed under the laws of the Cayman Islands, and (ii) Advent International GPE V-A Limited Partnership, Advent International GPE V-G Limited Partnership, Advent Partners III Limited Partnership, Advent Partners GPE V Limited Partnership, Advent Partners GPE V-A Limited Partnership and Advent Partners GPE V-B Limited Partnership, each a Delaware limited partnership.

(b) "Affiliate" means, as to any specified person or entity, (i) any other person or entity controlling, controlled by or under common control with such specified person or entity or (ii) any member of the Family Group of such specified person or of any individual who is an Affiliate of such specified person by reason of clause (i) of this definition; *provided, however, that* no person shall be deemed an Affiliate of any other person or entity solely by reason of any investment in the Company. The term "control," with respect to any person or entity, means possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such person or entity, whether through the ownership of voting securities or a

partnership interest, by contract or otherwise. With respect to each of the Institutional Holders, the term “Affiliate” shall also include (1) any entity in which such Institutional Holder (or one of its Affiliates) is a general partner or member and (2) each investor in such Institutional Holder, but only in connection with the liquidation, winding up or dissolution of the Institutional Holder, and only to the extent of such investor’s pro rata share in the Institutional Holder. With respect to each Advent Fund, the term “Affiliate” shall also include any investment fund managed by Advent International Corporation, a Delaware corporation. For purposes of this Agreement, “Family Group” means, as to any holder of capital stock who is a natural person, such holder’s spouse, ancestors, the lineal descendants of such individual’s grandparents, and trusts for the benefit of any of the foregoing, *provided that* all the income beneficiaries and remainderman of any such trust are such individual’s spouse, ancestors or lineal descendants.

(c) “Affiliated Company” means (i) lululemon usa inc., a Nevada corporation, (ii) lululemon athletica canada inc., a company formed under the laws of British Columbia, (iii) Lululemon FC USA Inc., a Nevada corporation, (iv) Lulu Canadian Holding, Inc., a company formed under the laws of British Columbia, (v) Lululemon Athletica International SRL, a company formed under the laws of Barbados and (vi) any Affiliate of any of the foregoing.

(d) “Brooke Funds” means Brooke Private Equity Advisors Fund I-A, L.P. and Brooke Private Equity Advisors Fund I (D), L.P., each a Delaware limited partnership.

(e) “Highland Funds” means Highland Capital Partners VI Limited Partnership, Highland Capital Partners VI-B Limited Partnership, and Highland Entrepreneurs’ Fund VI Limited Partnership, each a Delaware limited partnership.

(f) “Institutional Holder” means, individually, each of the Advent Funds, Brooke Funds and Highland Funds, and collectively, the “Institutional Holders.”

(g) “Investor Sale” means (i) a Transfer that, when added to all prior Transfers, results in the Institutional Holders and their Permitted Transferees ceasing to hold or control at least 20% of the voting power represented by all the capital stock of the Company held by them collectively as of the Original Grant Date, or (ii) the sale of substantially all the assets of the Company (other than (a) a transfer of financial assets made in the ordinary course of business for the purpose of securitization or (b) pursuant to any recapitalization, reorganization or any similar transaction pursuant to which control of the Company is substantially unaffected).

(h) “Permitted Transferee” means, with respect to a holder of shares of capital stock of the Company (a “Holder” and collectively, the “Holders”):

- i. an Affiliate of the Holder;
- ii. any Person to whom the Holder may transfer its shares of capital stock to hold such shares of capital stock as such Holder’s nominee;
- iii. in the case of an Institutional Holder, any Person who receives securities in a liquidating distribution by such fund or holder to its members, partners or shareholders;

iv. in the case of an Institutional Holder, one or more funds which invest in equity securities and are “qualified institutional buyers” or “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) in connection with the sale by such holder of any material part of its portfolio investments;

v. in the case of an Institutional Holder, any other Institutional Holder; and

vi. in the event of the death or incompetence of the Holder, a legal representative of the Holder.

(i) “Return Multiple” means as of any given date, the multiple achieved by dividing (i) the aggregate gross proceeds realized by the Institutional Holders and their Permitted Transferees in respect of their investment in capital stock of the Company and its Affiliates made on the Original Grant Date (including, without limitation, gross proceeds from any Transfer(s) to a third party in registered or private offerings or sales under Rule 144 of the Securities Act, but excluding gross proceeds received in connection with any Transfer to a Permitted Transferee), over (ii) \$92,783,505.15 (i.e., the aggregate cash amount invested by the Institutional Holders to acquire shares of capital stock of the Company and its Affiliates as of the Original Grant Date), all as determined by the Board in good faith immediately prior to (but as of) the relevant date and subject to the following principles:

i. the Board will determine the value of any illiquid consideration received in connection with any Transfer(s) by taking into account (among other things) any restrictions on the transfer of that property and other impairments on its value;

ii. the Board will determine the value of any contingent consideration potentially payable in connection with any Transfer(s) based on its best estimate of the likelihood that such contingent consideration will actually be received;

iii. dividends or other non-stock distributions paid prior to the date as of which the Return Multiple is being determined will be included in the calculation;

iv. securities of the Company and its Affiliates will not be counted as gross proceeds;

v. if the relevant transaction giving rise to a calculation of the Return Multiple is a sale of substantially all the assets of the Company, a liquidation of the Company will be deemed to occur immediately following that asset sale; and

vi. the Return Multiple will be calculated net of any commissions, discounts, underwriters’ compensation, attorneys’, accountants’ and bankers’ fees and any similar expenses or transaction costs that are incurred (A) by or on behalf of the Institutional Holders in connection with the acquisition of capital stock of the Company or its Affiliates through the Original Grant Date, or (B) by or on behalf of the Institutional Holders or any Permitted Transferees in connection with any Transfer(s) of any such capital stock (other than a Transfer between an Institutional Holder and a Permitted Transferee).

(j) “Sale” means (i) the sale, transfer, assignment or other disposition (including by merger, consolidation, recapitalization, reorganization or any similar transaction) by stockholders of the Company, in one transaction or a series of related transactions, of greater than 66 2/3% of the voting power represented by the then outstanding shares of capital stock (unless (a) such sale, transfer, assignment or other disposition by such Holder or Holders is made to a Permitted Transferee, (b) immediately after the completion of such transaction(s), control of the Company is substantially unaffected or (c) such merger, consolidation, recapitalization, reorganization or any similar transaction of the Company is with, into or among any Affiliated Company) or (ii) the sale of substantially all the assets of the Company (other than (a) a transfer of financial assets made in the ordinary course of business for the purpose of securitization or (b) pursuant to any recapitalization, reorganization or any similar transaction pursuant to which control of the Company is substantially unaffected).

(k) “Transfer” means a sale, transfer, assignment or other disposition of shares of capital stock of the Company or its Affiliates by one or more of the Institutional Holders or their Permitted Transferees.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been executed by each of the parties on the date indicated below, respectively.

lululemon athletica inc.

By: /s/ JOHN E. CURRIE

Name: John E. Currie

Title: Chief Financial Officer

Date: November 28, 2007

ROBERT MEERS

By: /s/ ROBERT MEERS

Name: Robert Meers

Date: November 28, 2007

lululemon athletica inc.
EMPLOYEE SHARE PURCHASE PLAN

lululemon athletica inc.
EMPLOYEE SHARE PURCHASE PLAN

Article 1 — Definitions

1.1 Definitions

In this Plan, unless the context otherwise requires:

Administration Agreement

means the administration, trust, administrative services, plan services or other agreement entered into by lululemon with the Administrator pursuant to section 9.1 or 9.2 then in effect, as the same may be amended pursuant to section 9.3.

Administrator

means the party appointed as Administrator and service provider in connection with the administration of this Plan pursuant to section 9.1 or 9.2 then acting as such.

Applicable Tax Legislation

means the *Income Tax Act* (Canada) and the regulations made thereunder and applicable provincial income tax legislation and regulations made thereunder or, as applicable, the Internal Revenue Code of 1986, as amended.

Board of Directors

means the board of directors of lululemon.

Canadian Employee

means an Employee who is resident in Canada within the meaning of that expression as used in the *Income Tax Act* (Canada) and is employed by a Canadian Employer.

Canadian Employer

means an Employer that is organized under the laws of Canada or a province thereof which carries on business in Canada and deals at non-arm's length with lululemon.

Committee

means the Compensation Committee of the Board of Directors and shall include (i) any successor to such committee, and (ii) any committee of the Board of Directors which may, subsequent to the implementation of this Plan, be established by the Board of Directors and to which the Board of Directors has delegated responsibility for administration of this Plan (any successor or other committee being herein referred to as a "Successor Committee"), provided that if the Compensation Committee of the Board of Directors shall cease to exist without any Successor Committee coming into existence "Committee" shall mean the Board of Directors.

Common Shares

means common shares, par value U.S. \$0.01 per share, in the capital of lululemon.

Declaration of Trust

in respect of any Member, means the separate application and declaration of trust (including any addenda in respect of “locked-in funds”) entered into by the Trustee and such Member pursuant to the Sponsor Agreement in the form approved by the Trustee, as amended by the Trustee from time to time, which creates, governs and sets out the terms of the registered retirement savings plan under the Applicable Tax Legislation under which such Member is the annuitant within the meaning of Applicable Tax Legislation.

Earnings

means, with respect to any Member, the total base earnings of such Member from such Member’s Employer, but excluding overtime pay, commissions, bonus payments, on-call pay, gratuities and other special compensation.

Employee

means a person who is an employee of an Employer.

Employer

means:

- (a) lululemon; or
- (b) a Participating Subsidiary.

Full-Time Employee

means:

- (a) an Employee who:
 - (i) is in a full-time year round position and works 24 or more hours per week;
 - (ii) is in a position of store manager or assistant store manager and works year round with no break in service and works 24 or more hours per week; or
 - (iii) is in a position of “Educator” and works year round with no break in service and works 24 or more hours per week; or
- (b) an Employee or class of Employees whose participation in the Plan is approved in writing by the Chief Executive Officer of lululemon.

lululemon

means lululemon athletica inc., a Delaware corporation.

Market Value

on any date, means the average of the closing prices per share of at least a board lot of Common Shares on The Toronto Stock Exchange for the five trading days immediately preceding such date on which at least a board lot of Common Shares traded.

Member

means a Full-Time Employee who is enrolled in this Plan pursuant to the provisions hereof.

Non-Registered ESPP

means a Non-Registered ESPP Account established and maintained by the Administrator with respect to a Member under this Plan that is not a Registered ESPP.

Non-Registered ESPP Account

means, with respect to any Member, an account of such Member established and maintained by the Administrator pursuant to section 10.1.

Participating Subsidiary

means any Subsidiary of lululemon that has been designated by the Board of Directors, the Committee or the Chief Executive Officer of lululemon as participating in this Plan unless such designation has been revoked by the Board of Directors, the Committee or the Chief Executive Officer as the case may be.

Plan

means this Employee Share Purchase Plan ("ESPP") which will consist of the Non-Registered ESPPs and the Registered ESPPs.

Registered ESPP

means a Registered ESPP Account established and maintained by the Trustee with respect to a Member under this Plan pursuant to a Declaration of Trust that is a "registered retirement savings plan" under the Applicable Tax Legislation.

Registered ESPP Account

means with respect to any Member, an account of such Member established and maintained by the Trustee pursuant to section 10.2.

Sponsor Agreement

means the RSP Sponsor Agreement entered into by lululemon with the Trustee pursuant to section 9.4 or 9.5 then in effect, as the same may be amended pursuant to section 9.6.

Subsidiary

means a "subsidiary" as that term is defined in the *Securities Act* (British Columbia).

Trustee

means (i) in respect of Non-Registered ESPPs, the Administrator, and (ii) in respect of Registered ESPPs, the party appointed as Trustee under this Plan pursuant to section 9.4 or 9.5 then acting as such.

Year

means a year ending December 31.

Article 2 — Eligibility

2.1 Eligibility

Except to the extent that an Employee's ability to re-enrol in this Plan is restricted as provided in section 7.5, all Full-Time Employees are eligible to enrol and participate in this Plan and may enrol and participate in this Plan at any time after:

- (a) in the case of a Full-Time Employee who is part of the "Senior Management Team", as designated by the Chief Executive Officer of lululemon, commencing employment with such Full-Time Employee's Employer;
- (b) in the case of all other Full-Time Employees, the commencement of the first calendar month following the end of the Employee's three-month initial probation period.

2.2 Re-enrolment

If the employment of a Member is terminated as described in section 7.9 and the Employee thereafter becomes a Full-Time Employee, for the purposes of this Plan, except to the extent that an Employee's ability to re-enrol or recommence participation in this Plan is restricted as provided in section 7.5, the Employee will be considered to be a new Employee.

2.3 No Right to Employment

Participation in this Plan is entirely voluntary and any decision by a Full-Time Employee not to participate will not affect such Employee's employment with such Employee's Employer. Nothing contained in this Plan gives any Full-Time Employee who participates in this Plan the right to be employed or to continue to be employed by an Employer.

Article 3 — Enrolment

3.1 Enrolment by Canadian Employees

A Full-Time Employee who is a Canadian Employee who wishes to participate in a Non-Registered ESPP or a Registered ESPP must:

- (a) submit to lululemon or the Administrator an enrolment form authorizing the Employee's Employer to deduct from the Earnings of such Employee such contributions to this Plan as such Employee may designate in such enrolment form (subject to changes which the Employee may thereafter make pursuant to section 4.1);
 - (b) open an account with the Administrator;
 - (c) if the Employee wishes to enrol and participate in a Registered ESPP, complete and submit to the Administrator a group application form;
-

- (d) if the Employee wishes to enrol and participate in both a Non-Registered ESPP and a Registered ESPP, designate a percentage of the Member's contributions to this Plan that the Employee wishes to contribute to (i) the Non-Registered ESPP and (ii) the Registered ESPP;
- (e) submit to the Administrator or lululemon a beneficiary designation form; and
- (f) express the agreement of such Employee to be bound by the terms and conditions of this Plan;

in each case in the form and manner from time to time required by lululemon, the Administrator or the Trustee.

3.2 Employee Solely Responsible re Contribution Limits to Registered ESPP

For greater certainty, the Employers and Administrator and Trustee assume no responsibility in relation to whether any Employee is or continues to be eligible under applicable laws to participate in a Registered ESPP or contribution limits applicable to any Employee to any Registered ESPP, which matters shall be the sole responsibility of the Employee.

3.3 Enrolment by Non-Canadian Employees

A Full-Time Employee who is not a Canadian Employee who wishes to participate in the Plan may participate through a Non-Registered ESPP and such Employee must:

- (a) submit to lululemon or the Administrator an enrolment form authorizing the Employee's Employer to deduct from the Earnings of such Employee such contributions to this Plan as such Employee may designate in such enrolment form (subject to changes which the Employee may thereafter make pursuant to section 4.1);
- (b) open an account with the Administrator (and, in connection therewith, if required by the Administrator or lululemon, submit to the Administrator or lululemon a Substitute Form W-9 or other form that the Administrator or lululemon may require); and
- (c) express the agreement of such Employee to be bound by the terms and conditions of this Plan;

in each case in the form and manner from time to time required by lululemon and the Administrator.

Article 4 — Contributions

4.1 Member Contributions and Allocation

A Member may, no less frequently than monthly, contribute an amount to this Plan equal to what ever portion of his or her Earnings equates, after deduction of applicable taxes, to either 3%, 6%

or 9% of such Member's Earnings for such period, as designated by such Member from time to time in the form and manner contemplated pursuant to sections 3.1 or 3.3 or in a written notice given pursuant to this section. The contributions to this Plan made by a Member who is a Canadian Employee who is participating in both a Non-Registered ESPP and a Registered ESPP shall be allocated between a Non-Registered ESPP and a Registered ESPP as designated by such Member from time to time in the form and manner contemplated pursuant to sections 3.1(d) or 4.2(b) or in a written notice given pursuant to this section. A Member may change any designation or allocation referred to in this section to be applicable to future regularly scheduled payroll payments by giving notice of such change to the Administrator and the Trustee (and, if the Administrator or lululemon so advises the Member, to lululemon and the Member's Employer), in the form and manner and subject to such restrictions or conditions (which may include conditions regarding when changes will become effective subsequent to notice being given or limitations on the number of times a Member may make changes in a specified time period) from time to time required by lululemon and the Administrator. Subject to the mandatory change of allocation contemplated pursuant to section 4.2, any such designation will remain in effect until changed by the Member.

4.2 Change of Status of Canadian Employee

If a Member participating in a Registered ESPP ceases to be a Canadian Employee:

- (a) the Member must, not less than 10 days prior to the date on which the status of the Member changes, give notice of such change to the Administrator and the Member's Employer specifying the date on which the Member will cease to be a Canadian Employee, in the form and manner required by lululemon and the Administrator or Trustee; and
- (b) effective upon the date that the Member so ceases to be a Canadian Employee, all contributions made after such time to this Plan by the Member shall be allocated to the Member's Non-Registered ESPP unless and until the Member again becomes a Canadian Employee, in which event the Member may give a notice pursuant to this section designating an allocation of such Member's contributions between such Member's Non-Registered ESPP and Registered ESPP in the form and manner required by lululemon and the Administrator or Trustee.

4.3 Deduction of Contributions – Registered ESPP

Contributions to this Plan made by a Member who is a Canadian Employee participating in a Registered ESPP which are, pursuant to section 4.1, allocated to the Member's Registered ESPP will be deducted and withheld by the Member's Employer by payroll deductions from such Member's Earnings which will be made no more frequently than the regularly scheduled payroll payments as may be designated by the Member's Employer from time to time and all such amounts so deducted or withheld will promptly (and, in any event, within ten days after the deduction or withholding thereof) be deposited by the Employer with the Trustee (or with the Administrator, as agent for the Trustee).

4.4 Deduction of Contributions – Non-Registered ESPP

Contributions made by a Member to this Plan which are not, pursuant to section 4.1, allocated to a Member's Registered ESPP will be deducted and withheld by the Member's Employer by payroll deductions from such Member's Earnings which will be made no more frequently than the regularly scheduled payroll payments as may be designated by the Member's Employer from time to time and will be allocated to the Member's Non-Registered ESPP and all such amounts so deducted or withheld will promptly (and in any event, within ten days after the deduction or withholding thereof) be deposited by the Employer with the Administrator.

4.5 Employer Contributions – Registered ESPP

Subject to section 4.9, the Employer, on behalf of each Member who is a Canadian Employee who is participating in a Registered ESPP, will make a contribution to the Member's Registered ESPP on behalf of the Member equal to one-third of the amount contributed by such Member to the Member's Registered ESPP. The contribution of lululemon will be deposited by lululemon with the Trustee (or with the Administrator, as agent for the Trustee) at the time of or promptly (and in any event, within ten days) after the end of each month in which contributions to this Plan made by such Member are deducted and withheld by the Member's Employer.

4.6 Employer Contributions – Non-Registered ESPP

Subject to section 4.9, the Employer, on behalf of each Member who is participating in a Non-Registered ESPP, will make a contribution to the Member's Non-Registered ESPP on behalf of the Member equal to one-third of the amount contributed by such Member to the Member's Non-Registered ESPP. The contribution by lululemon will be deposited by lululemon with the Administrator at the time of or promptly (and in any event, within ten days) after the end of each month in which contributions to this Plan made by such Member are deducted and withheld by the Member's Employer. The Employer's contributions will be additional compensation to the Member and the Employer will be entitled to make such withholdings as may be required by Applicable Tax Legislation from cash remuneration payable to the Member.

4.7 Contributions Credited to Accounts

The Trustee (or the Administrator as agent for the Trustee) will, on receipt of any contribution to a Registered ESPP by or on behalf of a Member, credit such contribution to such Member's Registered ESPP Account. The Administrator will, on receipt of any contribution to a Non-Registered ESPP by or on behalf of a Member, credit such contribution to such Member's Non-Registered ESPP Account. All contributions by lululemon on behalf of a Member will vest irrevocably in such Member as and when they are received by the Trustee or Administrator.

4.8 Holding of Amounts Pending Investment

The Trustee will hold all cash amounts credited to each Member's Registered ESPP Account from time to time, pending the application thereof to the purchase of Common Shares pursuant to section 5.1, in a non-interest bearing account of the Trustee or the Administrator or of any Canadian chartered bank, including, without limitation, any bank expressly permitted in the Sponsor Agreement, or any trust corporation existing under the laws of Canada or any province

thereof, and will credit all cash dividends or other earnings arising therefrom to such Member's Registered ESPP Account. The Administrator will hold all cash amounts credited to each Member's Non-Registered ESPP Account from time to time, pending the application thereof to the purchase of Common Shares pursuant to section 5.4, in a non interest bearing account of the Administrator or of any Canadian chartered bank, including, without limitation, any bank expressly permitted in the Administration Agreement, or any trust corporation existing under the laws of Canada or any province thereof, and will credit all cash dividends or other earnings arising therefrom to such Member's Non-Registered ESPP Account.

4.9 Insolvency

Notwithstanding anything to the contrary herein, the Employer will not make any contribution to this Plan pursuant to section 4.5 or 4.6 in circumstances where the Employer is insolvent or such contribution would render the Employer insolvent.

Article 5 — Purchase of Common Shares

5.1 Purchase by Trustee of Common Shares – Registered ESPPs

The contributions by or on behalf of each Member to a Member's Registered ESPP, together with all cash dividends, interest and other earnings credited to such Member's Registered ESPP Account, will be applied by the Trustee (or the Administrator as agent for the Trustee) to the purchase of Common Shares to be held in trust for the benefit of such Member. Such purchases will be made by the Trustee (or the Administrator as agent for the Trustee) on or before the 15th day of the month following the month in which contributions by or on behalf of a Member are made, through the facilities of the Toronto Stock Exchange (or such other stock exchange as lululemon may designate from time to time) and at the prevailing market price of our Common Stock on the Toronto Stock Exchange (or such other stock exchange as lululemon may designate from time to time) on the date of purchase.

5.2 Holding of Common Shares – Registered ESPPs

All Common Shares purchased by the Trustee (or the Administrator as agent for the Trustee) pursuant to section 5.1 on behalf of a Member will be held by the Trustee in trust for the benefit of such Member, and the Trustee (or the Administrator as agent for the Trustee) will record in such Member's Registered ESPP Account the number of Common Shares (including any fraction thereof) so held by the Trustee for the benefit of such Member. The certificates representing such Common Shares will, prior to the withdrawal of such Common Shares from the Member's Registered ESPP, be registered in the name of the Trustee or its nominee.

5.3 Dividends in Registered ESPPs

The Trustee will, on receipt of any dividends paid on any Common Shares held by the Trustee in trust for the benefit of a Member pursuant to section 5.2, credit such dividends to such Member's Registered ESPP Account.

5.4 Purchase by Administrator of Common Shares – Non-Registered ESPPs

The contributions by or on behalf of each Member to a Member's Non-Registered ESPP, together with all cash dividends, interest and other earnings credited to such Member's Non-Registered ESPP Account, will be applied by the Administrator to the purchase of Common Shares on behalf of such Member. Such purchases will be made by the Administrator on or before the 15th day of the month following the month in which contributions by or on behalf of a Member are made, through the facilities of the Toronto Stock Exchange (or such other stock exchange as lululemon may designate from time to time) and at the prevailing market price of our Common Stock on the Toronto Stock Exchange (or such other stock exchange as lululemon may designate from time to time) on the date of purchase.

5.5 Holding of Common Shares – Non-Registered ESPPs

All Common Shares purchased by the Administrator pursuant to section 5.4 on behalf of a Member will be held by the Administrator for the benefit of such Member, and the Administrator will record in such Member's Non-Registered ESPP the number of Common Shares (including any fraction thereof) so held by the Administrator for the benefit of such Member. The certificates representing such Common Shares will, prior to the withdrawal of such Common Shares from this Plan, be registered in the name of the Administrator or its nominee.

5.6 Dividends in Non-Registered ESPPs

The Administrator will, on receipt of any dividends paid on any Common Shares held by the Administrator for the benefit of a Member pursuant to this Plan, credit such dividends to such Member's Non-Registered ESPP Account.

Article 6 — Transfers to Registered ESPP

6.1 Transfer to Registered ESPP

A Member who is a Canadian Employee participating in a Registered ESPP may transfer all or some of the Common Shares, money or other property held in such Member's Non-Registered ESPP Account to such Member's Registered ESPP Account, subject to such restrictions and limitations and conditions as may be imposed from time to time by lululemon or the Trustee or Administrator. If the Canadian Employee Member is not already participating in a Registered ESPP the Member will be required to first enrol in a Registered ESPP pursuant to section 3.1(c) prior to effecting any transfer referred to in this section. A Member wishing to effect such a transfer must execute and submit to the Administrator an ESPP Transfer form in the form and manner required by lululemon and the Administrator. Such a transfer will not constitute a withdrawal from the Member's Non-Registered ESPP for the purpose of Article 7.

6.2 Transfer Process

In the event of a transfer pursuant to section 6.1, the Administrator will transfer the Common Shares, money or other property held for the benefit of the Member in the transferring Member's Non-Registered Account to the Trustee, on behalf of the Member, as directed by the Member, to be held by the Trustee in trust for the benefit of the Member. The Trustee (or the Administrator

as agent for the Trustee) will record in such Member's Registered ESPP Account the number of Common Shares (including any fraction thereof) so held by the Trustee for the benefit of such Member. The certificate representing any Common Shares so transferred will, prior to the withdrawal of such Common Shares from the Member's Registered ESPP Account, be registered in the name of the Trustee or its nominee. The Member will provide the Administrator or Trustee with such information, and comply with such requirements as the Administrator or Trustee may require in relation to any capital gains which may be realized by the Member as a result of any such transfer. The Member effecting such transfer will have sole liability for determining and discharging any tax liability of the Member in respect of or arising as a result of such transfer.

Article 7 — Withdrawals

7.1 Annual Withdrawals Permitted

No more than twice in each Year a Member may withdraw all or some of the Common Shares, money or other property held in such Member's Non-Registered ESPP Account or Registered ESPP Account, or, if the Member has both a Non-Registered ESPP Account and Registered ESPP Account, may separately withdraw all or some of the Common Shares, money or other property held in both such Non-Registered ESPP Account and Registered ESPP Account, without in any way affecting the right of such Member to continue to participate in this Plan. If a Member wishes to withdraw some or all of the Common Shares, money or other property held in such Member's Non-Registered ESPP Account or Registered ESPP Account, the Member must complete and submit to the Administrator a withdrawal form in the form and manner from time to time required by lululemon and the Administrator.

7.2 Suspension of Contributions Following Third Withdrawal

If a Member withdraws all or some of the Common Shares, money or other property held in such Member's Non-Registered ESPP Account or Registered ESPP Account more than twice in any Year, the right of the Member to make contributions under this Plan will be suspended for a period of 12 months following the date of the third withdrawal. During this period of suspension any Common Shares, money and other property held in such Member's Non-Registered ESPP Account or Registered ESPP Account following such third withdrawal will continue to be held in such Member's Non-Registered ESPP Account and Registered ESPP Account pursuant to the terms of this Plan, and dividends, if any, paid on any Common Shares held by the Trustee for the benefit of such Member in such Member's Registered ESPP Account will be applied by the Trustee (or the Administrator as agent for the Trustee) to the purchase of Common Shares on behalf of such Member pursuant to section 5.1 and dividends, if any, paid on any Common Shares held by the Trustee for the benefit of such Member in such Member's Non-Registered ESPP Account will be applied by the Administrator to the purchase of Common Shares on behalf of such Member pursuant to section 5.4, but no contributions will be made by or on behalf of the Member under this Plan (either in the form of contributions deducted and withheld from payroll deductions or contributions by an Employer pursuant to section 4.5 or 4.6) during such period of suspension.

7.3 No Further Withdrawals

If a Member's right to make contributions under this Plan is suspended pursuant to section 7.2, the Member will not have the right to make further withdrawals of any of the Common Shares, money or other property held in such Member's Non-Registered ESPP Account or Registered ESPP Account during the period of suspension unless the Member terminates such Member's participation in this Plan.

7.4 Termination of Participation

If a Member's right to make contributions under this Plan is suspended pursuant to section 7.2 and the Member makes a withdrawal of any of the Common Shares, money or other property held in such Member's Non-Registered ESPP Account or Registered ESPP Account during the period of suspension, the Member will cease to be entitled to participate in this Plan, or make contributions to this Plan from and after the date of such withdrawal unless such Employee, if the Employee continues to be a Full-Time Employee eligible to do so, thereafter, subject to section 7.5, again enrolls in this Plan pursuant to section 3.1 or section 3.3.

7.5 Withdrawal Following Termination

In the event:

- (a) any Member ceases to be entitled to participate in this Plan as provided in section 7.4; and
- (b) upon the conclusion of the 12-month suspension period contemplated in section 7.2, such Member continues to be a Full-Time Employee eligible to participate in the Plan but does not again enrol in this Plan pursuant to section 3.1 or section 3.3,

all of the Common Shares, money and other property held in such Member's Non-Registered ESPP Account and, if applicable, Registered ESPP Account will be deemed to have been withdrawn by the Member within 60 days of the conclusion of the 12-month suspension period contemplated in section 7.2. In addition, in such event the Employee will not be entitled to re-enrol or recommence participation in this Plan prior to the first anniversary of the first day of the month following the month in which such Member's Common Shares, money and other property were deemed to have been withdrawn.

7.6 Transfers to Registered ESPP During Suspension Period

Notwithstanding that a Member's right to make contributions under this Plan is suspended pursuant to section 7.2, a Member who is a Canadian Employee participating in a Registered ESPP will have the right to transfer all or some of the Common Shares, money or property held in such Member's Non-Registered ESPP Account pursuant to Article 6 during the period of such suspension.

7.7 Authorization by Chief Financial Officer or the Vice President People Resources – No Suspension

Either the Chief Financial Officer or the Vice President People Resources of lululemon may, in his or her discretion, authorize a Member, on such terms and conditions, if any, as such authorization may specify, to withdraw Common Shares, money or other property held in such Member's Non-Registered ESPP Account or, if applicable, Registered ESPP Account more than twice in a Year without such Member's right to make contributions being suspended pursuant to section 7.2 where, in the opinion of either the Chief Financial Officer or the Vice President People Resources, such action is necessary or desirable as a result of financial hardship being suffered by such Member. If either the Chief Financial Officer or the Vice President People Resources makes an authorization pursuant to this section 7.7, section 7.2 will not apply to any withdrawal made in accordance with such authorization.

7.8 Authorization by Chief Financial Officer or the Vice President People Resources During Suspension Period

Either the Chief Financial Officer or the Vice President People Resources of lululemon, in his or her discretion, may authorize a Member, on such terms and conditions, if any, as such authorization may specify, to withdraw Common Shares, money or other property held in such Member's Non-Registered ESPP Account or, if applicable, Registered ESPP Account during any period of suspension referred to in section 7.2 without such Member ceasing to be entitled to participate in this Plan or to make contributions to this Plan where, in the opinion of either the Chief Financial Officer or the Vice President People Resources, such action is necessary or desirable as a result of financial hardship being suffered by such Member. If either the Chief Financial Officer or the Vice President People Resources makes an authorization pursuant to this section 7.8, sections 7.3 and 7.4 will not apply to any withdrawal made in accordance with such authorization.

7.9 Withdrawal Following Termination of Employment

In the event of the termination of the employment of a Member with an Employer for any reason whatsoever (including death or disability), the Member will cease to be entitled to participate in this Plan as of the last day of active employment for the Member and all of the Common Shares, money and other property held in such Member's Non-Registered ESPP Account and Registered ESPP Account, as applicable, will be deemed to have been withdrawn by the Member within 60 days after the date on which such Member's employment is so terminated.

7.10 Withdrawal Following Change of Employment

In the event any Member participating in this Plan ceases to be a Full-Time Employee for any reason whatsoever (including disability), the Member will cease to be entitled to participate in this Plan and all of the Common Shares, money and other property held in such Member's Non-Registered ESPP Account and Registered ESPP Account, as applicable, will be deemed to have been withdrawn by the Member within 60 days after the date on which such Member ceases to be a Full-Time Employee.

7.11 Withdrawal Following Termination of Plan

In the event of the termination of this Plan, all of the Common Shares, money and other property held in each Member's Non-Registered ESPP Account and Registered ESPP Account, as applicable, will be deemed to have been withdrawn by the Member within 60 days after the date on which this Plan is terminated.

7.12 Fractional Share Interest on Withdrawal

All rights of a Member to a fraction of a Common Share upon any withdrawal of Common Shares from a Member's Registered ESPP will be satisfied by a cash payment in an amount equal to the value thereof as determined by the Trustee on the basis of the Market Value on the day on which such withdrawal is made. All rights of a Member to a fraction of a Common Share upon any withdrawal of Common Shares from a Member's Non-Registered ESPP will be satisfied by a cash payment in an amount equal to the value thereof as determined by the Administrator on the basis of the Market Value on the day on which such withdrawal is made.

7.13 Distribution Following Withdrawal – Non-Registered ESPP

Upon any withdrawal of Common Shares, money and other property by any Member from such Member's Non-Registered ESPP, the Member (or the Member's legal representatives) will be entitled to instruct the Administrator, in the manner required by the Administrator, to (i) sell any Common Shares so withdrawn in the open market, through the facilities of the Toronto Stock Exchange (or such other stock exchange as lululemon may designate from time to time) and remit the proceeds from such sale, net of related transaction expenses, to such Member; (ii) transfer any Common Shares so withdrawn to a self-directed investment account of the Member designated by the Member; or (iii) cause a share certificate registered in the name of such Member (or the Member's legal representatives) representing any such Common Shares so withdrawn to be sent to the Member. If the Member (or the Member's legal representatives) does not provide instructions to the Administrator within 60 days after the withdrawal, the Administrator will sell all Common Shares so withdrawn and remit the proceeds from such sale, net of related transaction expenses, together with all money and other property so withdrawn from such Member's Non-Registered ESPP, (i) by first class registered mail to such Member to the address specified by such Member by written notice delivered to the Administrator (or, failing such written notice, to the address of such Member as it appears on such Member's Non-Registered ESPP Account) or (ii) by direct deposit with such bank or financial institution, or utilizing such other alternate payment mechanism, as may have been authorized by the Member. In the event the Administrator receives evidence satisfactory to the Administrator of the appointment of one or more legal representatives of such Member or of the estate of such Member, the share certificate (if applicable), money and other property will be forwarded to the address specified by such personal representatives by written notice delivered to the Administrator (or, failing such written notice, to the address of such Member as it appears on such Member's Non-Registered ESPP Account).

7.14 Distribution Following Withdrawal – Registered ESPP

Upon any withdrawal of Common Shares, money and other property by any Member from such Member's Registered ESPP, the Member (or the Member's legal representatives) will be entitled to instruct the Trustee (or the Administrator, as agent for the Trustee), in the manner required by the Trustee or the Administrator, to (i) sell any Common Shares so withdrawn in the open market, through the facilities of the Toronto Stock Exchange (or such other stock exchange as lululemon may designate from time to time) and remit the proceeds from such sale, net of related transaction expenses, to such Member, or (ii) transfer any Common Shares so withdrawn to a self-directed investment account or registered retirement savings plan of the Member designated by the Member. If the Member (or the Member's legal representatives) does not provide instructions to the Trustee (or the Administrator as agent for the Trustee) within 60 days after the withdrawal, the Trustee will sell all Common Shares so withdrawn and remit the proceeds from such sale, net of related transaction expenses, to the Member, together with all money and other property withdrawn from such Member's Registered ESPP, (i) by first class registered mail to such Member to the address specified by such Member by written notice delivered to the Trustee (or, failing such written notice, to the address of such Member as it appears on such Member's Registered ESPP Account), or (ii) by direct deposit with such bank or financial institution, or utilizing such other alternate payment mechanism, as may have been authorized by the Member, all subject to the right of the Trustee to withhold and deduct taxes or other amounts, or sell Common Shares held on behalf of a Member, pursuant to section 7.16 and in accordance with the terms, conditions, rules and restrictions of the Declaration of Trust applicable in respect of such Member's Registered ESPP.

7.15 Compliance with Laws

lululemon may from time to time take such steps and require such documentation from Members that in its opinion are necessary or desirable to ensure compliance with all applicable laws, including (i) the applicable securities laws and regulations of Canada (including the provinces and territories thereof) and of the United States, and any political subdivision of either, and the bylaws, rules and regulations of any stock exchange or other organized market on which the Common Shares may from time to time be listed or traded and (ii) the withholding provisions of Applicable Tax Legislation. lululemon may also from time to time take such steps that in its opinion are necessary or desirable to restrict the transferability of any Common Shares withdrawn from this Plan in order to ensure such compliance.

7.16 Tax Withholding

The Trustee shall have the right to:

- (a) withhold and deduct from any payment to be made by the Trustee under this Plan any federal, provincial, local or other taxes and other amounts required by law to be withheld in respect of such payments; and
 - (b) sell any Common Shares held on behalf of any Member and use the proceeds from such sale to pay any federal, provincial, local or other taxes and other amounts required by law to be withheld in respect of any distribution to such Member under this Plan.
-

Article 8 — Temporary Suspension and Termination

8.1 Temporary Suspension

A Member may elect to suspend making contributions to this Plan effective as of the commencement of any month and for a period of not less than 3 months and not more than 12 months by giving written notice of such election to the Member's Employer not less than 10 days prior to the commencement of such month in the manner from time to time required by lululemon.

8.2 Restriction

No Member may elect to suspend making contributions to this Plan pursuant to section 8.1 more than once in any Year.

8.3 Short Term Leaves

A Member who ceases to perform the duties of the Member's position by virtue of being absent pursuant to a medical disability (short term disability, long term disability or Worker's Compensation leave), maternity or parental leave or pursuant to such other leave of absence as may be approved by the Member's Employer or required by law, may elect to suspend making contributions to this Plan effective as of the commencement of any month during such absence by giving written notice of such election to the Member's Employer not less than 10 days prior to the commencement of such month in the manner required by lululemon. In such case the Member must begin contributing to this Plan as soon as the Member returns to active employment.

8.4 Termination of Participation

A Member may elect to terminate the Member's participation in this Plan effective as of the commencement of any month by giving written notice of such election to the Member's Employer not less than 10 days prior to the commencement of such month in the manner from time to time required by lululemon. If a Member makes such election, the Member will cease to be entitled to participate in this Plan, or make contributions to this Plan, effective from and after the commencement of the month indicated in the notice, unless such Employee, if the Employee continues to be a Full-Time Employee eligible to do so, thereafter, subject to section 8.5, again enrolls in this Plan pursuant to section 3.1 or section 3.3.

8.5 Effect of Termination of Participation

In the event any Member ceases to participate in this Plan as provided in section 8.4, all of the Common Shares, money and other property held in such Member's Non-Registered ESPP Account and, if applicable, Registered ESPP Account, will be deemed to have been withdrawn by the Member within 60 days after the date such Member ceases to participate. In addition, in such event, the Employee will not be entitled to re-enrol or recommence participating in this Plan

prior to the first anniversary of the first day of the month following the month in which such Member ceased to be entitled to participate in this Plan.

8.6 Required Form

If a Member wishes to temporarily suspend making contributions to this Plan as contemplated in section 8.1 or to terminate the Member's participation in this Plan as contemplated by section 8.4, the Member must complete and submit to lululemon a suspension/termination form in the form and manner from time to time required by lululemon.

8.7 No Contributions

For greater certainty,

- (a) so long as a Member's contributions to this Plan are suspended, or
- (b) from and after the time a Member ceases to participate in this Plan,

contributions on behalf of such Member pursuant to sections 4.5 and 4.6 will also be suspended.

Article 9 — Administrator and Trustee

9.1 Administrator

Each of the Chief Financial Officer and the Vice President People Resources of lululemon shall have the authority to appoint an Administrator and service provider in connection with the administration of this Plan pursuant to the terms of an administration, trust, administrative services, plan services or other agreement in form and on terms and conditions approved by either the Chief Financial Officer or the Vice President People Resources.

9.2 Successor Administrator

lululemon will have the right at any time and from time to time to appoint any trust company or life insurance company authorized to carry on trust or deposit business or insurance business within British Columbia as a replacement Administrator and service provider in connection with the administration of this Plan pursuant to the terms of an administration, trust, administrative services, plan services or other agreement between lululemon and such trust company or insurance company in form and on terms and conditions approved by either the Chief Financial Officer or the Vice President People Resources of lululemon.

9.3 Amendment of Administration Agreement

lululemon will have the right at any time and from time to time to agree to any modification or amendment to the administration, trust, administrative services, plan services or other agreement referred to in sections 9.1 or 9.2 which is approved by either the Chief Financial Officer or the Vice President People Resources of lululemon.

9.4 Trustee

Each of the Chief Financial Officer and the Vice President People Resources of lululemon shall have the authority to appoint a Trustee, pursuant to the terms of a Sponsor Agreement between lululemon and the Trustee, in form and on terms and conditions approved by either the Chief Financial Officer or the Vice President People Resources.

9.5 Successor Trustee

lululemon will have the right at any time and from time to time to appoint any trust company authorized to carry on a trust business within the Province of British Columbia as a replacement Trustee to serve as trustee under this Plan in respect of the Registered ESPPs pursuant to the terms of an agreement between lululemon and such trust company in form and on terms and conditions approved by either the Chief Financial Officer or the Vice President People Resources of lululemon.

9.6 Amendment of Sponsor Agreement

lululemon will have the right at any time and from time to time to agree to any modification or amendment to the Sponsor Agreement or a trust agreement referred to in section 9.5 which is approved by either the Chief Financial Officer or the Vice President People Resources of lululemon.

Article 10 — Accounts and Records

10.1 Non-Registered ESPP Accounts

The Administrator will establish and maintain a separate account for each Member who is participating in a Non-Registered ESPP in which the Administrator will record:

- (a) contributions made by such Member pursuant to section 4.1 allocated to the Member's Non-Registered ESPP;
 - (b) contributions to such Member's Non-Registered ESPP made on behalf of such Member pursuant to section 4.6;
 - (c) interest or other earnings credited to such account;
 - (d) Common Shares purchased by the Administrator on behalf of such Member pursuant to section 5.4;
 - (e) dividends paid on any Common Shares held by the Administrator for the benefit of such Member;
 - (f) Common Shares, money or other property transferred from such account pursuant to Article 6; and
-

- (g) Common Shares, money and other property withdrawn from such account pursuant to Article 7.

10.2 Registered ESPP Accounts

The Trustee will establish and maintain a separate account for each Member who is a Canadian Employee who is participating in a Registered ESPP in which the Trustee will record:

- (a) contributions made by such Member pursuant to section 4.1 which are allocated to the Member's Registered ESPP;
- (b) contributions to such Member's Registered ESPP made on behalf of such Member pursuant to section 4.5;
- (c) interest or other earnings credited to such account;
- (d) Common Shares purchased by the Trustee in trust for the benefit of such Member pursuant to section 5.1;
- (e) dividends paid on any Common Shares held by the Trustee in trust for the benefit of such Member;
- (f) Common Shares, money and other property transferred to such account pursuant to Article 6; and
- (g) Common Shares, money and other property withdrawn from such account pursuant to Article 7.

10.3 Reporting – Non-Registered ESPP Accounts

Promptly after December 31 in each Year the Administrator will deliver to each Member who is participating in a Non-Registered ESPP a statement of the Common Shares, money and other property recorded in such Member's Non-Registered ESPP Account as of the last day of the immediately preceding month and such information concerning dividends, interest or other earnings credited to such Member's Non-Registered ESPP Account, Common Shares purchased by the Administrator on behalf of such Member pursuant to section 5.4, Common Shares transferred from such account pursuant to Article 6 and Common Shares withdrawn from such account pursuant to Article 7 (including proceeds from the sale of any Common Shares pursuant to section 7.13 and cash payments made in lieu of a fraction of a Common Share pursuant to section 7.12) and other matters as may be necessary to enable such Member to file returns in respect of such Year under Applicable Tax Legislation. The Administrator will complete any information slips or similar reporting as may be required under Applicable Tax Legislation.

10.4 Reporting – Registered ESPP Accounts

Promptly after December 31 in each Year the Trustee (or the Administrator as agent for the Trustee) will deliver to each Member who is a Canadian Employee who is participating in a Registered ESPP a statement of the Common Shares, money and other property recorded in such

Member's Registered ESPP Account as of the last day of the immediately preceding month and such information concerning dividends, interest or other earnings credited to such Member's Registered ESPP Account, Common Shares purchased by the Trustee in trust for the benefit of such Member pursuant to section 5.1, Common Shares transferred to such account pursuant to Article 6 and Common Shares withdrawn pursuant to Article 7 (including proceeds from the sale of any Common Shares pursuant to section 7.14 and cash payments made in lieu of a fraction of a Common Share pursuant to section 7.12) and other matters as may be necessary to enable such Member to file returns in respect of such Year under Applicable Tax Legislation.

Article 11 — Common Shares Subject to the Plan

11.1 Authorized Shares

The aggregate number of Common Shares available for purchase under the Plan will be 3,000,000, subject to adjustment pursuant to this Article 11.

11.2 Adjustments

The number of Common Shares available for purchase under the Plan will be automatically and proportionately adjusted for share dividends, share splits, share combinations, reorganizations and other similar events or transactions in a manner that reflects equitably the effects of such events or transactions.

Article 12 — Shareholder Materials

12.1 Shareholder Meeting Materials and Voting

So long as the Administrator or Trustee is holding Common Shares on behalf of a Member, the Administrator and Trustee (or the Administrator as agent for the Trustee) will cause the Member to be provided with a copy of the notice, information circular and proxy for each meeting of the shareholders of lululemon received by the Administrator and Trustee (or their nominees) as the registered holder of Common Shares together with an appropriate form on which the Member may indicate voting instructions to the Administrator or Trustee. Provided that the Member provides clear and timely instructions to the Administrator, or Trustee, as applicable, the Common Shares held by the Administrator and Trustee on behalf of a Member pursuant to this Plan will be voted by the Administrator and Trustee at each meeting of the shareholders of lululemon in accordance with such instructions of such Member.

12.2 Take-Over Bids, etc.

The Administrator and Trustee (or the Administrator as agent for the Trustee) will promptly advise all Members of take-over bids, issuer bids, rights offerings and other events notice of which is delivered to the Administrator and Trustee or their nominee as the registered holder of Common Shares and cause all Members to be provided with copies of all materials delivered by the offeror or lululemon to the Administrator or Trustee or their nominee in connection therewith.

Article 13 — Amendments and Termination

13.1 Amendments, Suspensions and Terminations of Plan

lululemon may at any time and from time to time amend, suspend or terminate this Plan in whole or in part as approved by resolution of the Board of Directors, provided that no such amendment, suspension or termination shall deprive any Member of any benefits that have accrued on or prior to the date thereof without the consent of the affected Member.

Article 14 — General

14.1 Agents

lululemon may from time to time appoint or engage accountants, lawyers and such other personnel as it deems necessary or advisable for the proper administration of this Plan.

14.2 Administrative Rules

lululemon may make administrative rules for the proper functioning of this Plan.

14.3 Interpretation

Save as expressly provided herein, the rights and obligations of a Member with respect to Common Shares, money and other property held by the Trustee pursuant to such Member's Registered ESPP will be as provided in the Declaration of Trust in respect of such Member. All questions arising as to the interpretation of this Plan (including any disputes or disagreements which may arise under, as a result of or in any way related to the application of this Plan) will be determined by the Chief Executive Officer, Chief Financial Officer or the Vice President People Resources of lululemon or such other officer of lululemon as the Chief Executive Officer may designate in writing to the Administrator and Trustee from time to time, and any such determination will be final, binding and conclusive for all purposes.

14.4 Governing Law

This Plan and the rights of the parties hereto will be construed and governed according to the laws of British Columbia.

14.5 Expenses

Except as otherwise provided herein, lululemon will pay all administrative expenses of this Plan, including fees of the Administrator and the Trustee and brokerage fees and commissions in respect of the purchase of Common Shares purchased by the Trustee or Administrator under this Plan. Members will be responsible for (i) brokerage fees and commissions and other transaction fees and expenses payable upon a sale by the Administrator or Trustee of Common Shares held under this Plan; (ii) transaction fees (including fees charged by the Administrator) payable upon a transfer of Common Shares held under this Plan to a self-directed investment account of a Member; and (iii) share certificate fees (including fees charged by the Administrator) payable in respect of share certificates delivered to a Member.

Outside Director Compensation Plan (a)

Annual Cash Retainer:

Board Member	\$30,000
Audit Committee Chair	\$10,000
Audit Committee Member	No additional compensation
Compensation Committee Chair	\$10,000
Compensation Committee Member	No additional compensation
Nominating Committee Chair	No additional compensation
Nominating Committee Member	No additional compensation

Additional Payments:

Attendance Fee for In Person Attendance at Board Meeting	\$1,000
Attendance Fee for Telephone Attendance at Board Meeting	\$500
Attendance Fee for Committee Meeting Attendance	\$500

Equity Grant Upon Initial Election or Appointment

New directors — on the date of initial election or appointment to the Board, new directors (other than directors elected at the annual meeting of stockholders who will receive the annual stock option grant and annual grant of restricted stock as set forth below) will be entitled to a pro-rata portion of the annual restricted stock award and option grant	Pro-Rata for Partial Year of Service Based on Date of Initial Election or Appointment, Relative to the Date of the Preceding Annual Meeting of Stockholders
---	---

Annual Stock Option Grant (b)

\$80,000

Annual Grant of Restricted Stock (c)

\$30,000

Expense Reimbursement — for travel, lodging and other reasonable out-of-pocket expenses incurred in attending board and committee meetings

All amounts listed above are in United States dollars.

- (a) Each member of the Board, other than a director employed by the Company, is entitled to receive compensation under this plan.
- (b) Each of these options will have an exercise price equal to the fair market value of the Company's common stock on the date of grant, a term of 10 years, and will vest 25% per year on each anniversary of the option grant date for 4 years.
- (c) Each share of restricted stock will be fully vested on the first anniversary of the grant date.

The number of shares issued for restricted stock awards and option grants shall equal the specified dollar value of the restricted stock or option award divided by the applicable per share or per option 123R charge as of the grant date as determined by the company for financial reporting purposes.

Timing of Director Compensation: Each Director shall receive an initial stock option grant and restricted stock award the day of the director's election or appointment to the board. Thereafter, on the date of each annual meeting of stockholders, each person who is either elected to the Board at the annual meeting or continues to serve on the Board upon the conclusion of the annual meeting will receive his or her annual stock option grant and restricted stock award. The cash retainer and other fees will be paid in arrears, quarterly or semi-annually at the Company's discretion.

I, Robert Meers, 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)) 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) 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
 - (c) 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.

Date: November 29, 2007

By: /s/ ROBERT MEERS

Robert Meers
Chief Executive Officer and Director
(Principal Executive Officer)

I, John E. Currie, 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)) 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) 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
 - (c) 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.

Date: November 29, 2007

By: /s/ JOHN E. CURRIE
John E. Currie
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

**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 three months ended July 31, 2007, 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.

Dated: November 29, 2007

/s/ ROBERT MEERS

Robert Meers
Chief Executive Officer and Director
(Principal Executive Officer)

/s/ JOHN E. CURRIE

John E. Currie
Chief Financial Officer
(Principal Financial Officer)

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.