

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

FORM 10-Q

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

For the Quarterly Period Ended April 30, 2022

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: 1-16497

MOVADO GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

New York
(State or Other Jurisdiction
of Incorporation or Organization)

650 From Road, Ste. 375
Paramus, New Jersey
(Address of Principal Executive Offices)

13-2595932
(IRS Employer
Identification No.)

07652-3556
(Zip Code)

(201) 267-8000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	MOV	New York Stock Exchange

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 that past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the registrant's Common Stock and Class A Common Stock as of May 23, 2022 were 16,031,854 and 6,524,805 respectively.

MOVADO GROUP, INC.
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April 30, 2022

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

MOVADO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	April 30, 2022	January 31, 2022	April 30, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 225,256	\$ 277,128	\$ 186,950
Trade receivables, net	92,744	91,558	78,584
Inventories	180,003	160,283	169,966
Other current assets	23,558	16,974	23,649
Income taxes receivable	3,421	7,941	24,305
Total current assets	524,982	553,884	483,454
Property, plant and equipment, net	18,434	19,470	20,599
Operating lease right-of-use assets	79,717	68,599	72,836
Deferred and non-current income taxes	42,854	42,596	41,528
Other intangibles, net	11,990	13,507	16,300
Other non-current assets	62,007	63,104	59,989
Total assets	\$ 739,984	\$ 761,160	\$ 694,706
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	\$ 44,140	\$ 46,011	\$ 34,595
Accrued liabilities	54,698	48,522	45,687
Accrued payroll and benefits	7,822	25,117	9,727
Current operating lease liabilities	16,588	13,693	15,413
Income taxes payable	15,141	18,123	9,128
Total current liabilities	138,389	151,466	114,550
Loans payable to bank	—	—	10,000
Deferred and non-current income taxes payable	19,385	19,614	21,280
Non-current operating lease liabilities	70,440	62,730	65,568
Other non-current liabilities	47,301	50,264	51,528
Total liabilities	275,515	284,074	262,926
Commitments and contingencies (Note 9)			
Redeemable noncontrolling interest	2,251	2,311	2,560
Equity:			
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; no shares issued	—	—	—
Common Stock, \$0.01 par value, 100,000,000 shares authorized; 28,771,219, 28,633,025 and 28,372,938 shares issued and outstanding, respectively	287	286	284
Class A Common Stock, \$0.01 par value, 30,000,000 shares authorized; 6,524,805, 6,524,805 and 6,560,509 shares issued and outstanding, respectively	65	65	65
Capital in excess of par value	224,708	222,615	215,890
Retained earnings	424,160	413,587	346,408
Accumulated other comprehensive income	75,032	85,295	89,406
Treasury Stock, 12,673,763, 12,266,978 and 11,558,546 shares, respectively, at cost	(264,602)	(249,040)	(225,276)
Total Movado Group, Inc. shareholders' equity	459,650	472,808	426,777
Noncontrolling interest	2,568	1,967	2,443
Total equity	462,218	474,775	429,220
Total liabilities, redeemable noncontrolling interest and equity	\$ 739,984	\$ 761,160	\$ 694,706

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended April 30,	
	2022	2021
Net sales	\$ 163,424	\$ 134,798
Cost of sales	66,739	60,596
Gross profit	96,685	74,202
Selling, general and administrative	71,391	60,946
Operating income	25,294	13,256
Non-operating income/(expense):		
Other income	83	100
Interest expense	(112)	(275)
Income before income taxes	25,265	13,081
Provision for income taxes (Note 10)	6,011	3,330
Net income	19,254	9,751
Less: Net income attributable to noncontrolling interests	741	342
Net income attributable to Movado Group, Inc.	<u>\$ 18,513</u>	<u>\$ 9,409</u>
Basic income per share:		
Weighted basic average shares outstanding	22,840	23,320
Net income per share attributable to Movado Group, Inc.	\$ 0.81	\$ 0.40
Diluted income per share:		
Weighted diluted average shares outstanding	23,397	23,741
Net income per share attributable to Movado Group, Inc.	\$ 0.79	\$ 0.40

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended April 30,	
	2022	2021
Net income	\$ 19,254	\$ 9,751
Other comprehensive income/(loss):		
Net unrealized (loss)/gain on investments, net of tax (benefit)/provision of (\$2) and \$14, respectively	(5)	41
Cash flow hedges:		
Accumulated other comprehensive income before reclassification, net of tax provision of \$271 and \$0	1,367	-
Amounts reclassified from accumulated other comprehensive income/(loss), net of tax benefit of (\$28) and \$0	(139)	-
Amortization of prior service cost, net of tax provision of \$4 and \$4, respectively	14	14
Foreign currency translation adjustments	(11,500)	(3,189)
Total other comprehensive loss, net of taxes	(10,263)	(3,134)
Less:		
Comprehensive income/(loss) attributable to noncontrolling interests:		
Net income	741	342
Foreign currency translation adjustments	(200)	(9)
Total comprehensive income attributable to noncontrolling interests	\$ 541	\$ 333
Total comprehensive income attributable to Movado Group, Inc.	\$ 8,450	\$ 6,284

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended April 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 19,254	\$ 9,751
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,932	3,173
Transactional (gains)/losses	(340)	(795)
Provision for inventories and accounts receivable	661	776
Deferred income taxes	(491)	354
Stock-based compensation	1,343	1,554
Other	66	57
Changes in assets and liabilities:		
Trade receivables	(3,512)	(1,896)
Inventories	(24,286)	(19,525)
Other current assets	(5,570)	(194)
Accounts payable	(689)	6,898
Accrued liabilities	6,103	(3,594)
Accrued payroll and benefits	(17,073)	(8,234)
Income taxes receivable	5,116	544
Income taxes payable	(3,765)	(5,261)
Other non-current assets	(672)	610
Other non-current liabilities	171	409
Net cash used in operating activities	<u>(20,752)</u>	<u>(15,373)</u>
Cash flows from investing activities:		
Capital expenditures	(1,381)	(407)
Long-term investments	(1,850)	-
Trademarks and other intangibles	(22)	(44)
Net cash used in investing activities	<u>(3,253)</u>	<u>(451)</u>
Cash flows from financing activities:		
Repayment of bank borrowings	—	(11,140)
Dividends paid	(7,940)	(6,962)
Stock repurchase	(14,439)	(316)
Stock awards and options exercised and other changes	(405)	(1,385)
Other	(85)	—
Net cash used in financing activities	<u>(22,869)</u>	<u>(19,803)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(5,026)	(1,249)
Net decrease in cash, cash equivalents and restricted cash	(51,900)	(36,876)
Cash, cash equivalents, and restricted cash at beginning of year	277,716	224,423
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 225,816</u>	<u>\$ 187,547</u>
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 225,256	\$ 186,950
Restricted cash included in other non-current assets	560	597
Cash, cash equivalents, and restricted cash	<u>\$ 225,816</u>	<u>\$ 187,547</u>

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The accompanying interim unaudited Consolidated Financial Statements have been prepared by Movado Group, Inc. (the “Company”), in a manner consistent with that used in the preparation of the annual audited Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended January 31, 2022 (the “2022 Annual Report on Form 10-K”). The unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the unaudited Consolidated Financial Statements and the reported amounts of revenues and expenses during the periods reported. Actual results could differ from those estimates. In the opinion of management, the accompanying unaudited Consolidated Financial Statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair statement of the financial position and results of operations for the periods presented. The consolidated balance sheet data at January 31, 2022 is derived from the audited annual financial statements, which are included in the Company’s 2022 Annual Report on Form 10-K and should be read in connection with these interim unaudited financial statements. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

NOTE 2 – IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic and related public health measures materially impacted the Company’s operating results for the fiscal year ended January 31, 2021 and continue to affect how the Company and its customers and suppliers operate their businesses. Various containment and mitigation measures that have at times been imposed by governmental and other authorities around the world have adversely affected sales of our products and our supply chain.

Although the COVID-19 pandemic's adverse impact on the Company has significantly diminished in recent quarters, the pandemic is expected to continue to affect the Company’s results of operations for the foreseeable future due to impacts on supply chains, shipping operations, consumer behavior, spending levels, shopping preferences and tourism.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

In November 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2021-10, “Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance”, which aims to increase the transparency of government assistance and grants. The ASU requires additional annual disclosures pertaining to the types of received government assistance, accounting for the transactions and the related impacts on the reported financial results. This standard is effective for financial statements issued for annual periods beginning after December 15, 2021, but early adoption is permitted. The Company does not expect this standard to have a material impact on the Consolidated Financial Statements or related disclosures.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”. This guidance provides practical expedients for contract modifications and certain hedging relationships associated with the transition from reference rates that are expected to be discontinued. This guidance is applicable for the Company’s borrowing instruments, which use LIBOR as a reference rate, and is effective immediately, but is only available through December 31, 2022. The Company is evaluating the optional expedients and exceptions in the guidance and while transition from LIBOR could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, derivatives or other financial instruments or extensions held by or due, the Company does not expect such nor the adoption of this standard to have a material impact on its Consolidated Financial Statements.

NOTE 4 – EARNINGS PER SHARE AND CASH DIVIDENDS

The Company presents net income attributable to Movado Group, Inc. after adjusting for noncontrolling interests, as applicable, per share on a basic and diluted basis. Basic earnings per share is computed using weighted-average shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of shares outstanding adjusted for dilutive common stock equivalents.

The number of shares used in calculating basic and diluted earnings (loss) per share is as follows (in thousands):

	Three Months Ended April 30,	
	2022	2021
Weighted average common shares outstanding:		
Basic	22,840	23,320
Effect of dilutive securities:		
Stock awards and options to purchase shares of common stock	557	421
Diluted	<u>23,397</u>	<u>23,741</u>

For the three months ended April 30, 2022 and 2021, approximately 170,000 and 536,000, respectively, of potentially dilutive common stock equivalents were excluded from the computation of diluted earnings per share because their effect would have been antidilutive.

On March 24, 2022, the Company declared a quarterly cash dividend of \$0.35 per share payable on April 20, 2022, to shareholders of record on April 6, 2022. The total dividend of \$7.9 million was paid on April 20, 2022. On March 25, 2021, the Company declared a quarterly cash dividend of \$0.20 per share payable on April 21, 2021, to shareholders of record on April 7, 2021. The total dividend of \$4.6 million was paid on April 21, 2021. In addition, the Company paid a cash dividend on February 5, 2021 in the amount of \$2.3 million to shareholders of record on January 21, 2021 of \$0.10 per share.

NOTE 5 – INVENTORIES

Inventories consisted of the following (in thousands):

	April 30, 2022	January 31, 2022	April 30, 2021
Finished goods	\$ 146,655	\$ 128,119	\$ 132,418
Component parts	30,896	29,759	33,292
Work-in-process	2,452	2,405	4,256
	<u>\$ 180,003</u>	<u>\$ 160,283</u>	<u>\$ 169,966</u>

The Company has corrected the previously disclosed April 30, 2021 balances of Finished goods and Component parts to increase Finished goods by \$8.6 million and reduce Component parts by a corresponding amount.

NOTE 6 – DEBT AND LINES OF CREDIT

On October 12, 2018, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (together with the Company, the “U.S. Borrowers”), each a wholly owned domestic subsidiary of the Company, and Movado Watch Company S.A. and MGI Luxury Group S.A. (collectively, the “Swiss Borrowers” and, together with the U.S. Borrowers, the “Borrowers”), each a wholly owned Swiss subsidiary of the Company, entered into an Amended and Restated Credit Agreement (as subsequently amended, the “Credit Agreement”) with the lenders party thereto and Bank of America, N.A. as administrative agent (in such capacity, the “Agent”). The Credit Agreement provides for a \$100.0 million senior secured revolving credit facility (the “Facility”) and has a maturity date of October 28, 2026. The Facility includes a \$15.0 million letter of credit subfacility, a \$25.0 million swingline subfacility and a \$75.0 million sublimit for borrowings by the Swiss Borrowers, with provisions for uncommitted increases to the Facility of up to \$50.0 million in the aggregate subject to customary terms and conditions. The Credit Agreement contains affirmative and negative covenants binding on the Company and its subsidiaries that are customary for credit facilities of this type, including, but not limited to, restrictions and limitations on the incurrence of debt and liens, dispositions of assets, capital expenditures, dividends and other payments in respect of equity interests, the making of loans and equity investments, mergers, consolidations, liquidations and dissolutions, and transactions with affiliates (in each case, subject to various exceptions).

The borrowings under the Facility are joint and several obligations of the Borrowers and are also cross-guaranteed by each Borrower, except that the Swiss Borrowers are not liable for, nor do they guarantee, the obligations of the U.S. Borrowers. In addition, the Borrowers’ obligations under the Facility are secured by first priority liens, subject to permitted liens, on substantially all of the U.S. Borrowers’ assets other than certain excluded assets. The Swiss Borrowers do not provide collateral to secure the obligations under the Facility.

As of April 30, 2022, and April 30, 2021, there was zero and \$10.0 million (zero in Swiss Francs), respectively, in loans outstanding under the Facility. Availability under the Facility was reduced by the aggregate number of letters of credit outstanding, issued in connection with retail and operating facility leases to various landlords and for Canadian payroll to the Royal Bank of Canada, totaling approximately \$0.3 million at both April 30, 2022 and April 30, 2021. At April 30, 2022, the letters of credit have expiration dates through May 31, 2022. As of April 30, 2022, and April 30, 2021, availability under the Facility was \$99.7 million and \$89.7 million, respectively.

The Company had weighted average borrowings under the Facility of zero and \$13.1 million during the three months ended April 30, 2022 and 2021, respectively, with a weighted average interest rate of 3.21% during the three months ended April 30, 2021.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified maturity with a Swiss bank. As of April 30, 2022, and 2021, these lines of credit totaled 6.5 million Swiss Francs for both periods, with a dollar equivalent of \$6.7 million and \$7.1 million, respectively. As of April 30, 2022, and 2021, there were no borrowings against these lines. As of April 30, 2022 and 2021, two European banks had guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the dollar equivalent of \$1.2 million and \$1.3 million, respectively, in various foreign currencies, of which \$0.6 million, in both periods, was a restricted deposit as it relates to lease agreements.

Cash paid for interest, including unused commitments fees, was \$0.1 million and \$0.2 million for the three-month periods ended April 30, 2022 and April 30, 2021, respectively.

NOTE 7 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company addresses certain financial exposures that include the use of derivative financial instruments. The Company enters into foreign currency forward contracts to reduce the effects of fluctuating foreign currency exchange rates. As of April 30, 2022, the Company's net forward contracts hedging portfolio designated as qualified cash flow hedging instruments consisted of 38.0 million Euros equivalent with various expiry dates ranging through October 21, 2022. The net gain or loss on the derivatives is reported as a component of accumulated other comprehensive income/(loss) and reclassified into earnings in the same period during which the hedged transaction affects earnings using the same revenue or expense category that the hedged item impacted. The Company also enters into foreign currency forward contracts not designated as qualified hedges in accordance with ASC 815, *Derivatives and Hedging*. As of April 30, 2022, the Company's net forward contracts hedging portfolio not designated as qualified hedges consisted of 9.4 million Chinese Yuan equivalent, 36.0 million Swiss Francs equivalent, 21.9 million US dollars equivalent, 15.2 million Euros equivalent and 1.0 million British Pounds equivalent with various expiry dates ranging through October 20, 2022. Changes in the fair value of these derivatives are recognized in earnings in the period they arise. Net gains or losses related to these forward contracts are included in cost of sales, selling and general and administrative expenses in the Consolidated Statements of Operations. The cash flows related to these foreign currency contracts are classified in operating activities.

The following table presents the fair values of the Company's derivative financial instruments included in the consolidated balance sheets as of April 30, 2022, January 31, 2022 and April 30, 2021 (in thousands):

	Asset Derivatives			Liability Derivatives				
	Balance Sheet Location	April 30, 2022 Fair Value	January 31, 2022 Fair Value	April 30, 2021 Fair Value	Balance Sheet Location	April 30, 2022 Fair Value	January 31, 2022 Fair Value	April 30, 2021 Fair Value
Derivatives designated as hedging instruments:								
Foreign Exchange Contracts	Other Current Assets	\$ 1,761	\$ 154	\$ —	Accrued Liabilities	\$ —	\$ 30	\$ —
Total Derivative Instruments		<u>\$ 1,761</u>	<u>\$ 154</u>	<u>\$ —</u>		<u>\$ —</u>	<u>\$ 30</u>	<u>\$ —</u>

	Asset Derivatives			Liability Derivatives				
	Balance Sheet Location	April 30, 2022 Fair Value	January 31, 2022 Fair Value	April 30, 2021 Fair Value	Balance Sheet Location	April 30, 2022 Fair Value	January 31, 2022 Fair Value	April 30, 2021 Fair Value
Derivatives not designated as hedging instruments:								
Foreign Exchange Contracts	Other Current Assets	\$ —	\$ 43	\$ 130	Accrued Liabilities	\$ 1,327	\$ 140	\$ 74
Total Derivative Instruments		<u>\$ —</u>	<u>\$ 43</u>	<u>\$ 130</u>		<u>\$ 1,327</u>	<u>\$ 140</u>	<u>\$ 74</u>

As of April 30, 2022, January 31, 2022 and April 30, 2021, the balance of net deferred gains on derivative financial instruments designated as cash flow hedges included in accumulated other comprehensive income were \$1.4 million, \$0.2 million and zero, respectively. For the three months ended April 30, 2022, the Company reclassified \$0.1 million from accumulated other comprehensive income to Net sales in the Consolidated Statements of Operations. For the three months ended April 30, 2021, the Company did not have any cash flow hedges. No ineffectiveness has been recorded for the three months ended April 30, 2022.

See Note 8 - Fair Value Measurements for fair value and presentation in the Consolidated Balance Sheets for derivatives.

NOTE 8 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting guidance establishes a fair value hierarchy which prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 – Unobservable inputs based on the Company’s assumptions.

The guidance requires the use of observable market data if such data is available without undue cost and effort.

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of April 30, 2022 and 2021 and January 31, 2022 (in thousands):

	Balance Sheet Location	Fair Value at April 30, 2022			
		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale securities	Other current assets	\$ 242	\$ —	\$ —	\$ 242
Short-term investment	Other current assets	162	—	—	162
SERP assets - employer	Other non-current assets	802	—	—	802
SERP assets - employee	Other non-current assets	44,283	—	—	44,283
Defined benefit plan assets	Other non-current assets	—	—	26,174	26,174
Hedge derivatives	Other current assets	—	1,761	—	1,761
Total		<u>\$ 45,489</u>	<u>\$ 1,761</u>	<u>\$ 26,174</u>	<u>\$ 73,424</u>
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	\$ 44,283	\$ —	\$ —	\$ 44,283
Hedge derivatives	Accrued liabilities	—	1,327	—	1,327
Total		<u>\$ 44,283</u>	<u>\$ 1,327</u>	<u>\$ —</u>	<u>\$ 45,610</u>

	Balance Sheet Location	Fair Value at January 31, 2022			Total
		Level 1	Level 2	Level 3	
Assets:					
Available-for-sale securities	Other current assets	\$ 249	\$ —	\$ —	\$ 249
Short-term investment	Other current assets	164	—	—	164
SERP assets - employer	Other non-current assets	772	—	—	772
SERP assets - employee	Other non-current assets	47,261	—	—	47,261
Defined benefit plan assets	Other non-current assets	—	—	29,096	29,096
Hedge derivatives	Other current assets	—	197	—	197
Total		\$ 48,446	\$ 197	\$ 29,096	\$ 77,739
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	\$ 47,261	\$ —	\$ —	\$ 47,261
Hedge derivatives	Accrued liabilities	—	170	—	170
Total		\$ 47,261	\$ 170	\$ —	\$ 47,431

	Balance Sheet Location	Fair Value at April 30, 2021			Total
		Level 1	Level 2	Level 3	
Assets:					
Available-for-sale securities	Other current assets	\$ 240	\$ —	\$ —	\$ 240
Short-term investment	Other current assets	169	—	—	169
SERP assets - employer	Other non-current assets	740	—	—	740
SERP assets - employee	Other non-current assets	47,346	—	—	47,346
Defined benefit plan assets	Other non-current liabilities	—	—	25,723	25,723
Hedge derivatives	Other current assets	—	130	—	130
Total		\$ 48,495	\$ 130	\$ 25,723	\$ 74,348
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	\$ 47,346	\$ —	\$ —	\$ 47,346
Hedge derivatives	Accrued liabilities	—	74	—	74
Total		\$ 47,346	\$ 74	\$ —	\$ 47,420

The fair values of the Company's available-for-sale securities are based on quoted market prices. The fair value of the short-term investment, which is a guaranteed investment certificate, is based on its purchase price plus one half of a percent calculated annually. The assets related to the Company's defined contribution supplemental executive retirement plan ("SERP") consist of both employer (employee unvested) and employee assets which are invested in investment funds with fair values calculated based on quoted market prices. The SERP liability represents the Company's liability to the employees in the plan for their vested balances. The hedge derivatives consist of cash flow hedging instruments and forward contracts (see Note 7 for further discussion) and are entered into by the Company principally to reduce its exposure to Swiss Franc and Euro exchange rate risks. Fair values of the Company's hedge derivatives are calculated based on quoted foreign exchange rates and quoted interest rates. The carrying amount of debt approximated fair value as of April 30, 2021, due to the availability and floating rate for similar instruments.

The Company sponsors a defined benefit pension plan in Switzerland. The plan covers certain international employees and is based on years of service and compensation on a career-average pay basis. The assets within the plan are classified as a Level 3 asset within the fair value hierarchy and consist of an investment in pooled assets and include separate employee accounts that are invested in equity securities, debt securities and real estate. The values of the separate accounts invested are based on values provided by the administrator of the funds that cannot be readily derived from or corroborated by observable market data. The value of the assets is part of the funded status of the defined benefit plan and included in other non-current assets at April 30, 2022 and January 31, 2022 and other non-current liabilities in the consolidated balance sheets at April 30, 2021.

There were no transfers between any levels of the fair value hierarchy for any of the Company's fair value measurements.

Investments Without Readily Determinable Fair Values

From time to time the Company may make minority investments in growth companies in the consumer products sector and other sectors relevant to its business, including certain of the Company's suppliers and customers, as well as in venture capital funds that invest in companies in media, entertainment, information technology and technology-related fields and in digital assets. During fiscal 2022, the Company invested approximately \$2.0 million and during the first quarter of fiscal 2023, the Company invested an additional \$1.8 million in venture capital funds (see Note 9 - Commitments and Contingencies for discussion of commitments made related to venture capital funds). The Company will regularly evaluate the carrying value of its investments. There were no adjustments to the original cost value during the three months ended April 30, 2023. The carrying value of the investments are recorded in Other non-current assets in the Consolidated Balance Sheets at April 30, 2022 and January 31, 2022.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Company has minimum commitments related to the Company's license agreements and endorsement agreements with brand ambassadors. The Company sources, distributes, advertises and sells watches and jewelry pursuant to its exclusive license agreements with unaffiliated licensors. Royalty amounts under the license agreements are generally based on a stipulated percentage of revenues, although most of these agreements contain provisions for the payment of minimum annual royalty amounts. The license agreements have various terms, and some have renewal options, provided that minimum sales levels are achieved. Additionally, the license agreements require the Company to pay minimum annual advertising amounts.

The Company believes that income tax reserves are adequate; however, amounts asserted by taxing authorities could be greater or less than amounts accrued and reflected in the consolidated balance sheet. Accordingly, the Company could record adjustments to the amounts for federal, state, and foreign liabilities in the future as the Company revises estimates or settles or otherwise resolves the underlying matters. In the ordinary course of business, the Company may take new positions that could increase or decrease unrecognized tax benefits in future periods.

In December 2016, U.S. Customs and Border Protection ("U.S. Customs") issued an audit report concerning the methodology used by the Company to allocate the cost of certain watch styles imported into the U.S. among the component parts of those watches for tariff purposes. The report disputes the reasonableness of the Company's historical allocation formulas and proposes an alternative methodology that would imply \$5.1 million in underpaid duties over the five-year period covered by the statute of limitations, plus possible penalties and interest. The Company believes that U.S. Customs' alternative duty methodology and estimate are not consistent with the Company's facts and circumstances and is disputing U.S. Customs' position. Since February 2017, the Company has been providing U.S. Customs with supplemental analyses and information in response to U.S. Customs' information requests. Most recently, the Company received summonses from U.S. Customs in December 2020 requesting additional information regarding component part costs and the Company's procedures for allocating the value of imported watches among the component parts. The Company responded to these summonses in January 2021. Although the Company disagrees with U.S. Customs' position and believes that the information it has provided supports the reasonableness of its historical allocation formulas, it cannot predict with any certainty the outcome of this matter. The Company intends to continue to work with U.S. Customs to reach a mutually satisfactory resolution.

Starting in July 2018, the Trump administration announced a series of lists covering thousands of categories of Chinese origin products subject to potential U.S. special tariffs, including watches. U.S. Customs subsequently issued various rulings regarding, among other things, the application of the special tariffs to China-sourced components of watches containing non-Chinese movements. A U.S. Customs ruling effective August 1, 2021 holds that the special tariff does not apply to China-sourced watch cases that are imported as part of a watch containing a non-Chinese movement. Pending greater clarity on the retroactive effect of this ruling, for the time being the Company continues to maintain an accrual for Chinese watch case imports prior to August 1, 2021.

The acquisition of MVMT Watches, Inc in October 2018, included two future contingent payments based on the MVMT brand achieving certain revenue and EBITDA (as defined in the acquisition agreement) targets that combined could total up to \$100 million. In connection therewith, the Company had recorded a non-current liability of \$16.5 million as of the date of acquisition to reflect the estimated fair value of the contingent purchase price. \$14.5 million was allocated to the purchase price and \$2.0 million to deferred compensation expense based on future employee service requirements. Based on updated revenue and EBITDA (as defined in the acquisition agreement) performance expectations during the earn-out period for MVMT, the Company remeasured the contingent consideration to zero at January 31, 2020.

From time to time the Company may make minority investments in growth companies in the consumer products sector and other sectors relevant to its business, including certain of the Company's suppliers and customers, as well as in venture capital funds that invest in companies in media, entertainment, information technology and technology-related fields and in digital assets. During fiscal 2022, the Company committed to invest up to \$21.5 million in such investments. The Company funded approximately \$2.0 million of these commitments in fiscal 2022 and an additional \$1.8 million during the first quarter of fiscal 2023 and may be called upon to satisfy capital

calls in respect of the remaining \$17.7 million in such commitments at any time during a period generally ending ten years after the first capital call in respect of a given commitment.

The Company is involved in legal proceedings and claims from time to time, in the ordinary course of its business. Legal reserves are recorded in accordance with the accounting guidance for contingencies. Contingencies are inherently unpredictable and it is possible that results of operations, balance sheets or cash flows could be materially and adversely affected in any particular period by unfavorable developments in, or resolution or disposition of, such matters. For those legal proceedings and claims for which the Company believes that it is probable that a reasonably estimable loss may result, the Company records a reserve for the potential loss. For proceedings and claims where the Company believes it is reasonably possible that a loss may result that is materially in excess of amounts accrued for the matter, the Company either discloses an estimate of such possible loss or range of loss or includes a statement that such an estimate cannot be made. As of April 30, 2022, the Company is party to legal proceedings and contingencies, the resolution of which is not expected to materially affect its financial condition, future results of operations beyond the amounts accrued, or cash flows.

NOTE 10 – INCOME TAXES

The Company recorded an income tax provision of \$6.0 million and \$3.3 million for the three months ended April 30, 2022 and 2021, respectively.

The effective tax rate was 23.8% and 25.5% for the three months ended April 30, 2022 and 2021, respectively. The significant components of the effective tax rate changed primarily due to the release of certain foreign valuation allowances in the current year as compared to the recording of certain foreign valuation allowances in the prior year, partially offset by return to provision adjustments.

At April 30, 2022, the Company had no deferred tax liability for the undistributed foreign earnings of approximately \$197.5 million because the Company intends to permanently reinvest such earnings in its foreign operations. It is not practicable to estimate the tax liability related to a future distribution of these permanently reinvested foreign earnings.

NOTE 11 – EQUITY

The components of equity for the three months ended April 30, 2022 and 2021 are as follows (in thousands):

Movado Group, Inc. Shareholders' Equity										
	Preferred Stock	Common Stock (1)	Class A Common Stock (2)	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensiv e Income	Treasury Stock	Noncontrolling Interest	Total Movado Group, Inc. Shareholders ' Equity	Redeemable Noncontrolling Interest
Balance, January 31, 2022	\$ —	\$ 286	\$ 65	\$ 222,615	\$ 413,587	\$ 85,295	\$ (249,040)	\$ 1,967	\$ 474,775	\$ 2,311
Net income attributable to Movado Group, Inc.					18,513			622	19,135	119
Dividends (\$0.35 per share)					(7,940)				(7,940)	
Stock options exercised		1		717			(1,123)		(405)	
Stock repurchase							(14,439)		(14,439)	
Supplemental executive retirement plan				33					33	
Stock-based compensation expense				1,343					1,343	
Net unrealized loss on investments, net of tax benefit of (\$2)						(5)			(5)	
Net change in effective portion of hedging contracts, net of tax provision of \$243						1,228			1,228	
Amortization of prior service cost, net of tax provision of \$4						14			14	
Foreign currency translation adjustment (3)						(11,500)		(21)	(11,521)	(179)
Balance, April 30, 2022	<u>\$ —</u>	<u>\$ 287</u>	<u>\$ 65</u>	<u>\$ 224,708</u>	<u>\$ 424,160</u>	<u>\$ 75,032</u>	<u>\$ (264,602)</u>	<u>\$ 2,568</u>	<u>\$ 462,218</u>	<u>\$ 2,251</u>
									Total Movado Group, Inc. Shareholders ' Equity	Redeemable Noncontrolling Interest
Balance, January 31, 2021	\$ —	\$ 281	\$ 65	\$ 214,043	\$ 341,641	\$ 92,540	\$ (223,306)	\$ 2,070	\$ 427,334	\$ 2,600
Net income/(loss) attributable to Movado Group, Inc.					9,409			353	9,762	(11)
Dividends (\$0.20 per share)					(4,642)				(4,642)	
Stock options exercised		3		266			(1,654)		(1,385)	
Stock repurchase							(316)		(316)	
Supplemental executive retirement plan				27					27	
Stock-based compensation expense				1,554					1,554	
Net unrealized gain on investments, net of tax provision of \$14						41			41	
Amortization of prior service cost, net of tax provision of \$4						14			14	
Foreign currency translation adjustment (3)						(3,189)		20	(3,169)	(29)
Balance, April 30, 2021	<u>\$ —</u>	<u>\$ 284</u>	<u>\$ 65</u>	<u>\$ 215,890</u>	<u>\$ 346,408</u>	<u>\$ 89,406</u>	<u>\$ (225,276)</u>	<u>\$ 2,443</u>	<u>\$ 429,220</u>	<u>\$ 2,560</u>

- (1) Each share of common stock is entitled to one vote per share on all matters submitted to a vote of the shareholders.
- (2) Each share of class A common stock is entitled to 10 votes per share on all matters submitted to a vote of the shareholders. Each holder of class A common stock is entitled to convert, at any time, any and all of such shares into the same number of shares of common stock. Each share of class A common stock is converted automatically into common stock in the event that the beneficial or record ownership of such shares of class A common stock is transferred to any person, except to certain family members or affiliated persons deemed "permitted transferees" pursuant to the Company's Restated Certificate of Incorporation, as amended. The class A common stock is not publicly traded, and consequently, there is currently no established public trading market for these shares.
- (3) The currency translation adjustment is not adjusted for income taxes to the extent that it relates to permanent investments of earnings in international subsidiaries.

NOTE 12 – TREASURY STOCK

On March 25, 2021, the Board approved a share repurchase program under which the Company is authorized to purchase up to \$25.0 million of its outstanding common stock through September 30, 2022, depending on market conditions, share price and other factors. On November 23, 2021, the Board approved a share repurchase program under which the Company is authorized to purchase up to an additional \$50.0 million of its outstanding common stock through November 23, 2024, depending on market conditions, share price and other factors. Under both current share repurchase programs, the Company is permitted to purchase shares of its common stock from time to time through open market purchases, repurchase plans, block trades or otherwise.

During the three months ended April 30, 2022, the Company repurchased a total of 378,380 shares of its common stock under the March 25, 2021 share repurchase program and November 23, 2021 share repurchase program at a total cost of \$14.4 million, or an average of \$38.16 per share. During the three months ended April 30, 2021, the Company repurchased a total of 11,235 shares of its common stock under the March 25, 2021 share repurchase program at a total cost of \$0.3 million, or an average of \$28.11 per share.

At April 30, 2022, zero remains available for purchase under the Company's March 25, 2021 repurchase program and \$38.0 million remains available for purchase under the Company's November 23, 2021 repurchase program.

There were 28,405 and 54,720 shares of common stock repurchased during the three months ended April 30, 2022 and 2021, respectively, as a result of the surrender of shares in connection with the vesting of certain stock awards. At the election of an employee, shares having an aggregate value on the vesting date equal to the employee's withholding tax obligation may be surrendered to the Company.

NOTE 13 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The accumulated balances at April 30, 2022 and 2021, and January 31, 2022, related to each component of accumulated other comprehensive income (loss) are as follows (in thousands):

	April 30, 2022	January 31, 2022	April 30, 2021
Foreign currency translation adjustments	\$ 73,225	\$ 84,725	\$ 89,977
Available-for-sale securities	167	172	165
Hedging contracts	1,422	194	—
Unrecognized prior service cost related to defined benefit pension plan	(273)	(287)	(330)
Net actuarial gain/(loss) related to defined benefit pension plan	491	491	(406)
Total accumulated other comprehensive income	<u>\$ 75,032</u>	<u>\$ 85,295</u>	<u>\$ 89,406</u>

Amounts reclassified from accumulated other comprehensive income (loss) to operating income in the Consolidated Statements of Operations during the three months ended April 30, 2022 and April 30, 2021 were \$0.1 million and zero, respectively.

NOTE 14 – REVENUE

Disaggregation of Revenue

The following table presents the Company's net sales disaggregated by customer type. Sales and usage-based taxes are excluded from net sales (in thousands):

Customer Type	For the Three Months Ended April 30,	
	2022	2021
Wholesale	\$ 128,617	\$ 99,403
Direct to consumer	33,748	34,686
After-sales service	1,059	709
Net Sales	<u>\$ 163,424</u>	<u>\$ 134,798</u>

The Company's revenue from contracts with customers is recognized at a point in time. The Company's net sales disaggregated by geography are based on the location of the Company's customer (see Note 16 – Segment and Geographic Information).

Wholesale Revenue

The Company's wholesale revenue consists primarily of revenues from independent distributors, department stores, chain stores, independent jewelry stores and third-party e-commerce retailers. The Company recognizes and records its revenue when obligations under the terms of a contract with the customer are satisfied, and control is transferred to the customer. Transfer of control passes to wholesale customers upon shipment or upon receipt depending on the agreement with the customer and shipping terms. Wholesale revenue is measured as the amount of consideration the Company ultimately expects to receive in exchange for transferring goods. Wholesale revenue is included entirely within the Watch and Accessory Brands segment (see Note 16 – Segment and Geographic Information), consistent with how management makes decisions regarding the allocation of resources and performance measurement.

Direct to Consumer Revenue

The Company's direct to consumer revenue primarily consists of revenues from the Company's outlet stores, the Company's owned e-commerce websites and concession stores, and consumer repairs. The Company recognizes and records its revenue when obligations under the terms of a contract with the customer are satisfied, and control is transferred to the customer. Control passes to outlet store customers at the time of sale and to substantially all e-commerce upon shipment. Direct to Consumer revenue is included in either the Watch and Accessory Brands segment or Company Stores Segment based on how the Company makes decisions about the allocation of resources and performance measurement. Revenue derived from outlet stores and related e-commerce is included within the Company Stores Segment. Other Direct to Consumer revenue (i.e., revenue derived from other Company-owned e-commerce websites, concession stores and consumer repairs) is included within the Watch and Accessory Brands segment. (See Note 16 – Segment and Geographic Information).

After-Sales Service

All watches sold by the Company come with limited warranties covering the movement against defects in materials and workmanship.

The Company's after-sales service revenues consists of out of warranty service provided to customers and authorized third party repair centers, and sale of watch parts. The Company recognizes and records its revenue when obligations under the terms of a contract with the customer are satisfied and control is transferred to the customer. After-sales service revenue is measured as the amount of consideration the Company ultimately expects to receive in exchange for transferring goods. Revenue from after sales service, including consumer repairs, is included entirely within the Watch and Accessory Brands segment, consistent with how management makes decisions about the allocation of resources and performance measurement.

NOTE 15 – STOCK-BASED COMPENSATION

Under the Company's Employee Stock Option Plan, as amended and restated as of April 4, 2013 (the "Plan"), the Compensation Committee of the Board of Directors, which consists of three of the Company's non-employee directors, has the authority to grant participants incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights and stock awards, for up to 11,000,000 shares of common stock.

Stock Options:

Stock options granted to participants under the plan generally become exercisable after three years and remain exercisable until the tenth anniversary of the date of grant. All stock options granted under the Plan have an exercise price equal to or greater than the fair market value of the Company's common stock on the grant date.

The table below presents the weighted average assumptions used with the Black-Scholes option-pricing model for the calculation of the fair value of stock options granted during the three months ended April 30, 2022 and April 30, 2021.

	Three Months Ended April 30, 2022	Three Months Ended April 30, 2021
Expected volatility	51.66%	51.61%
Expected life in years	6.0	6.0
Risk-free interest rates	2.57%	0.89%
Dividend rate	3.00%	2.90%
Weighted average fair value per option at date of grant	\$ 14.81	\$ 10.23

The fair value of the stock options, less expected forfeitures, is amortized on a straight-line basis over the vesting term. Total compensation expense for stock option grants recognized during the three months ended April 30, 2022 and 2021 was \$0.4 million and \$0.3 million, respectively. As of April 30, 2022, there was \$4.4 million of unrecognized compensation cost related to unvested stock options. These costs are expected to be recognized over a weighted-average period of 2.3 years. Total cash consideration received for stock option exercises during the three months ended April 30, 2022 and 2021 was \$0.7 million and \$0.3 million, respectively.

The following table summarizes the Company's stock options activity during the first quarter of fiscal 2023:

	Outstanding Options	Weighted Average Exercise Price per Option	Option Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value \$(000)
Options outstanding at January 31, 2022 (242,959 options exercisable)	982,834	\$ 21.69	\$12.42-\$42.12	7.5	\$ 15,441
Granted	162,053	\$ 38.04	\$ 38.04		
Exercised	(26,228)	\$ 27.41	\$23.35-\$30.36		
Cancelled	—				
Options outstanding at April 30, 2022	<u>1,118,659</u>	\$ 23.93	\$12.42-\$42.12	7.7	\$ 14,207
Exercisable at April 30, 2022	<u>216,731</u>	\$ 31.55		3.2	\$ 1,355
Expected to vest at April 30, 2022	<u>839,653</u>	\$ 21.67		8.8	\$ 12,288

The fair value of stock options exercised during the first quarter of fiscal 2023 was \$0.3 million and the intrinsic value was \$0.3 million.

Stock Awards:

Under the Plan, the Company can also grant stock awards to employees and directors. For the three months ended April 30, 2022 and 2021, compensation expense for stock awards was \$0.9 million and \$1.3 million, respectively. As of April 30, 2022, there was \$5.9 million of unrecognized compensation cost related to unvested stock awards. These costs are expected to be recognized over a weighted-average period of 2.3 years.

The following table summarizes the Company's stock awards activity during the first quarter of fiscal 2023:

	Number of Stock Award Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value \$(000's)
Units outstanding at January 31, 2022	296,283	\$ 26.39		
Units granted	112,767	\$ 38.04		
Units vested	(111,584)	\$ 31.84		
Units forfeited	-	\$ -		
Units outstanding at April 30, 2022	<u>297,466</u>	\$ 28.76	2.5	\$ 10,700

Outstanding stock awards can be classified as either time-based stock awards or performance-based stock awards. Time-based stock awards vest over time subject to continued employment. Performance-based stock awards vest over time subject both to continued employment and to the achievement of corporate financial performance goals. Upon the vesting of a stock award, shares are issued from the pool of authorized shares. The number of shares issued related to the performance-based stock awards historically awarded by the Company have typically varied from 0% to 150% of the target number of underlying stock award units, depending on the extent of the achievement of predetermined financial goals. There were 28,405 and 54,720 shares of common stock of the Company tendered by the employee for the payment of the employee's withholding tax obligation totaling \$1.1 million and \$1.7 million for the three months ended April 30, 2022 and 2021, respectively. The total fair value of stock award units that vested during the first three months of fiscal 2023 was \$3.6 million. The number of shares issued related to the remaining stock awards are established at grant date.

NOTE 16 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company conducts its business in two operating segments: Watch and Accessory Brands and Company Stores. The Company’s Watch and Accessory Brands segment includes the designing, manufacturing and distribution of watches and, to a lesser extent, jewelry and other accessories, of owned and licensed brands, in addition to revenue generated from after-sales service activities and shipping. The Company Stores segment includes the Company’s retail outlet business. The Chief Executive Officer of the Company is the chief operating decision maker (“CODM”) and regularly reviews operating results for each of the two operating segments to assess performance and makes operating decisions about the allocation of the Company’s resources.

The Company divides its business into two major geographic locations: United States operations and International, which includes the results of all non-U.S. Company operations. The allocation of geographic revenue is based upon the location of the customer. The Company’s International operations in Europe, the Middle East, the Americas (excluding the United States) and Asia accounted for 34.0%, 10.1%, 8.4% and 4.5%, respectively, of the Company’s total net sales for the three months ended April 30, 2022. For the three months ended April 30, 2021, the Company’s International operations in Europe, the Middle East, the Americas (excluding the United States) and Asia accounted for 28.9%, 8.5%, 8.5% and 5.2%, respectively, of the Company’s total net sales.

Operating Segment Data as of and for the Three Months Ended April 30, 2022 and 2021 (in thousands):

	Net Sales	
	2022	2021
Watch and Accessory Brands:		
Owned brands category	\$ 53,170	\$ 48,371
Licensed brands category	88,840	67,626
After-sales service and all other	1,358	282
Total Watch and Accessory Brands	143,368	116,279
Company Stores	20,056	18,519
Consolidated total	\$ 163,424	\$ 134,798

	Operating Income (3)	
	2022	2021
Watch and Accessory Brands	\$ 21,547	\$ 8,785
Company Stores	3,747	4,471
Consolidated total	\$ 25,294	\$ 13,256

	Total Assets		
	April 30, 2022	January 31, 2022	April 30, 2021
Watch and Accessory Brands	\$ 670,531	\$ 701,986	\$ 636,755
Company Stores	69,453	59,174	57,951
Consolidated total	\$ 739,984	\$ 761,160	\$ 694,706

Geographic Location Data as of and for the Three Months Ended April 30, 2022 and 2021 (in thousands):

	Net Sales		Operating Income (3)	
	2022	2021	2022	2021
United States (1)	\$ 70,223	\$ 65,893	\$ 548	\$ 759
International (2)	93,201	68,905	24,746	12,497
Consolidated total	\$ 163,424	\$ 134,798	\$ 25,294	\$ 13,256

United States and International net sales are net of intercompany sales of \$96.2 million and \$69.7 million for the three months ended April 30, 2022 and 2021, respectively.

(1) The United States operating income included \$13.5 million and \$8.9 million of unallocated corporate expenses for the three months ended April 30, 2022 and 2021, respectively.

- (2) The International operating income included \$19.1 million and \$13.9 million of certain intercompany profits related to the Company's supply chain operations for the three months ended April 30, 2022 and 2021, respectively.
- (3) For both the three months ended April 30, 2022 and 2021, in the United States locations of the Watch and Accessory Brands segment, operating income included a charge of \$0.1 million of expenses related to the amortization of intangible assets and deferred compensation associated with the MVMT brand. In addition, in the International locations of the Watch and Accessory Brands segment for both the three months ended April 30, 2022 and 2021, operating income included a charge of \$0.7 million of expenses related to the amortization of acquired intangible assets as a result of the Company's acquisition of the Olivia Burton brand.

	Total Assets		
	April 30, 2022	January 31, 2022	April 30, 2021
United States	\$ 314,738	\$ 352,806	\$ 345,094
International	425,246	408,354	349,612
Consolidated total	<u>\$ 739,984</u>	<u>\$ 761,160</u>	<u>\$ 694,706</u>

	Property, Plant and Equipment, Net		
	April 30, 2022	January 31, 2022	April 30, 2021
United States	\$ 12,876	\$ 13,246	\$ 13,778
International	5,558	6,224	6,821
Consolidated total	<u>\$ 18,434</u>	<u>\$ 19,470</u>	<u>\$ 20,599</u>

FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q, including, without limitation, statements under Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report, as well as statements in future filings by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, forecasts and projections about the Company, its future performance, the industry in which the Company operates and management's assumptions. Words such as "expects", "anticipates", "targets", "goals", "projects", "intends", "plans", "believes", "seeks", "estimates", "may", "will", "should" and variations of such words and similar expressions are also intended to identify such forward-looking statements. The Company cautions readers that forward-looking statements include, without limitation, those relating to the Company's future business prospects, projected operating or financial results, revenues, working capital, liquidity, capital needs, inventory levels, plans for future operations, expectations regarding capital expenditures, operating efficiency initiatives and other items, cost savings initiatives, and operating expenses, effective tax rates, margins, interest costs, and income as well as assumptions relating to the foregoing. Forward-looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC, including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers in the United States and the other significant markets (including Europe) where the Company's products are sold; uncertainty regarding such economic and business conditions, including inflation, increased commodity prices and tightness in the labor market; trends in consumer debt levels and bad debt write-offs; general uncertainty related to possible terrorist attacks, natural disasters and pandemics, including the effect of the COVID-19 pandemic and other diseases on travel and traffic in the Company's retail stores and the stores of its wholesale customers; supply disruptions, delivery delays and increased shipping costs; adverse impact on the Company's wholesale customers and customer traffic in the Company's stores as a result of increased uncertainty and economic disruption caused by the COVID-19 pandemic; the impact of international hostilities, including the Russian invasion of Ukraine, on global markets, economies and consumer spending, on energy and shipping costs and on the Company's supply chain and suppliers; defaults on or downgrades of sovereign debt and the impact of any of those events on consumer spending; changes in consumer preferences and popularity of particular designs, new product development and introduction; decrease in mall traffic and increase in e-commerce; the ability of the Company to successfully implement its business strategies, competitive products and pricing, including price increases to offset increased costs; the impact of "smart" watches and other wearable tech products on the traditional watch market; seasonality; availability of alternative sources of supply in the case of the loss of any significant supplier or any supplier's inability to fulfill the Company's orders; the loss of or curtailed sales to significant customers; the Company's dependence on key employees and officers; the ability to successfully integrate the operations of acquired businesses without disruption to other business activities; the possible impairment of acquired intangible assets; risks associated with the Company's minority investments in early-stage growth companies and venture capital funds that invest in such companies; the continuation of the Company's major warehouse and distribution centers; the continuation of licensing arrangements with third parties; losses possible from pending or future litigation and administrative proceedings; the ability to secure and protect trademarks, patents and other intellectual property rights; the ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis; the ability of the Company to successfully manage its expenses on a continuing basis; information systems failure or breaches of network security; complex and quickly-evolving regulations regarding privacy and data protection; the continued availability to the Company of financing and credit on favorable terms; business disruptions; and general risks associated with doing business outside the United States including, without limitation, import duties, tariffs (including retaliatory tariffs), quotas, political and economic stability, changes to existing laws or regulations, and success of hedging strategies with respect to currency exchange rate fluctuations.

These risks and uncertainties, along with the risk factors discussed under Item 1A. "Risk Factors" in the Company's 2022 Annual Report on Form 10-K, should be considered in evaluating any forward-looking statements contained in this report or incorporated by reference herein. All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are qualified by the cautionary statements in this section. The Company undertakes no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

Critical Accounting Policies and Estimates

The Company's Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and those significant policies are more fully described in Note 1 to the Company's consolidated financial statements and contained in the Company's 2022 Annual Report on Form 10-K and are incorporated by reference herein. The preparation of these financial statements and the application of certain critical accounting policies require management to make judgments based on estimates and assumptions that affect the information reported. On an on-going basis, management evaluates its estimates and judgments, including those related to sales discounts and markdowns, product returns, bad debt, inventories, income taxes, warranty obligations, useful lives of property, plant and equipment, impairments, stock-based compensation and contingencies and litigation. Management bases its estimates and judgments about the carrying values of assets and liabilities that are not readily apparent from other sources on historical experience, contractual commitments and on various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical accounting policies are those that are most important to the portrayal of the Company's financial condition and the results of operations and require management's most difficult, subjective and complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's most critical accounting policies have been discussed in the Company's 2022 Annual Report on Form 10-K and are incorporated by reference herein. As of April 30, 2022, there have been no material changes to any of the Company's critical accounting policies.

Overview

The Company conducts its business in two operating segments: Watch and Accessory Brands and Company Stores. The Company's Watch and Accessory Brands segment includes the designing, manufacturing and distribution of watches and, to a lesser extent, jewelry and other accessories, of owned and licensed brands, in addition to revenue generated from after-sales service activities and shipping. The Company Stores segment includes the Company's retail outlet business in the United States and Canada. The Company also operates in two major geographic locations: United States and International, the latter of which includes the results of all non-U.S. Company operations.

The Company divides its watch and accessory business into two principal categories: the owned brands category and the licensed brands category. The owned brands category consists of the Movado®, Concord®, Ebel®, Olivia Burton® and MVMT® brands. Products in the licensed brands category include the following brands manufactured and distributed under license agreements with the respective brand owners: Coach®, Tommy Hilfiger®, Hugo Boss®, Lacoste®, Calvin Klein® and Scuderia Ferrari®.

Gross margins vary among the brands included in the Company's portfolio and also among watch models within each brand. Watches in the Company's owned brands category generally earn higher gross margin percentages than watches in the licensed brands category. The difference in gross margin percentages within the licensed brands category is primarily due to the impact of royalty payments made on the licensed brands. Gross margins in the Company's e-commerce business generally earn higher gross margin percentages than those of the traditional wholesale business. Gross margins in the Company's outlet business are affected by the mix of product sold and may exceed those of the wholesale business since the Company earns margins on its outlet store sales from manufacture to point of sale to the consumer.

Recent Developments and Initiatives

COVID-19

The COVID-19 pandemic and related public health measures materially impacted the Company's operating results for the fiscal year ended January 31, 2021 and continue to affect how the Company and its customers and suppliers operate their businesses. Various containment and mitigation measures that have at times been imposed by governmental and other authorities around the world have adversely affected sales of our products and our supply chain.

Although the COVID-19 pandemic's adverse impact on the Company has significantly diminished in recent quarters, the pandemic is expected to continue to affect the Company's results of operations for the foreseeable future due to impacts on supply chains, shipping operations, consumer behavior, spending levels, shopping preferences and tourism.

Russia's invasion of Ukraine

On February 24, 2022, Russia launched a comprehensive invasion of Ukraine. The invasion and the subsequent economic sanctions imposed by some countries may negatively impact the Company's revenue to the extent the conflict and the sanctions significantly impact the economic conditions in or our ability to sell products to customers in the affected region. In response to the invasion, the Company decided in March 2022 to suspend all sales to Russia and Belarus. Sales and assets in these two countries are immaterial to

the Company's results of operations, financial condition and cash flows. However, the conflict could have broader implications on economies outside the region, such as the global inflationary impact of a potential boycott of Russian oil and gas by other countries.

Results of Operations Overview

The following is a discussion of the results of operations for the three months ended April 30, 2022 compared to the three months ended April 30, 2021, along with a discussion of the changes in financial condition during the first three months of fiscal 2023. The Company's results of operations for the first three months of fiscal 2023 should not be deemed indicative of the results that the Company will experience for the full year of fiscal 2023. See "Recent Developments and Initiatives" above. See also "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended January 31, 2022 filed with the Securities and Exchange Commission on March 24, 2022.

Net Sales: Comparative net sales by business segment were as follows (in thousands):

	Three Months Ended April 30,	
	2022	2021
Watch and Accessory Brands:		
United States	\$ 51,062	\$ 47,867
International	92,306	68,412
Total Watch and Accessory Brands	143,368	116,279
Company Stores:		
United States	19,161	18,026
International	895	493
Total Company Stores	20,056	18,519
Net Sales	\$ 163,424	\$ 134,798

Comparative net sales by categories were as follows (in thousands):

	Three Months Ended April 30,	
	2022	2021
Watch and Accessory Brands:		
Owned brands category	\$ 53,170	\$ 48,371
Licensed brands category	88,840	67,626
After-sales service and all other	1,358	282
Total Watch and Accessory Brands	143,368	116,279
Company Stores	20,056	18,519
Net Sales	\$ 163,424	\$ 134,798

Net Sales

Net sales for the three months ended April 30, 2022 were \$163.4 million, representing a \$28.6 million or 21.2% above the prior year period. This increase is primarily as a result of increased volumes resulting from higher demand. For the three months ended April 30, 2022, fluctuations in foreign currency exchange rates negatively impacted net sales by \$4.2 million when compared to the prior year period.

Watch and Accessory Brands Net Sales

Net sales for the three months ended April 30, 2022 in the Watch and Accessory Brands segment were \$143.4 million, an increase above the prior year period by \$27.1 million, or 23.3%. The increase in net sales was primarily due to increased volumes resulting from higher demand with growth in the Company's wholesale customers and the addition of the Calvin Klein brand. There were increases in net sales in both the United States and International locations of the Watch and Accessory Brands segment.

United States Watch and Accessory Brands Net Sales

Net sales for the three months ended April 30, 2022 in the United States locations of the Watch and Accessory Brands segment were \$51.1 million, above the prior year period by \$3.2 million, or 6.7%, resulting from net sales increases in both the owned and licensed brand categories primarily due to increased volumes resulting from higher demand with growth in the Company's wholesale customers. The net sales recorded in the owned brands category increased by \$2.1 million, or 5.6%, and net sales recorded in the licensed brand category increased \$0.2 million, or 1.4%.

International Watch and Accessory Brands Net Sales

Net sales for the three months ended April 30, 2022 in the International locations of the Watch and Accessory Brands segment were \$92.3 million, above the prior year by \$23.9 million, or 34.9%, which included fluctuations in foreign currency exchange rates which negatively impacted net sales by \$4.2 million when compared to the prior year period. The increase in net sales was across most brands in both the owned and licensed brand categories primarily due to increased volumes resulting from higher demand with growth in the Company's wholesale customers and the addition of the Calvin Klein brand. The net sales increase recorded in the owned brands category was \$2.7 million, or 24.5%, and is primarily due to net sales increases in Europe and the Middle East. The net sales increase in the licensed brands category was \$21.1 million, or 37.2%, due to net sales increases across all regions.

Company Stores Net Sales

Net sales for the three months ended April 30, 2022 in the Company Stores segment were \$20.1 million, \$1.5 million or 8.3% above the prior year period. The net sales increase was primarily the result of the opening of four new retail outlet stores and the growth of the Company's online outlet store at www.movadocompanystore.com. As of April 30, 2022 and 2021, the Company operated 51 and 47 retail outlet locations, respectively.

Gross Profit

Gross profit for the three months ended April 30, 2022 was \$96.7 million or 59.2% of net sales as compared to \$74.2 million or 55.0% of net sales in the prior year period. The increase in gross profit of \$22.5 million was primarily due to higher net sales combined with a higher gross margin percentage. The increase in the gross margin percentage of approximately 420 basis points for the three months ended April 30, 2022 resulted primarily from a favorable impact of sales mix of approximately 430 basis points, partially offset by an approximately 60 basis point impact due to increased shipping costs.

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

SG&A expenses for the three months ended April 30, 2022 were \$71.4 million, representing an increase from the prior year period of \$10.4 million, or 17.1%. The increase in SG&A expenses was primarily due to the following factors: higher marketing expenses of \$4.9 million; an increase in payroll related expenses of \$2.2 million; an increase in consulting and recruiting charges of \$1.0 million and an increase in rent and rent related of \$0.6 million. For the three months ended April 30, 2022, fluctuations in foreign currency rates related to the foreign subsidiaries positively impacted SG&A expenses by \$0.6 million when compared to the prior year period.

Watch and Accessory Brands Operating Income

For the three months ended April 30, 2022, the Company recorded operating income of \$21.5 million in the Watch and Accessory Brands segment which includes \$13.5 million of unallocated corporate expenses as well as \$19.1 million of certain intercompany profits related to the Company's supply chain operations. For the three months ended April 30, 2021, the Company recorded operating income of \$8.8 million in the Watch and Accessory Brands segment which includes \$8.9 million of unallocated corporate expenses as well as \$13.9 million of certain intercompany profits related to the Company's supply chain operations. The increase in operating income was the result of an increase in gross profit of \$21.5 million, partially offset by an increase in SG&A expenses of \$8.8 million when compared to the prior year period. The increase in gross profit was primarily the result of higher net sales combined with a higher gross margin percentage primarily due to a favorable impact in sales mix, partially offset by increased shipping costs. The increase in SG&A expenses of \$8.8 million was primarily due to the following factors: higher marketing expenses of \$4.7 million; an increase in payroll related expenses of \$1.5 million; and an increase in consulting and recruiting charges of \$1.0 million. For the three months ended April 30, 2022, fluctuations in foreign currency exchange rates negatively impacted the Watch and Accessory Brands segment operating income by \$1.6 million when compared to the prior year period.

U.S. Watch and Accessory Brands Loss

In the United States locations of the Watch and Accessory Brands segment, for the three months ended April 30, 2022, the Company recorded an operating loss of \$3.0 million which includes unallocated corporate expenses of \$13.5 million. For the three months ended April 30, 2021 the Company recorded an operating loss of \$4.1 million in the United States locations of the Watch and Accessory Brands segment which included unallocated corporate expenses of \$8.9 million. The decrease in operating loss was the result of higher gross profit of \$6.0 million, partially offset by an increase in SG&A expenses of \$4.9 million when compared to the prior year period. The increase in gross profit of \$6.0 million was due to higher net sales, combined with a higher gross margin percentage primarily due to a favorable impact of sales mix, partially offset by increased shipping costs. The increase in SG&A expenses of \$4.9 million was primarily due to higher marketing expenses of \$4.5 million and an increase in consulting and recruiting charges of \$0.6 million.

International Watch and Accessory Brands Operating Income

In the International locations of the Watch and Accessory Brands segment, for the three months ended April 30, 2022, the Company recorded operating income of \$24.5 million which includes \$19.1 million of certain intercompany profits related to the Company's International supply chain operations. For the three months ended April 30, 2021 the Company recorded operating income of \$12.9 million in the International locations of the Watch and Accessory Brands segment which included \$13.9 million of certain intercompany profits related to the Company's supply chain operations. The increase in operating income was primarily related to higher gross profit of \$15.5 million, partially offset by higher SG&A expenses of \$3.9 million. The increase in gross profit of \$15.5 million was primarily due to higher net sales, combined with a higher gross margin percentage primarily due to a favorable impact of sales mix. The increase in SG&A expenses of \$3.9 million was primarily due to the following factors: an increase in payroll related expenses of \$1.8 million; an increase in consulting and recruiting charges of \$0.4 million; and higher marketing expenses of \$0.2 million. Fluctuation in foreign currency exchange rates negatively impacted operating income by \$1.6 million when compared to the prior year period.

Company Stores Operating Income

The Company recorded operating income of \$3.7 million and \$4.5 million in the Company Stores segment for the three months ended April 30, 2022 and 2021, respectively. The decrease in operating income of \$0.8 million was primarily related to an increase in SG&A expenses of \$1.7 million, partially offset by a higher gross profit of \$0.9 million mainly due to higher net sales. The increase in SG&A expenses was primarily due to an increase of \$0.6 million in payroll related expenses; an increase in rent and rent related of \$0.3 million due to the opening of new company stores; and an increase in marketing expense of \$0.2 million. As of April 30, 2022, and 2021, the Company Stores segment operated 51 and 47 retail outlet locations, respectively.

Other Non-Operating Income

The Company recorded other income of \$0.1 million for both the three months ended April 30, 2022 and 2021, primarily due to the non-service components of the Company's Swiss pension plan.

Interest Expense

Interest expense was \$0.1 million and \$0.3 million for the three months ended April 30, 2022 and 2021, respectively. The decrease was due to no borrowings under the Company's revolving credit facility during the current year period partially offset by higher unused credit line fees during the three months ended April 30, 2022 as compared to the three months ended April 30, 2021.

Income Taxes

The Company recorded an income tax provision of \$6.0 million and \$3.3 million for the three months ended April 30, 2022 and 2021, respectively.

The effective tax rate was 23.8% and 25.5% for the three months ended April 30, 2022 and 2021, respectively. The significant components of the effective tax rate changed primarily due to the release of certain foreign valuation allowances in the current year as compared to the recording of certain foreign valuation allowances in the prior year, partially offset by return to provision adjustments.

Net Income Attributable to Movado Group, Inc.

The Company recorded net income attributable to Movado Group, Inc. of \$18.5 million and \$9.4 million for the three months ended April 30, 2022 and 2021, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2022 and April 30, 2021, the Company had \$225.3 million and \$187.0 million, respectively, of cash and cash equivalents. Of this total, \$188.8 million and \$114.7 million, respectively, consisted of cash and cash equivalents at the Company's foreign subsidiaries.

At April 30, 2022 the Company had working capital of \$386.6 million as compared to \$368.9 million at April 30, 2021. The increase in working capital was primarily the result of an increase in cash of \$38.3 million partially offset by a decrease in income taxes receivable. The Company defines working capital as the difference between current assets and current liabilities.

The Company had \$20.8 million of cash used in operating activities for the three months ended April 30, 2022 as compared to \$15.4 million of cash used in operating activities for the three months ended April 30, 2021. Cash used in operating activities for the three months ended April 30, 2022 included net income of \$19.3 million, positively adjusted by \$4.2 million related to non-cash items. Cash used in operating activities for the three months ended April 30, 2022 included a \$24.3 million increase in investment in inventories primarily to support sales growth and a decrease in accrued payroll of \$17.1 million primarily as a result of payments of performance-based compensation, partially offset by an increase in accrued liabilities of \$6.1 million primarily as a result of timing of payments and a decrease in income taxes receivable of \$5.1 million resulting from tax refunds received.

Cash used in investing activities was \$3.3 million for the three months ended April 30, 2022 as compared to cash used in investing activities of \$0.5 million for the three months ended April 30, 2021. The cash used in the three months ended April 30, 2022 was primarily related to \$1.8 million of long-term investments and capital expenditures of \$1.4 million primarily due to the Company's opening of four new stores (two in Canada) during fiscal 2022 and new computer software.

Cash used in financing activities was \$22.9 million for the three months ended April 30, 2022 as compared to cash used in financing activities of \$19.8 million for the three months ended April 30, 2021. The cash used in the three months ended April 30, 2022 included \$14.4 million in stock repurchased in the open market, \$7.9 million in dividends paid and \$1.1 million of shares repurchased as a result of the surrender of shares in connection with the vesting of certain stock awards, partially offset by \$0.7 million received in connection with stock options exercised. Cash used in financing activities for the three months ended April 30, 2021 included repayment of bank borrowings of \$11.1 million and \$7.0 million in dividends paid (\$2.3 million of which had been declared in January 2021).

On October 12, 2018, the Company, together with Movado Group Delaware Holdings Corporation, Movado Retail Group, Inc. and Movado LLC (together with the Company, the "U.S. Borrowers"), each a wholly owned domestic subsidiary of the Company, and Movado Watch Company S.A. and MGI Luxury Group S.A. (collectively, the "Swiss Borrowers" and, together with the U.S. Borrowers, the "Borrowers"), each a wholly owned Swiss subsidiary of the Company, entered into an Amended and Restated Credit Agreement (as subsequently amended, the "Credit Agreement") with the lenders party thereto and Bank of America, N.A. as administrative agent (in such capacity, the "Agent"). The Credit Agreement provides for a \$100.0 million senior secured revolving credit facility (the "Facility") and has a maturity date of October 28, 2026. The Facility includes a \$15.0 million letter of credit subfacility, a \$25.0 million swingline subfacility and a \$75.0 million sublimit for borrowings by the Swiss Borrowers, with provisions for uncommitted increases to the Facility of up to \$50.0 million in the aggregate subject to customary terms and conditions. The Credit Agreement contains affirmative and negative covenants binding on the Company and its subsidiaries that are customary for credit facilities of this type, including, but not limited to, restrictions and limitations on the incurrence of debt and liens, dispositions of assets, capital expenditures, dividends and other payments in respect of equity interests, the making of loans and equity investments, mergers, consolidations, liquidations and dissolutions, and transactions with affiliates (in each case, subject to various exceptions).

The borrowings under the Facility are joint and several obligations of the Borrowers and are also cross-guaranteed by each Borrower, except that the Swiss Borrowers are not liable for, nor do they guarantee, the obligations of the U.S. Borrowers. In addition, the Borrowers' obligations under the Facility are secured by first priority liens, subject to permitted liens, on substantially all of the U.S. Borrowers' assets other than certain excluded assets. The Swiss Borrowers do not provide collateral to secure the obligations under the Facility.

As of April 30, 2022, and April 30, 2021, there was zero and \$10.0 million (zero in Swiss Francs), respectively, in loans outstanding under the Facility. Availability under the Facility was reduced by the aggregate number of letters of credit outstanding, issued in connection with retail and operating facility leases to various landlords and for Canadian payroll to the Royal Bank of Canada, totaling approximately \$0.3 million at both April 30, 2022 and April 30, 2021. At April 30, 2022, the letters of credit have expiration dates through May 31, 2022. As of April 30, 2022, and April 30, 2021, availability under the Facility was \$99.7 million and \$89.7 million, respectively. For additional information regarding the Facility, see Note 6 – Debt and Lines of Credit to the Consolidated Financial Statements.

The Company had weighted average borrowings under the Facility of zero and \$13.1 million during the three months ended April 30, 2022 and 2021, respectively, with a weighted average interest rate of 3.21% during the three months ended April 30, 2021.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified maturity with a Swiss bank. As of April 30, 2022, and 2021, these lines of credit totaled 6.5 million Swiss Francs for both periods, with a dollar equivalent of \$6.7 million and \$7.1 million, respectively. As of April 30, 2022, and 2021, there were no borrowings against these lines. As of April 30, 2022 and 2021, two European banks had guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the dollar equivalent of \$1.2 million and \$1.3 million, respectively, in various foreign currencies, of which \$0.6 million, in both periods, was a restricted deposit as it relates to lease agreements.

Cash paid for interest, including unused commitments fees, was \$0.1 million and \$0.2 million for the three-month periods ended April 30, 2022 and April 30, 2021, respectively.

From time to time the Company may make minority investments in growth companies in the consumer products sector and other sectors relevant to its business, including certain of the Company's suppliers and customers, as well as in venture capital funds that invest in companies in media, entertainment, information technology and technology-related fields and in digital assets. During fiscal 2022, the Company committed to invest up to \$21.5 million in such investments. The Company funded approximately \$2.0 million of these commitments in fiscal 2022 and an additional \$1.8 million during the first quarter of fiscal 2023 and may be called upon to satisfy capital calls in respect of the remaining \$17.7 million in such commitments at any time during a period generally ending ten years after the first capital call in respect of a given commitment.

The Company paid cash dividends of \$0.35 per share, or \$7.9 million, during the three months ended April 30, 2022. During the three months ended April 30, 2021, the Company paid a cash dividend of \$0.10 per share, which was paid on February 5, 2021, in the amount of \$2.3 million to shareholders of record on January 21, 2021. In addition, the Company paid a cash dividend of \$0.20 per share, or \$4.6 million, during the three months ended April 30, 2021. Although the Company currently expects to continue to declare cash dividends in the future, the decision of whether to declare any future cash dividend, including the amount of any such dividend and the establishment of record and payment dates, will be determined, in each quarter, by the Board of Directors, in its sole discretion.

On March 25, 2021, the Board approved a share repurchase program under which the Company is authorized to purchase up to \$25.0 million of its outstanding common stock through September 30, 2022, depending on market conditions, share price and other factors. On November 23, 2021, the Board approved a share repurchase program under which the Company is authorized to purchase up to an additional \$50.0 million of its outstanding common stock through November 23, 2024, depending on market conditions, share price and other factors. Under both share repurchase programs, the Company is permitted to purchase shares of its common stock from time to time through open market purchases, repurchase plans, block trades or otherwise. During the three months ended April 30, 2022, the Company repurchased a total of 378,380 shares of its common stock under the March 25, 2021 share repurchase program and November 23, 2021 share repurchase program at a total cost of \$14.4 million, or an average of \$38.16 per share. At April 30, 2022, zero remains available for purchase under the Company's March 25, 2021 repurchase program and \$38.0 million remains available for purchase under the Company's November 23, 2021 repurchase program. During the three months ended April 30, 2021, the Company repurchased a total of 11,235 shares of its common stock under the March 25, 2021 share repurchase program at a total cost of \$0.3 million, or an average of \$28.11 per share.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet financing or unconsolidated special-purpose entities.

Accounting Changes and Recent Accounting Pronouncements

See Note 3- Recent Accounting Pronouncements to the accompanying unaudited Consolidated Financial Statements for a description of certain accounting changes and recent accounting pronouncements which may impact the Company's Consolidated Financial Statements in future reporting periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risk

The Company's primary market risk exposure relates to foreign currency exchange risk (see Note 7 – Derivative Financial Instruments to the Consolidated Financial Statements). A significant portion of the Company's purchases are denominated in Swiss Francs and, to a lesser extent, the Japanese Yen. The Company also sells to third-party customers in a variety of foreign currencies, most notably the Euro, Swiss Franc and the British Pound. The Company reduces its exposure to the Swiss Franc, Euro, British Pound, Chinese Yuan and Japanese Yen exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. In the event these exposures do not offset, from time to time the Company uses various derivative financial instruments to further reduce the net exposures to currency fluctuations, predominately forward and option contracts. Certain of these contracts meet the requirements of qualified hedges. In these circumstances, the Company designates and documents these derivative instruments as a cash flow hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. Changes in the fair value of hedges designated and documented as a cash flow hedge and which are highly effective, are recorded in other comprehensive income until the underlying transaction affects earnings, and then are later reclassified into earnings in the same account as the hedged transaction. The earnings impact is mostly offset by the effects of currency movements on the underlying hedged transactions. To the extent that the Company does not engage in a hedging program, any change in the Swiss Franc, Euro, British Pound, Chinese Yuan and Japanese Yen exchange rates to local currency would have an equal effect on the Company's earnings.

From time to time the Company uses forward exchange contracts, which do not meet the requirements of qualified hedges, to offset its exposure to certain foreign currency receivables and liabilities. These forward contracts are not designated as qualified hedges and,

therefore, changes in the fair value of these derivatives are recognized in earnings in the period they arise, thereby offsetting the current earnings effect resulting from the revaluation of the related foreign currency receivables and liabilities.

As of April 30, 2022, the Company's entire net forward contracts hedging portfolio consisted of 9.4 million Chinese Yuan equivalent, 36.0 million Swiss Francs equivalent, 21.9 million U.S. dollars equivalent, 53.2 million Euros equivalent (including 38.0 million Euros designated as cash flow hedges) and 1.0 million British Pounds equivalent with various expiry dates ranging through October 20, 2022, compared to a portfolio of 7.5 million Chinese Yuan equivalent, 12.0 million Swiss Francs equivalent, 15.5 million U.S. dollars equivalent, 12.6 million Euros equivalent and 0.9 million British Pounds equivalent with various expiry dates ranging through September 8, 2021, as of April 30, 2021. If the Company were to settle its Swiss Franc forward contracts at April 30, 2022, the net result would be a \$1.3 million loss. If the Company were to settle its Euro forward contracts at April 30, 2022, the net result would be a \$1.8 million gain. As of April 30, 2022, the Company's British Pound, Chinese Yuan and US Dollar forward contracts had no gain or loss. The Company had no cash flow hedges as of April 30, 2021.

Commodity Risk

The Company considers its exposure to fluctuations in commodity prices to be primarily related to gold used in the manufacturing of the Company's watches. Under its hedging program, the Company can purchase various commodity derivative instruments, primarily futures contracts. When held, these derivatives are documented as qualified cash flow hedges, and the resulting gains and losses on these derivative instruments are first reflected in other comprehensive income, and later reclassified into earnings, partially offset by the effects of gold market price changes on the underlying actual gold purchases. The Company did not hold any future contracts in its gold hedge portfolio as of April 30, 2022 and 2021, thus, any changes in the gold purchase price will have an equal effect on the Company's cost of sales.

Debt and Interest Rate Risk

Floating rate debt at April 30, 2022 and 2021 totaled zero and \$10.0 million (zero in Swiss Francs), respectively. During the three months ended April 30, 2022, the Company had no weighted average borrowings. The Company does not hedge these interest rate risks.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. However, it should be noted that a control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that its objectives will be met and may not prevent all errors or instances of fraud.

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such terms are defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective at a reasonable assurance level as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the three months ended April 30, 2022, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in legal proceedings and claims from time to time, in the ordinary course of its business. Legal reserves are recorded in accordance with the accounting guidance for contingencies. Contingencies are inherently unpredictable and it is possible that results of operations, balance sheets or cash flows could be materially and adversely affected in any particular period by unfavorable developments in, or resolution or disposition of, such matters. For those legal proceedings and claims for which the Company believes that it is probable that a reasonably estimable loss may result, the Company records a reserve for the potential loss. For proceedings and claims where the Company believes it is reasonably possible that a loss may result that is materially in excess of amounts accrued for the matter, the Company either discloses an estimate of such possible loss or range of loss or includes a statement that such an estimate cannot be made.

In December 2016, U.S. Customs and Border Protection (“U.S. Customs”) issued an audit report concerning the methodology used by the Company to allocate the cost of certain watch styles imported into the U.S. among the component parts of those watches for tariff purposes. The report disputes the reasonableness of the Company’s historical allocation formulas and proposes an alternative methodology that would imply \$5.1 million in underpaid duties over the five-year period covered by the statute of limitations, plus possible penalties and interest. The Company believes that U.S. Customs’ alternative duty methodology and estimate are not consistent with the Company’s facts and circumstances and is disputing U.S. Customs’ position. Since February 2017, the Company has been providing U.S. Customs with supplemental analyses and information in response to U.S. Customs’ information requests. Most recently, the Company received summonses from U.S. Customs in December 2020 requesting additional information regarding component parts costs and the Company’s procedures for allocating the value of imported watches among the component parts. The Company responded to these summonses in January 2021. Although the Company disagrees with U.S. Customs’ position and believes that the information it has provided supports the reasonableness of its historical allocation formulas, it cannot predict with any certainty the outcome of this matter. The Company intends to continue to work with U.S. Customs to reach a mutually-satisfactory resolution.

Starting in July 2018, the Trump administration announced a series of lists covering thousands of categories of Chinese origin products subject to potential U.S. special tariffs, including watches. U.S. Customs subsequently issued various rulings regarding, among other things, the application of the special tariffs to China-sourced components of watches containing non-Chinese movements. A U.S. Customs ruling effective August 1, 2021 holds that the special tariff applies to all China-sourced watch bands, the special tariff does not apply to China-sourced watch cases imported as part of a watch containing a non-Chinese movement. Pending greater clarity on the retroactive effect of this ruling, for the time being the Company continues to maintain an accrual for Chinese watch case imports prior to August 1, 2021.

In addition to the above matters, the Company is involved in other legal proceedings and contingencies, the resolution of which is not expected to materially affect its financial condition, future results of operations, or cash flows.

Item 1A. Risk Factors

As of April 30, 2022, there have been no material changes to any of the risk factors previously reported in the Company’s 2022 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On March 25, 2021, the Board approved a share repurchase program under which the Company is authorized to purchase up to \$25.0 million of its outstanding common stock from time to time through September 30, 2022, depending on market conditions, share price and other factors. On November 23, 2021, the Board approved a share repurchase program under which the Company is authorized to purchase up to an additional \$50.0 million of its outstanding common stock through November 23, 2024, depending on market conditions, share price and other factors. Under both current share repurchase programs, the Company is permitted to purchase shares of its common stock from time to time through open market purchases, repurchase plans, block trades or otherwise. During the three months ended April 30, 2022, the Company repurchased a total of 378,380 shares of its common stock at a total cost of \$14.4 million, or an average of \$38.16 per share.

At the election of an employee, upon the vesting of a stock award or the exercise of a stock option, shares of common stock having an aggregate value on the vesting of the award or the exercise date of the option, as the case may be, equal to the employee's withholding tax obligation may be surrendered to the Company by netting them from the vested shares issued. Similarly, shares having an aggregate value equal to the exercise price of an option may be tendered to the Company in payment of the option exercise price and netted from the shares of common stock issued upon the option exercise. An aggregate of 28,405 shares were repurchased during the three months ended April 30, 2022 as a result of the surrender of shares of common stock in connection with the vesting of certain restricted stock awards and stock options.

The following table summarizes information about the Company's purchases for the three months ended April 30, 2022 of equity securities that are registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

Issuer Repurchase of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Amount that May Yet Be Purchased Under the Plans or Programs
February 1, 2022 – February 28, 2022	68,015	\$ 38.46	67,880	\$ 49,790,193
March 1, 2022 – March 31, 2022	108,000	37.20	108,000	45,772,635
April 1, 2022 – April 30, 2022	230,770	38.69	202,500	37,961,850
Total	<u>406,785</u>	<u>\$ 38.26</u>	<u>378,380</u>	<u>\$ 37,961,850</u>

Item 6. Exhibits

- 10.1 [Amended and Restated License Agreement dated March 17, 2022 between MGI Luxury Group S.A. and Hugo Boss Trade Mark Management GmbH & Co. KG.](#)
- 31.1 [Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial information from Movado Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended April 30, 2022 filed with the SEC, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to the Consolidated Financial Statements. XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document.
- 104 Cover Page Interactive Data File, formatted in Inline Extensible Business Reporting Language (iXBRL).

SIGNATURE

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.

MOVADO GROUP, INC.
(Registrant)

Dated: May 26, 2022

By: /s/ Sallie A. DeMarsilis
Sallie A. DeMarsilis
Executive Vice President,
Chief Operating Officer,
Chief Financial Officer and
Principal Accounting Officer

*CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. [***] INDICATES THAT INFORMATION HAS BEEN REDACTED.

L i c e n s e A g r e e m e n t

between

**HUGO BOSS Trade Mark Management GmbH & Co. KG Dieselstrasse 12
72555 Metzingen Germany**

with its branch

**HUGO BOSS Trade Mark Management GmbH & Co KG, D-Metzingen,
Niederlassung CH-Zug
Baarerstr. 135
6300 Zug
Switzerland**

– hereinafter referred to as "**HUGO BOSS**" –

and

**MGI Luxury Group S.A. Bahnhofplatz
2B
2502 Bienne Switzerland**

– hereinafter referred to as "**Licensee**" –

- each separately referred to as "**Party**" or jointly as "**Parties**" -

Preface

a) HUGO BOSS is entitled to grant licences for the trademarks "BOSS", "HUGO BOSS", "BOSS HUGO BOSS", "HUGO", and "HUGO HUGO BOSS" which are registered or under application for registration for various products in numerous countries around the world.

The HUGO BOSS Group (as hereinafter defined) enjoys an excellent reputation world- wide as an established fashion house, which is based upon the high quality of HUGO BOSS' products and the special HUGO BOSS image.

b) Licensee is aware that HUGO BOSS grants production and distribution licenses to third parties for the above trademarks.

c) The Parties previously entered into a license agreement dated as of December 15, 2004 ("**Original License Agreement**") under which HUGO BOSS granted Licensee the right to use the Trademarks, Traditional Trademarks and BOSS ORANGE trademarks (all as hereinafter defined) in connection with Watches. The Original License Agreement was amended and restated by the License Agreement dated as of March 3, 2012 ("**Second License Agreement**"). The Parties now wish to amend and restate the Second License Agreement while incorporating the terms set out in the Term Sheet dated as of October 11, 2017 and last amended on December 23, 2021 ("**Term Sheet**").

d) Now therefore, the Original License Agreement, the Second License Agreement and the Term Sheet are terminated and replaced by the present agreement and its annexes attached hereto ("**Agreement**");

1 Definitions

1.1 "**Above-the-Line Activations**" shall mean the activities set forth in Clause 11.3.

1.2 "**Action Plan**" shall mean the annual operating plan, which shall set forth in detail Licensee's plans for conducting the Licensed Products business for each brand and each Product Category for at least the next three years, with particular emphasis on the marketing, promotion and sales of the Licensed Products and the meetings to be held during the respective year. The content of such Action Plan is set out in Annex 4.

1.3 "**Additional Marketing Investment**" shall have the meaning as set forth in Clause 12.12.

1.4 "**Advertising Fee**" shall be the fee as set forth in Clause 5.3.

1.5 "**Affiliates**" shall mean all entities controlling, controlled by, or under common control with such party and/or consolidated by the respective Party, provided that control shall be presumed not to exist if the percentage ownership in the voting interests of the entity at issue does not exceed 50% + one share.

1.6 "**Annual Return Right**" shall have the meaning as set forth in Clause 10.3.

- 1.7 "**Below-the-Line Activations**" shall mean the activities set forth in Clause 12.2.
- 1.8 "**Business Plan**" shall mean the Licensee's Business Plan attached to this Agreement in Annex 5 as amended or updated by mutual written agreement between the Parties, during the Term of this Agreement.
- 1.9 "**BOSS Trademarks**" shall mean the BOSS logo, word and image marks as set forth in Annex 1 to this Agreement as well as BOSS trademarks under application or registration in the future in Nice classes 14 and 35 and excluding any Traditional Trademarks.
- 1.10 "**Distributor**" shall mean a person or business who is either (i) a party to a selective distribution agreement with the Licensee that specifies the Selective Criteria and authorizes or appoints it to sell or distribute Licensed Products, usually within a given territory, but who acts in his own name, on his own account and risk and does not act as Agent for the Licensee or (ii) a retailer who purchases Licensed Products directly from another Distributor and is obliged to adhere to the Selective Criteria.
- 1.11 "**Force Majeure Event**" shall have the meaning as set forth in Clause 21.11.
- 1.12 "**Full-Price to Outlet Transfers**" shall have the meaning as set forth in Clause 10.7.
- 1.13 "**Gross Sales**" shall mean the sales of the Licensed Products as produced, sold and invoiced by Licensee or by any Affiliate of Licensee at wholesale basis in arms-length transactions to independent retailers or distributors, Licensee Retail Stores and HUGO BOSS Retail Stores.
- 1.14 "**Guaranteed Minimum Annual Fee**" shall be the total of the Guaranteed minimum License Fee and the Guaranteed Minimum Advertising Fee for the respective year and as set out in the Business Plan.
- 1.15 "**Guaranteed Minimum Advertising Fee**" shall be the fee set forth in Clause 5.3.
- 1.16 "**Guaranteed Minimum License Fee**" shall be the fee set forth in Clause 5.2.
- 1.17 "**HB Category Content**" shall have the meaning as set forth in Clause 11.5
- 1.18 "**HUGO BOSS Designs**" shall mean any legally-protectible intellectual property rights (including without limitation any and all copyright, trademark, trade dress, and design rights) in any design for Licensed Products that HUGO BOSS approves hereunder which is not in the public domain and which was not previously or substantially simultaneously used by Licensee on products other than the Licensed Products, including usage of special materials, creation of special colour effects and shapes, to the extent the respective Licensed Products are actually offered for sale in any jurisdiction.
- 1.19 "**HUGO BOSS Group**" shall mean HUGO BOSS, the ultimate parent company HUGO BOSS AG, Dieselstrasse 12, 72555 Metzingen, Germany and companies that are Affiliates thereof.
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- 1.20 **“HUGO BOSS Retail Stores”** shall mean directly operated stores by HUGO BOSS or HUGO BOSS Group, including HUGO BOSS Group own retail stores, shops, outlets, marketplaces, and e-commerce channels.
- 1.21 **“HUGO Trademarks”** shall mean the HUGO logo, word and image marks as set forth in Annex 1 to this Agreement as well as HUGO trademarks under application or registration in the future in Nice classes 14 and 35 and excluding any Traditional Trademarks.
- 1.22 **“Jewelry”** shall mean fashion jewelry for men and women, but excluding cufflinks.
- 1.23 **“Key Markets”** shall mean:
□ [***]
- 1.24 **“Licensee Retail Stores”** shall mean directly operated stores by Licensee or Licensee’s Affiliates, including own retail stores, shops, outlets, marketplaces and e-commerce channels.
- 1.25 **“Licensed Products”** shall mean Watches and Jewelry.
- 1.26 **“License Fee”** shall mean the fee set forth in Clause 5.2.
- 1.27 **“License Territory”** shall mean all countries of the world.
- 1.28 **“Marketing Spending”** shall have the meaning as defined in Clause 12.7.
- 1.29 **“Mass Distribution”** shall mean broad distribution channels other than department stores, speciality stores and premium catalogues and online marketplaces of the sort which have traditionally distributed Licensed Products, and Mass Distribution shall include, among others, [***].
- 1.30 **“Net Sales”** shall mean Gross Sales of Licensed Products, sold by Licensee or its Affiliates, at wholesale basis in arms-length transactions to independent retailers or distributors, Licensee Retail Stores and HUGO BOSS Retail Stores, after the deduction of:
- a) actual credits for returns that Licensee actually authorizes and receives, not exceeding in any year an amount equal to [***] of Licensee’s total Gross Sales of Licensed Products in such year; and
 - b) actual, reasonable and normal trade discounts and allowances to independent third parties (including HUGO BOSS Retail Stores but not Licensee’s Affiliates/Licensee Retail Stores) and actual, reasonable and normal volume and early payment rebates to customers that are defined as credits to a customer after delivery and that Licensee actually grants in writing to the extent auditable, not exceeding in any year an amount equal to [***].
- 1.31 **“Net Sales Monthly Statement”** shall mean the reporting format for Licensee’s monthly statements as outlined in Annex 6.
- 1.32 **“Net Sales Projection”** shall have the meaning as set forth in Clause 5.3.
- 1.33 **“Product Category”** shall mean (i) Traditional Watches, (ii) Technology-Enabled Watches, and (iii) Jewelry.
- 1.34 **“RRP”** shall mean Licensee’s published recommended retail price for a given Licensed Product in the applicable region.
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- 1.35 “**Selective Criteria**” shall mean the qualitative and/or quantitative criteria promulgated by Licensee from time to time for the admission of Distributors into, and for their continued membership in, Licensee’s selective distribution network for the resale of the Licensed Products. The Selective Criteria shall initially be as set forth in Annex 12, and any material changes to the Selective Criteria must be approved by HUGO BOSS.
- 1.36 “**Subcategory**” shall have the meaning as set forth in Clause 2.5.
- 1.37 “**Technology-Enabled Watches**” shall mean smart Watches, software enabled watches and connected Watches, including but not limited to display Watches, analogue-smart watches, hybrid smartwatches, and trackers for men and women bearing the Trademarks on labelling, tags and/or on the products themselves.
- 1.38 “**Term**” shall mean the duration of this Agreement, as set forth in Section 19.
- 1.39 “**Term Sheet**” shall have the meaning as set forth in the Preface.
- 1.40 “**Trademarks**” shall mean the HUGO Trademarks, BOSS Trademarks, and “HUGO BOSS” trademarks as set forth in Annex 1 to this Agreement as well as HUGO BOSS trademarks under application or registration in the future in Nice classes 14 and 35.
- 1.41 “**Traditional Trademarks**” shall mean the trademarks “BOSS HUGO BOSS” and “HUGO HUGO BOSS” as set forth in Annex 2 to this Agreement.
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- 1.42 **"Traditional Watches"** shall mean Watches for men and women bearing the Trademarks and/or Traditional Trademarks on labelling, tags and/or on the products themselves, but excluding Technology-Enabled Watches.
- 1.43 **"Transferred Marketing Spendings"** shall have the meaning as set forth in Clause 11.6.
- 1.44 **"Watches"** shall mean watches including wristwatches, wall clocks, alarm clocks, and watch straps.

2 Grant of License

- 2.1 Subject to the terms of this Agreement, HUGO BOSS hereby grants to the Licensee an Exclusive non-transferable license to use the Trademarks for the creation, design, production, labelling, packaging, marketing, advertising, promotion, sale and distribution of Watches and the BOSS Trademarks for the creation, design, production, labelling, packaging, marketing, advertising, promotion, sale and distribution of Jewelry in the License Territory, and in connection therewith, and subject to the terms of this Agreement, to use the reputation and the image of HUGO BOSS and the products of HUGO BOSS.
- "Exclusive"** shall mean that during the term of this Agreement, HUGO BOSS will not grant any further licenses for the creation, design, production, labelling, packaging, marketing, advertising, promotion, sale and/or distribution in the License Territory of the Licensed Products and/or the HUGO BOSS Designs and moreover will not itself produce and/or distribute any Licensed Products (other than distribution in HUGO BOSS Retail Stores) and/or HUGO BOSS Designs in the License Territory, unless covered by Clauses 2.5 and /or 2.6. Notwithstanding the foregoing, "Exclusive" shall not be interpreted to prohibit HUGO BOSS from itself producing and distributing Jewelry bearing the HUGO Trademarks prior to the HUGO Jewelry Longstop Date (as defined in Section 2.6 below).
- 2.2 Further, HUGO BOSS grants to the Licensee an Exclusive, non-transferrable license to use the Traditional Trademarks for the sale and distribution of Traditional Watches already manufactured under the Second Licensing Agreement and Term Sheet. This license does not contain the right to create, design or produce new Traditional Watches but shall be limited to the sale and distribution of the existing stock.
- 2.3 The license granted includes, besides the right to use the Trademarks, the right to use the Trademarks in advertising and PR materials, in promotional materials and on the packaging of the Licensed Products, subject to and within the limitations of the other provisions of this Agreement, in particular Clause 12.
- 2.4 The license further includes the Exclusive non-transferable right to use the HUGO BOSS Designs and the non-exclusive right to use the promotional material and all associated copyrights, trade dress rights, and other design rights produced by HUGO BOSS according to Clause 12.
- 2.5 [***]
- 2.6 Licensee may at any time notify HUGO BOSS that Licensee wishes to launch Jewelry under the HUGO Trademarks ("**HUGO Jewelry**"). Such notification shall include a reasonably detailed business plan in respect of such launch. HUGO BOSS shall promptly review such business plan and shall approve or disapprove
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such business plan acting reasonably, in good faith and in a spirit of collaboration. After any such business plan is approved, HUGO BOSS shall discontinue producing and distributing HUGO Jewelry no later than the later of (i) Licensee's proposed launch date or (ii) the date [***] after the date on which Licensee first furnished such business plan to HUGO BOSS or (iii) after termination or expiration of a third-party license agreement for HUGO Jewelry, which was entered into subject to the terms below (such later date, the "**HUGO Jewelry Longstop Date**"), whereas HUGO BOSS shall have a sell-off right of [***] after the "HUGO Jewelry Longstop Date. Effective on the date of approval of Licensee's business plan for the launch of HUGO Jewelry, Section 2.1 above shall be deemed amended to provide that Licensee's Exclusive license shall encompass HUGO Jewelry. [***]

- 2.7 Without prejudice to the above, Licensee acknowledges that HUGO BOSS is the firm, business, company and trade name of the HUGO BOSS Group and is not licensed in such capacity or as part of an internet domain name. Therefore, HUGO BOSS and the HUGO BOSS Group are not restricted in the use of their firm, business, company and trade name in any respect. The use of the Trademarks by Licensee on letterhead, forms, business cards, etc. requires the prior written approval of HUGO BOSS.
- 2.8 It is the intention of the Parties that the Licensee exploits the rights granted hereunder throughout the whole of the License Territory to the extent commercially reasonable. Subject to the terms of this Agreement, it shall be considered commercially reasonable for the Licensee to make use of the license and engage in an active course of distribution and marketing activities in those countries within the License Territory where the HUGO BOSS Group has a significant existing marketing and distribution structure for its core products. However, the Parties agree that Licensed Products shall be distributed, marketed and sold – at a minimum - in the Key Markets.
- 2.9 Notwithstanding the foregoing, HUGO BOSS retains the right to produce and/or distribute Licensed Products bearing the Trademarks to the extent it in good faith deems such use necessary or useful in order to perfect or preserve its rights in the Trademarks and only to the extent that Licensee has refused or failed to provide HUGO BOSS with the necessary Licensed Products within a reasonable time after written request made to Licensee by HUGO BOSS. All such Licensed Products provided by Licensee to HUGO BOSS shall be under terms of sale that are [***] consistent with Clause 9 hereof. Moreover, nothing set forth herein shall limit in any way HUGO BOSS' right to manufacture and/or distribute and/or grant licenses for manufacture and/or distribution of products other than Licensed Products.
- 2.10 Licensee had the right to create and sell BOSS Orange Watches under the Second License Agreement. However, Licensee agrees that it has no right anymore for the creation, design, production, labelling, packaging, marketing, advertising, promotion, sale and distribution of any product under the BOSS
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Orange trademark. Any remaining stocks of products under the trademark BOSS Orange must be destroyed immediately after the full execution of this Agreement.

3 Subcontractors

- 3.1 The Licensee may not sublicense the rights granted hereunder, provided however, that the Licensee is entitled to have the Licensed Products manufactured by third parties acting as subcontractors under the provisions stipulated herein. In any case, manufacturers of the Licensed Product are to be considered as subcontractors according to this regulation. Licensee shall inform HUGO BOSS in a timely manner of new subcontractors at the latest [***] after production start.
- 3.2 Licensee warrants to HUGO BOSS that each subcontractor will be bound to all applicable requirements of this Agreement and will perform all relevant obligations under this Agreement.
- 3.3 HUGO BOSS may request for cause, upon written notice to Licensee, at any time that a subcontractor shall discontinue the manufacturing of the License Products. It shall be considered as cause if, based on reasonable grounds which shall be set forth in the written notice delivered to Licensee as provided above, it appears likely that the subcontractor engages in acts or omissions that cause or are likely to cause damage to the brands, marketing concept, image or reputation of HUGO BOSS and/or the Trademarks and/or Traditional Trademarks, in particular but not limited to through the production of Licensed Products of inferior quality. The Licensee warrants that its agreements with subcontractors shall provide for immediate termination on the aforementioned grounds in a manner to ensure that the Licensee can comply with its obligations under this Agreement.

4 HUGO BOSS Team

- 4.1 Licensee shall at all times maintain a product development team of highly experienced and qualified people in charge of the global product, marketing and brand development as well as the overall distribution and sales strategy of the Licensed Products according to the chart in Annex 3, and including [***].
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- 4.2 Licensee shall give due consideration to HUGO BOSS' input regarding the appointment, or continued support of team members dedicated to the HUGO BOSS Licensed Products. From time to time, the Parties shall in good faith discuss adding additional team members.
- 4.3 Licensee shall entrust the distribution of the Licensed Products as follows:
- [***] The distribution system, as well as the countries included within Licensee's key market plan and Licensee's organizational structure with respect to the License Products, are set forth in the Business Plan.
 - Licensee will select its sales personnel in accordance with and inform its sales personnel of the product philosophy of the Licensed Products as communicated by HUGO BOSS. Upon request by HUGO BOSS, Licensee shall cause its employees who are entrusted with the distribution of the Licensed Products to be trained regularly by HUGO BOSS or by persons or companies instructed by HUGO BOSS. Licensee will require each such employee to abide by such product philosophy.

5 License Fees / Advertising Fees

- 5.1 [***].
- 5.2 As compensation for the rights and opportunities for use provided in this Agreement, Licensee shall pay to HUGO BOSS a license fee each year equal to the greater of (i) the amount of [***] of the Net Sales ("**License Fee**") (excluding Net Sales derived from sales to HUGO BOSS Group) or (ii) the guaranteed minimum license fee calculated on the basis of the Minimum Net Sales as set forth in the Business Plan in Annex 5 ("**Guaranteed Minimum License Fee**").
- 5.3 Further, Licensee shall pay to HUGO BOSS an Advertising Fee each year equal to the greater of (i) [***] of actual Net Sales in such year or ("**Advertising Fee**") or (ii) the guaranteed minimum advertising fee calculated on the basis of the Minimum Net Sales as set forth in the Business Plan in Annex 5 ("**Guaranteed Minimum Advertising Fee**").
- 5.4 The Guaranteed Minimum License Fee and the Guaranteed Minimum Advertising Fee for each year shall be payable in twelve (12) equal monthly instalments throughout such year subject to receipt of an invoice, which can be issued on the last day of each month.
- 5.5 Transferred Marketing Spendings shall be invoiced immediately upon occurrence or as agreed between the Parties.
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5.6 No later than 30 days after the last day of each calendar quarter (April 30, July 30, October 30, and January 31, respectively, or if such date shall fall on a weekend or holiday, the following business day), Licensee shall submit to HUGO BOSS a written statement setting forth the License Fee and Advertising Fee due for the immediately preceding calendar quarter, giving a count [***] of total Licensed Products sold and the applicable Gross Sales, deductions and Net Sales. Based on this statement, HUGO BOSS shall issue invoices for the Advertising Fee and License Fee due for the calendar quarter then ended, which shall be reduced by the amount of Guaranteed Minimum License Fees and Guaranteed Minimum Advertising Fees already paid in respect of such calendar quarter.

After the fourth quarter each year, Licensee shall determine the License Fee and the Advertising Fee due for such year and, where necessary, the difference between the Guaranteed Minimum Annual Fees and the License Fees and Advertising Fees paid for such year.

5.7 Moreover, the Licensee shall submit written Net Sales Monthly Statements of the Gross Sales, deductions and Net Sales of Licensed Products of [***]. This Net Sales Monthly Statement shall be sent to HUGO BOSS no later than [***] days after the last day of the relevant month. Reporting currency will be EUR.

6 Payments / Taxes

6.1 All payments shall be subject to receipt of an invoice. Invoices for the License Fee and Guaranteed Minimum License Fee shall be payable within [***] days. Invoices for the Advertising Fee, Guaranteed Minimum Advertising Fee, Transferred Marketing Spendings, and Signing Fee shall be payable within [***] days.

All License Fees and Advertising Fees shall be paid in Euro. All exchange rates for sales in local currencies to CHF or USD counting towards the calculation of the License Fees and Advertising Fees, shall be made in a transparent and auditable manner. The USD-EUR and CHF-EUR exchange rate for the reporting statements under this Agreement shall be [***].

6.2 Payments shall be made to the following account: [***]

or such other account as HUGO BOSS may from time to time designate to Licensee in writing. Any amounts owing to HUGO BOSS which are more than [***] days past due shall bear interest at a rate of [***].

- 6.3 All payments to be made by Licensee to HUGO BOSS under this Agreement do not include any VAT (or equivalent sales or turnover tax) and, if applicable, the respective VAT (or equivalent sales or turnover tax) amount shall be added to each amount payable in accordance to the applicable rate and to be paid by Licensee. The Parties shall closely cooperate and assist each other in order to avoid any withholding taxes or reduce the amount of withholding taxes to the extent permitted by applicable laws. To the extent that Licensee is required to withhold taxes on any payments under this Agreement, Licensee shall deduct and pay the amounts of such taxes to the proper governmental authority in a timely manner and promptly transmit to HUGO BOSS an official tax certificate or other evidence of such withholding sufficient to enable HUGO BOSS to claim such payments of taxes. Each Party shall provide the other with reasonable assistance to enable the recovery, as permitted by law, of withholding taxes, VAT (or equivalent sales or turnover tax), or similar obligations resulting from payments made under this Agreement, such recovery to be for the benefit of the Party bearing such withholding tax or VAT (or equivalent sales or turnover tax).

7 Product Development, Product Design

- 7.1 To ensure the uniformity of upper premium quality and image in all products sold by HUGO BOSS and Licensee and bearing Trademarks or Traditional Trademarks, the principal design guidelines and general structure of the collection shall be provided by HUGO BOSS to Licensee for development of the Licensed Products. Licensee agrees to observe and comply with all such guidelines and briefings and acknowledges HUGO BOSS' high quality standards and reputation in high end fashion products. HUGO BOSS will notify Licensee in due time when such guidelines will be materially modified.
- 7.2 [***]each year, the Parties will agree on a timeline for the design approval steps and meetings for the following [***] product releases. Licensee will organise the approval meetings according to the agreed timeline to allow selection discussions and approval of prototypes and creative sketches for all the upcoming collections. Watches and Jewelry for the respective BOSS Trademarks and HUGO Trademarks shall always be discussed during the same meeting.
- 7.3 At every design approval meeting, and for each of the Licensed Products and/or line/collection of Licensed Products, Licensee will provide HUGO BOSS with:
- a) [***];
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- b) [***];
- c) [***]; and
- d) [***].

- 7.4 HUGO BOSS and Licensee can mutually agree to change product development classifications and add/replace wearing occasions. A product calendar will be provided, substantially in the form of Annex 7.
- 7.5 HUGO BOSS shall, with respect to each submission made by Licensee for approval, notify Licensee in writing without undue delay, and in any event within [***] days, as to whether it approves the submission. Any approval is [***]. Unless HUGO BOSS disapproves any submission with the specified time period, it will be deemed approved. In the event HUGO BOSS disapproves any submission, it will furnish Licensee with the reasons for such disapproval together with notice thereof.
- 7.6 Licensee shall not proceed with the manufacture of a new product design for any Licensed Product without the written approval of HUGO BOSS as provided hereunder.
- 7.7 Following approval by HUGO BOSS of any prototype as provided hereunder, Licensee shall provide HUGO BOSS with samples of the Licensed Products from the first production run using the approved designs [***].
- 7.8 The Parties acknowledge and agree that it is essential to the image and reputation of HUGO BOSS to regularly adjust the range of designs of the Licensed Products (like those of HUGO BOSS and its other licensees) to meet new demands and fashion trends. The intervals of the renewal and expansion of product designs will be mutually determined by the Parties acting in good faith. [***],
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HUGO BOSS and Licensee will organise and engage together on design trends research trips, i.e. fairs, HUGO BOSS showroom visits and trend areas in selected locations.

- 7.9 Licensee shall provide HUGO BOSS, [***] working samples of each launched Licensed Product. For selected advertising, maximum [***] PR & Influencer pieces per year and per Product Category will be provided as per Clause 12.3.
- 7.10 Licensee shall prepare and submit to HUGO BOSS for review and comment specific non-binding retail price recommendations for the Licensed Products. All comments on non-binding retail price recommendations and any changes thereto must be provided in writing by HUGO BOSS not later than [***] working days after Licensee's request for input has been submitted to HUGO BOSS. [***]. Nothing contained in this Agreement is intended or will be construed as giving either Party any right of approval with respect to any of the prices at which the other Party sells or offers to sell any of the Licensed Products.
- 7.11 The Parties shall agree on an annual general launch schedule, and on further seasonal launch schedules based on said annual launch schedule.

8 Quality and Compliance

- 8.1 The Parties acknowledge that the maintenance of HUGO BOSS's standards of quality, design and presentation is essential in order to preserve the upper premium prestige of the Trademarks and Traditional Trademarks, the HUGO BOSS Intellectual Property and the goodwill and reputation associated with them. Accordingly, HUGO BOSS shall have control over the quality of the Product and Licensee undertakes to adhere to HUGO BOSS's reasonable standards of quality in accordance with this Agreement. In furtherance and not in limitation of the foregoing, Licensee shall use all commercially reasonable efforts to ensure that all Licensed Products comply with Licensee's General Acceptance Requirements for the Licensed Products, the current edition of which is attached hereto as Annex 13.
- 8.2 The Licensee is obliged to comply with the applicable national laws and international standards and specifications for the manufacture and sale of Licensed Products, including but not limited to the respective customs requirements or health and safety provisions. Licensee ensures that, at all times, its commercial methods in the Licensed Territory comply with the generally accepted standards in the Licensed Territory. The Licensee also undertakes to respect all applicable international treaties and the national legislation in terms of the laws on employment and working conditions, environmental protection, competition and consumption.
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- 8.3 The Licensee agrees to comply with all documents, which are uploaded from time to time on the so called "HUGO BOSS Vendor Management Platform", being understood that, [***].
- 8.4 Licensee also undertakes to comply to the standards of quality (including, without limitation, materials, design and workmanship) provided for under the relevant laws in force (as such standards may be mutually updated by the Parties), and safeguard the quality of Licensed Products by means of quality-control measures detailed in Annex 4 and already approved by HUGO BOSS. Any modifications of Annex 4 need the prior written approval of HUGO BOSS. The Licensee shall conduct reasonable and sufficient product safety tests using an accredited test institute such as UL or SGS.
- 8.5 The Licensee maintains comprehensive records of the development and production of Licensed Products and shall provide such documents to HUGO BOSS upon request, including but not limited to [***]
- 8.6 Furthermore, the Licensee shall deliver exclusively goods that have not been imported or exported in violation of the Washington Convention on International Trade in Endangered Species (CITES) or Directive EU 338/97 or any other relevant international or national agreements on the protection of endangered species. Licensee shall without being requested to do so present any required permit(s) upon delivery of the goods, in the event that an import and/or export permit is required under the provisions of the above-mentioned endangered species conventions. Licensee guarantees to act in compliance with the relevant provisions.
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- 8.7 Licensee assures to fulfil its obligations according to the respective local packaging ordinance referring to post-consumer packaging placed on the respective local market directly or through its local distributors. [***].
- 8.8 In order to ensure (i) the quality of the Licensed Products as regulated pursuant to this Agreement, (ii) Licensee's compliance with applicable laws, regulations and industry standards relating to the Licensed Products, and (iii) Licensee's compliance with all related material terms of this Agreement, HUGO BOSS, through its employees, may [***].
- 8.9 In the event that the Parties should determine that Licensed Products produced or in production do not conform to the required specifications under this Agreement or that there are other quality problems with Licensed Products (such problems becoming apparent [***]) each Party shall give written and motivated notice of such objective quality problem to the other Party. HUGO BOSS shall determine, in [***], whether the affected Licensed Products may be sold. In any case in which such a quality problem has been noted, no affected Licensed Products shall be distributed (i) until HUGO BOSS, upon discussing with the Licensee, has approved and monitored modifications to said products or otherwise indicated in writing that the products are acceptable; and (ii) Licensee has adopted any kind of alternative solutions in order to make the Licensed Products saleable, removing the quality problem.
- 8.10 In the event that quality problems should appear which cannot be solved by the Licensee, HUGO BOSS shall be notified prior to the distribution of these Licensed Products, so that HUGO BOSS can make appropriate decisions that shall be binding upon the Licensee. In any questionable case, these Licensed Products cannot be distributed until HUGO BOSS has approved in writing and monitored the modifications to them. If modifications or improvements are not possible, the affected Licensed Products will be destroyed, with the exception of usable components, giving proof to HUGO BOSS and the costs thereof borne by Licensee.
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8.11 The Licensee

- a) guarantees that employees of Licensee will not offer, grant or promise any financial or other advantages (e.g. money, gifts, benefits, etc.) to employees of HUGO BOSS or third parties (in particular business partners or civil servants, public employees or other office holders in a position of trust) in return for unfair acts in relation to a decision, task or measure (prohibition of corruption). A person acts in an unfair manner who does not act in accordance with the principle of good faith or performs a task in a legally impermissible manner;
- b) shall observe and comply with the applicable competition and antitrust regulations. Improper conduct in the market or towards HUGO BOSS and other market participants is prohibited;
- c) shall not support money laundering or the financing of terrorism and shall comply with the national and international regulations applicable in this area; and
- d) shall respect and comply with any applicable national and international sanctions and boycotts. Sanctions and similar against the supplier itself or upstream suppliers shall be reported immediately.

8.12 The Licensee undertakes to report violations of the provisions of this clause to HUGO BOSS without delay in order to avoid damage to its reputation or other damage to the detriment of HUGO BOSS. This also applies to violations by affiliated companies of the Licensee (e.g. subsidiary). Violations may be reported to [***].

8.13 In the event of a breach of the provisions of this clause, the Licensee is obliged to support HUGO BOSS in obtaining information concerning the Licensee (including affiliated companies) or its upstream suppliers and to [***]transmit the documents requested by HUGO BOSS in electronic form and English translation. If the responsibility for the violation of the provisions of this clause lies within the sphere of the Licensee, HUGO BOSS shall be entitled to charge the Licensee for its own expenses.

9 Distribution

9.1 Licensee shall be responsible for the distribution of the Licensed Products throughout the License Territory. The Parties agree that the Licensed Products shall be distributed through a selective distribution system ensuring that distribution of the Licensed Products meets the image of the Trademarks as well as Traditional Trademarks and complies with the reasonable, generally- applicable sales and marketing policies of HUGO BOSS as well as the Online Guidelines attached as Annex 8.

9.2 Licensee shall prepare and submit to HUGO BOSS for approval a template selective distribution agreement to be used with all distributors appointed by Licensee to distribute the Licensed Products. The selective distribution agreement shall contain all qualitative and/or quantitative criteria for the admission of Distributors to the selective distribution system and shall oblige all Distributors (i) to meet these criteria at all times and (ii) to sell the Licensed Products only to consumers or to other Distributors. All template selective distribution agreements and any changes to an individual selective distribution agreement that alters the

Selective Criteria or may otherwise adversely affect the reputation of the Trademarks and/or Traditional Trademarks must be approved in writing by HUGO BOSS not later than [***] working days after Licensee's request for approval has been submitted to HUGO BOSS. Licensee acknowledges that in order to preserve the goodwill attached to the Trademarks as well as Traditional Trademarks, the admission criteria shall be designed to ensure that Licensed Products are distributed through the following distribution channels only: [***]

- 9.3 Within the framework of the Business Plan and based on the Selective Criteria, Licensee shall suggest, and the Parties shall agree on, individual distribution channels (importers, retail dealers, "points of sale") for the Licensed Products. Without limitation, [***] and Mass Distribution is not considered to be in line with the quality, upper premium prestige and international reputation of the Trademark. As a benchmark, the Licensed Product should be sold preferably to doors that primarily stock premium brands from internationally recognised manufacturers for each of the Product Categories.
- 9.4 Licensee shall undertake [***] to set up a world-wide selective distribution network within the scope of the rights granted in this License Agreement. Licensee shall enter into separate selective distribution agreements with its wholesale Distributors [***]. No rights or duties shall be derived for HUGO BOSS from the resulting direct contract relationship between Licensee and its Distributors. However, Licensee guarantees that the agreements between Licensee and its Distributors will terminate if this License Agreement between HUGO BOSS and the Licensee terminates for any reason whatsoever. If HUGO BOSS or any of its Affiliates entered into an agreement with such Distributor, and such agreement terminates or expires for whatever reason, the Parties will in good faith discuss whether HUGO BOSS shall terminate its agreement with such Distributor as well, provided, however, that [***].
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- 9.5 Licensee is obliged to terminate its contract relationship with a Distributor with notice of [***] upon request by HUGO BOSS if HUGO BOSS deems that such Distributor no longer meets the Selective Criteria or otherwise repeatedly or materially breaches its obligations under the selective distribution agreement. In addition, Licensee is obliged to terminate its contract relationship with a Distributor with immediate effect if HUGO BOSS has a reasonable basis to believe that the further collaboration with such Distributor will provide serious damages to the reputation and image of the Trademarks and/or the Traditional Trademarks. Licensee warrants that such a remedy and termination clause will be provided for in the respective agreements.
- 9.6 Licensee shall handle all customer inquiries and complaints relating to the Licensed Products in a manner consistent with the manner in which it handles customer inquiries and complaints relating to licensed products it sells at comparable prices under other brand names. Licensee shall provide substantially the same service, warranties, repair and replacement rights to wholesale purchasers and consumers of the Licensed Products as it provides to purchasers of such other products. Licensee shall be solely responsible for all costs associated with the handling of such inquiries and complaints and the provision of such service. The after sales service is subject to the quality requirements as stated in Clause 8 of this Agreement and may be controlled by HUGO BOSS in accordance with the same conditions. Licensee will provide a central contact for all after sales service requests to ensure a smooth coordination and timely processing of all requests.
- 9.7 HUGO BOSS and Licensee will agree on a minimum of [***] joint market visits to subsidiaries and/or distributors for each year. Licensee shall organize meetings with key representatives of each market to perform a business assessment of each selected market.
- 9.8 In case Licensee grants return rights to wholesale partners and wholesale partners make use of such return right, Licensee shall either claim back the goods or shall ensure to receive a proof of destruction of the goods.

10 Sales to and by HUGO BOSS

- 10.1 At the request of HUGO BOSS, Licensee will sell the Licensed Products to HUGO BOSS itself (including HUGO BOSS Retail Stores), to organisations within HUGO BOSS' distribution network for further distribution to its local customers (e.g. franchising stores, BOSS Shops in Shops, etc.) [***]. The Parties will use their [***] to ensure that the Licensed Products will have a permanent presence in these stores with mutually agreed presentation standards in accordance with the yearly assortment planning aligned between the Parties.
- 10.2 All sales by Licensee to HUGO BOSS and the HUGO BOSS Group shall generally be at [***] and delivered within the European Union according to the ICC's INCOTERMS® 2020 [***] and outside the European Union according to the ICC's
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INCOTERMS® 2020 [***], unless expressly agreed otherwise.

- 10.3 Licensee will grant HUGO BOSS an annual return right (the “**Annual Return Right**”) in the amount of [***] of the Licensed Products sold to HUGO BOSS’ owned full-priced retail stores.
- 10.4 Licensee acknowledges that Licensed Products supplied to HUGO BOSS and/or the HUGO BOSS Group, as well as organisations within HUGO BOSS’ distribution network may need to be relabelled. Upon HUGO BOSS’ request, Licensee will use its [***] to provide labels which meet HUGO BOSS’ labelling requirements.
- 10.5 Licensee shall not materially breach the applicable terms and dates of delivery and shall in a timely and complete manner inform HUGO BOSS of any material problems which arise in connection therewith, particularly delivery delays.
- 10.6 Licensee shall inform HUGO BOSS every season about the changes of the assortment such as carry over and phase-out products. Dates need to be mutually agreed but are expected to occur in [***].
- 10.7 [***], Licensee will provide a phase-out list of the discontinued styles [***]. HUGO BOSS’ owned full-priced retail stores shall be free either (i) to return the discontinued styles to Licensee in saleable condition, in which case such returns shall count against the Annual Return Right, or (ii) to transfer the discounted styles directly to HUGO BOSS’ Outlet Stores (“**Full-Price to Outlet Transfers**”). In case of any Full-Price to Outlet Transfer, a total discount of [***] shall apply, and Licensee shall, promptly after receiving written notice of such transfer containing such information as Licensee shall reasonably require, issue to HUGO BOSS a credit for [***] (representing the difference between the price originally paid by HUGO BOSS as specified by the immediately preceding paragraph and the price calculated using the [***] discount specified by this paragraph).
- 10.8 Licensee will grant a discount of [***] on RRP on Licensed Products to be sold at HUGO BOSS’ Outlet Stores (excluding Full-Price to Outlet Transfers). The Parties will use their [***] to ensure that the Licensed Products will have a permanent presence in these stores with mutually agreed presentation standards. There are no return rights from HUGO BOSS’ Outlet Stores.

11 HUGO BOSS Marketing

- 11.1 With regard to the general HUGO BOSS marketing activities, HUGO BOSS alone is in charge of all activities including all marketing, advertising (e.g. newspapers, magazines, billboards, TV, radio, online, social media) and promotional as well as sport and art sponsoring activities.
- 11.2 Within the framework of the Business Plan, marketing and advertising activities by HUGO BOSS in connection with the Licensed Products shall be agreed upon
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with the Licensee, with both Parties acting reasonably. If the Parties do not agree, [***], until a reasonable understanding between the Parties is reached. The Parties shall inform each other regularly about the implementation of the Business Plan.

11.3 Subject to the provisions of clauses 11.2 and 11.5, HUGO BOSS is in charge of the conception, design, execution, and payment of the global above-the-line communication channels, meaning print (e.g. newspapers, magazines), out-of-home (e.g. billboards), TV, radio, online, social media, paid media (paid social, paid display advertising, paid native advertising), app, newsletters, and websites, which highlights the Product Categories ("**Above-the-Line Activations**"). A Product Category is considered highlighted if the Product is [***].

11.4 HUGO BOSS shall receive an Advertising Fee or Guaranteed Minimum Advertising Fee. Such fee shall be used to contribute to the costs for the Above-the-Line Activations. Licensee shall timely and regularly inform HUGO BOSS about the projected License Fees to allow HUGO BOSS to project and spend the Advertising Fee in a given year. The information and projections shall be as precise as possible to ensure that the unspent amount, if any, does not exceed [***] of the agreed annual amount and will be spent [***].

11.5 Subject to the provisions of clause 11.2 and the below provisions of this clause 11.5, HUGO BOSS is further in charge of the conception, execution, and post-production of the following content creation, featuring and/or highlighting the Product Category:

- Campaign shootings (concept, organization, execution);
- Product still lifes, which will be shown along the main fashion campaign (concept, organization, execution); and
- Negotiation and contracting with celebrities, famous athletes, or other comparable talents, which are also part of the main fashion campaign (hereinafter "**HB Category Content**").

The Parties shall agree on deliverables to be produced by HUGO BOSS and to be provided to Licensee. The Parties acknowledge that deviations from the agreed deliverables may occur during the creative process and that such deviation shall not be a breach of a contractual obligation. In case of substantial deviations from the agreed deliverables, the Parties shall agree on a solution both acting [***].

In case HUGO BOSS does not wish to create the HB Category Content, [***].

11.6 The costs for the HB Category Content shall be borne by [***]. The Parties shall agree on costs to be covered by Licensee beforehand ("**Transferred Marketing Spendings**").

12 Licensee Marketing

- 12.1 Licensee is in charge of the conception, execution, and post-production of the following content creation: Product still lifes, beauty and pack shots (not on a model), which are intended for wholesale and pure online retail activations as well as product catalogues or cooperative advertising.
- 12.2 Licensee is responsible for the global conception, design, and execution and shall cover the cost for below-the-line activations meaning sales promotions tools (give-aways, catalogues, bags, gift boxes), corporate posters, exhibitions/fairs/trade shows, showrooms, public relations (for events), press relations, corner and shop fixturing, commercial furniture, Point of Sale advertising, signs and markings; visual merchandise with regard to the Licensed Products, i.e. stand-ups, window cards, product displays, other promotional material, catalogues for retailers and/or sales representatives; cooperative online and offline advertising with retailers ("**Below-the-Line Activations**"). Licensee shall in general use the HB Category Content for all Below-the-Line Activations, unless otherwise agreed between the Parties.
- 12.3 Licensee shall be responsible for public relations activities with regard to the Licensed Products, i.e. texts, PR shootings, placement in end-consumer press and trade press throughout the License Territory. However, all public relations activities require the prior written approval of HUGO BOSS. In furtherance of the foregoing public relations activities, HUGO BOSS may also conduct PR services. To this end, Licensee shall furnish to HUGO BOSS at its request each calendar year up to [***] units of Licensed Products for HUGO BOSS to use solely in connection with public relations activities promoting the Licensed Products, including, without limitation, gifts to celebrities, press events and other related purposes.
- 12.4 Licensee shall be responsible for any category specific influencer activations. Any such influencer activation must be approved by HUGO BOSS and HUGO BOSS may provide Licensee pre-approved influencer lists, which Licensee will take into account in good faith when organising such influence activation.
- 12.5 Licensee may carry out all marketing activities set forth under Clause 12 using its own personnel and at its own cost. In addition, Licensee has the right to work with an external agency for the activities under Clauses 12.3 and 12.4, subject to HUGO BOSS' prior approval. For the avoidance of doubt, HUGO BOSS shall have an approval right over the selection of such agency. If HUGO BOSS reasonably believes that the latter services cannot be performed by Licensee itself, HUGO BOSS may request that such services be performed by an external agency and Licensee shall be obliged to contract with an external agency.
- 12.6 Licensee shall be responsible for ad hoc market research dedicated to the Licensed Products and for the conception, design and carry out of point-of-sale activities.
- 12.7 Licensee shall bear responsibility for all costs for the activities referred to in Clauses 12.1 - 12.6. For those activities Licensee shall spend or cause its distributors to spend at least [***] of the Net Sales throughout the term of this agreement ("**Marketing Spending**").
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- 12.8 Licensee will provide HUGO BOSS with [***]Marketing Spending appraisals. The Marketing Spending shall be auditable by HUGO BOSS.
- 12.9 All Below-the-Line Activations and marketing activities by Licensee are subject to the prior approval of HUGO BOSS, not to be unreasonably withheld. The Parties will consult at least [***], to review the level of actual expenditures for (i) the production and placement of advertising for the Licensed Products in print and electronic media and (ii) the activities set forth under this Clause 12, relative to sales growth, including consideration of whether certain increases in such expenditures are appropriate. Licensee shall provide HUGO BOSS with a detailed appraisal of the previous investment(s) and actions/results obtained by [***]. At the latest by [***], Licensee shall propose for HUGO BOSS' feedback and input a detailed [***]investment plan, including the on- and offline media/advertising plans directly booked by Licensee or its Affiliates/distributors, by [***], which is mutually to be agreed by the Parties acting reasonably. If the Parties disagree as to whether amendments or increases are appropriate, a top management meeting of the Parties can be called by either Party and the Parties will use their best efforts to resolve such disagreement.
- 12.10 For the avoidance of doubt, use of the Trademarks on promotional gifts is only permitted upon obtaining the prior written approval of HUGO BOSS.
- 12.11 The Parties agree that their respective Above-the-Line and Below-the-Line Activations shall benefit all Product Categories in a ratio to be agreed upon by the Parties.
- 12.12 Licensee will invest additional funds at a minimum percentage of Net Sales as agreed by the Parties to support Licensee's marketing activities referred to in this Clause 12 in order to ensure driving sales and brand messaging while giving due consideration to prevailing market conditions in each Key Market and to the financial implications for both Parties ("**Additional Marketing Investment**"). The Additional Marketing Investment is set out for the respective year in the Business Plan in Annex 5. The investment will be covered by a guarantee of Movado Group, Inc., the ultimate mother company of Licensee, as per Annex 9.
- Any such Additional Marketing Investment shall be made in close co-operation with and upon prior approval of the marketing plans by HUGO BOSS in [***].
- The Additional Marketing Investment referred to in this Clause 12.12 shall not count towards the Marketing Spending.
- 12.13 Costs incurred by Licensee in connection with customer accommodation or after sales service, customer gifts or invitations, dealers' meetings and training of marketing and sales personnel shall be borne solely by Licensee in addition to the Marketing Spending.
- 12.14 Licensee undertakes, and shall ensure that its Distributors undertake, to only use the Trademarks and/or Traditional Trademarks in combination with the terms
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“watches’ and “jewelry” [***].

13 Business Plan and Action Plan

- 13.1 The Parties have agreed upon a Business Plan for the period 2022 through [***], as set forth in Annex 5.
- 13.2 No later than [***] of each calendar year during the term of this Agreement, Licensee shall prepare and present to HUGO BOSS for feedback and input the updated Action Plan.
- 13.3 HUGO BOSS and Licensee shall agree on the [***] Action Plan in a joint annual strategy meeting. If the Parties cannot agree on the [***] Action Plan, a top management meeting of the Parties can be called by either party and both Parties will use their best efforts to solve the issue.
- 13.4 On request by HUGO BOSS, Licensee shall inform HUGO BOSS in writing of actions taken and confirm compliance with the individual steps of the [***] Action Plan and the implementation of the planned activities.
- 13.5 Each [***], Licensee will submit to HUGO BOSS, a schedule showing in detail the projected sales and marketing plans of the Licensed Products for the next following [***].

14 Information, Co-ordination and Co-operation / Audit

- 14.1 Any and all public statements, publications and information given to third parties concerning this Agreement or the relationship between Licensee and HUGO BOSS generally must be previously agreed upon by the Parties, except where such statements are required by law or government act. However, the Parties shall inform each other of such statements required by law or government act. Normal company information of Licensee and HUGO BOSS that does not contain any statements regarding the contents of this Agreement or its relationship with HUGO BOSS is exempted from this provision.
 - 14.2 Licensee shall refrain from any activity which would reasonably be expected to adversely affect the cooperation of the Parties under this Agreement and any third party licensee of HUGO BOSS with respect to production, distribution, sales and
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promotion campaigns or any other activity using or in connection with the Trademarks.

- 14.3 Licensee shall inform HUGO BOSS in a timely manner, if it terminates the collaboration with a distributor.
- 14.4 HUGO BOSS and the Licensee shall each designate a person at their respective companies to be in charge of the development, design and marketing of the Licensed Products.
- 14.5 In co-ordination with Licensee, HUGO BOSS has defined all reporting data relevant to HUGO BOSS' quality control of the manufacture, distribution and sale of Licensed Products (Annex 6) and shall specify the frequency with which such data is to be made available. The Parties acknowledge that separate reports are required for Watches and Jewelry. This data must be electronically processed and made available to HUGO BOSS via data transmission in a complete and timely manner. The Parties shall jointly decide on changes to the reporting data format.
- 14.6 HUGO BOSS may specify and furnish the data processing interfaces necessary for a smooth exchange of data in accordance with Licensee; provided that, in any event, it shall be sufficient if Licensee furnishes the required reporting data to HUGO BOSS via email.
- 14.7 The Parties will endeavour to keep each other fully informed on a timely basis of all issues that reasonably could be expected to have a material impact on the creation, design, production, labelling, packaging, marketing, advertising, promotion, sale or distribution of the Licensed Products and Licensee shall furnish HUGO BOSS with such reports in respect thereof as HUGO BOSS may reasonably request from time to time.
- 14.8 In addition, Licensee shall furnish HUGO BOSS with the following management information:
- Budget and planning for [***];
 - [***]reports on problems concerning product quality and customer complaints.
- The Parties shall, on a routine basis but no less often than [***], fully inform each other on all other matters, problems and actions which affect the creation, design, production, labelling, packaging, marketing, advertising, promotion, sale or distribution of the Licensed Products.
- 14.9 During the term of the Agreement and for [***] after its termination, Licensee shall keep complete and accurate records of sales subject to License Fees, Advertising Fees and Marketing Spending, maintain and preserve the underlying documents and permit representative or authorised third parties, e.g. auditing companies, of HUGO BOSS to examine such records, copy them and audit the respective accounting entries in the Licensee's group books and Licensee's Affiliates' books during business hours on at least [***] notice.
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- 14.10 The audit can be conducted in respect of the [***] preceding the date of the audit. The receipt of acceptance by HUGO BOSS of the License Fees, Advertising Fees, Marketing Spending statements or any other statement or any payment shall not preclude HUGO BOSS from auditing or otherwise questioning the correctness thereof at any time during the Term of the Agreement. [***].
- 14.11 During the course of the audit, Licensee shall provide HUGO BOSS or its representative with the audit reports concerning the annual reports of the Licensee group and all its Affiliates. If for any Affiliate no audit report exists, the Licensee's group auditor shall hand over a financial statement with a review statement (no full scope audit) and confirmation. Furthermore Licensee shall provide a consolidated Net Sales Statement report divided by SKU for each contractual year. These reports shall be only available for the representative or authorised third party of HUGO BOSS and for reconciliation purposes only. Licensee's local audit team has to fill in and to confirm the AUP (Agreed upon procedure) master file as defined in Annex 10 for each audited Affiliate and for each contractual year. In case there is no AUP, Licensee has to provide the requested data during the auditing process.
- 14.12 During the course of the audit and for the purpose of the audit of the declaration of the License Fee, Advertising Fee and Marketing Spending, the representative or authorised third parties of HUGO BOSS will have:
- access to all relevant information regarding pricing and the price structure within Licensee's group, i.e. access to all relevant inter-company agreements and relevant third party agreements and
 - access to information from the IT Systems of Licensee as it is reasonably necessary to check the sales process and other influence on the calculation of the Licensee Fees, Advertising Fees and Marketing Spending.
- 14.13 The Licensee acknowledges that tracking and verifying Gross Sales, Net Sales, License Fees, Advertising Fees and Marketing Spending for each of the Product Categories and in each of the markets which belong to the License Territory is essential for HUGO BOSS, and will ensure its accounting structure and booking processes allow for traceability of all relevant data. After each audit conducted by HUGO BOSS, Licensee and HUGO BOSS will meet in order to review and discuss the findings and conclusions of the audit. The Parties shall agree on the necessary improvements, changes as well as audited statements to provide with, that should reasonably be made by Licensee in its accounting, reporting and auditing process for Licensed Products. If Licensee fails to make available sufficient information necessary to complete the audit as confirmed by the representative or authorised third party of HUGO BOSS, which relates to more than [***] of the total Net Sales for any audited period of at least [***], then a change in information rights for the audit may be requested by HUGO BOSS, e.g. additional information rights, access rights.
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- 14.14 Licensee confirms by signing this Agreement, that, except for online sales (which needs to be approved by HUGO BOSS), each of Licensee and each of its Affiliates conduct only one kind of business, i.e. no mix between wholesale and retail business within one company. Changes to this structure will be notified to HUGO BOSS without undue delay. In case of an impact on the calculation of the License Fees and Advertising Fees due to the change, an agreement must be reached on the calculation.
- 14.15 Any shortfall on License and/or Advertising Fees and/or Marketing Spending identified and duly justified during the audit will be paid (or spent, as the case may be) by Licensee not later than [***] after the final audit report submitted by the representative or authorised third party of HUGO BOSS; provided, however, that any payment by Licensee hereunder shall not preclude Licensee from contesting the results of any audit conducted under this Clause 14.

15 Trademarks, HUGO BOSS Designs, Internet Domains, other Intellectual Property Rights and Customer Data

- 15.1 The Parties acknowledge that the Licensed Products to be sold pursuant to this Agreement may require product names, sub-brands, logos, taglines, campaign slogans, or other designations beyond the Trademarks licensed hereunder. The Parties agree to cooperate in the development of any such product names, taglines, campaign slogans, or other designations, provided however that all such product names, sub-brands, logos, taglines, campaign slogans, or other designations require HUGO BOSS' written approval prior to implementation.
- 15.2 As between the Parties, Licensee shall be responsible for the development and legal clearance (including all associated costs) of routine non-trademark product names, taglines, campaign slogans, or other designations. Any distinctive product names, sub-brands, logos, taglines, campaign slogans, or other designations developed for use with the Licensed Products under this Agreement shall be solely owned by HUGO BOSS and shall be automatically included in the definition of Trademarks under this Agreement.
- 15.3 To ensure that usage of the foregoing product names, taglines, campaign slogans, or other designations are legally compliant and do not create unnecessary infringement or other legal exposure, the Parties shall mutually develop, implement and abide by appropriate usage guidelines for the routine non- trademark product names, taglines, campaign slogans, or other designations, and for the distinctive product names, sub-brands, logos, taglines, campaign slogans, or other designations developed under this Agreement for use with Licensed Products.
- 15.4 Licensee agrees that HUGO BOSS shall become and remain the sole owner of any HUGO BOSS Designs. To the extent that intellectual property rights in the HUGO BOSS Designs and respective marketing materials are not already the property of HUGO BOSS, Licensee hereby assigns to HUGO BOSS all right, title, and interest in and to all intellectual property rights (including without limitation any and all trade secret, patent, copyright, trademark, trade dress, and design rights) in the HUGO BOSS Designs and respective marketing material. If and insofar as the effective transfer and assignment of rights by Licensee to
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HUGO BOSS requires additional assignment or other documentation to be prepared and executed, Licensee agrees that upon reasonable notice it will execute any such assignment or other documentation as needed to achieve a full and effective transfer of such rights. HUGO BOSS shall protect all HUGO BOSS Designs, where it in its own discretion deems appropriate, in accordance with Clause 15 of this Agreement. In addition, HUGO BOSS remains the sole owner of any design for the Licensed Products which was developed by HUGO BOSS. Licensee shall remain the owner of designs proposed to HUGO BOSS but not used on any Licensed Products sold to third parties.

- 15.5 During the Term of this Agreement, Licensee shall be entitled to use the Trademarks, Traditional Trademarks and HUGO BOSS Designs only as provided herein in connection with the Licensed Products, subject to the terms hereof, and for no other purpose. Upon termination of this Agreement for any reason, Licensee shall immediately discontinue all use of the Trademarks, Traditional Trademarks and HUGO BOSS Designs, except as otherwise provided herein or as otherwise agreed in writing by HUGO BOSS, and thereafter will not, either directly or indirectly, use any other name, title, expression, design or packaging so nearly resembling the Trademarks, Traditional Trademarks, or HUGO BOSS Designs as would be likely to lead to confusion or uncertainty or to deceive the public.
- 15.6 Licensee agrees that, to the extent such guidelines are not inconsistent with any of the provisions of this Agreement, it will fully comply with any and all reasonable guidelines notified to Licensee by HUGO BOSS regarding the utilisation of the Trademarks and, to the extent licensed under this Agreement, Traditional Trademarks on or in connection with the creation, design, production, labelling, packaging, marketing, advertising, promotion, distribution and sale of Licensed Products, including, without limitation, any Corporate Identity Policies of HUGO BOSS on the use of the Trademarks and Traditional Trademarks.
- 15.7 The Trademarks, Traditional Trademarks and, subject to Clause 15.4, the HUGO BOSS Designs, whether or not registered by HUGO BOSS, are the sole property of HUGO BOSS. HUGO BOSS warrants that it has the full and exclusive right, power and authority to grant this license for the Trademarks, Traditional Trademarks and the HUGO BOSS Designs to Licensee and that neither this Agreement nor the grant of such license conflicts with or will result in a breach of the terms, conditions, provisions, representations, warranties or covenants contained in any other agreement to which HUGO BOSS, or any of the HUGO BOSS Group Companies, is a party. Licensee recognises the exclusive rights of HUGO BOSS with respect to the Trademarks, Traditional Trademarks and HUGO BOSS Designs and acknowledges that all rights of use of the Trademarks, Traditional Trademarks or HUGO BOSS Designs on or in connection with the Licensed Products by Licensee inure solely to the benefit of HUGO BOSS. The Parties agree that any and all rights to the Trademarks, Traditional Trademarks or HUGO BOSS Designs that may arise from their use by the Licensee shall vest solely in HUGO BOSS. Licensee agrees that it shall take no action that might impair in any way HUGO BOSS' rights with respect to the Trademarks, Traditional Trademarks or HUGO BOSS Designs, including, without limitation, registering the Trademarks, Traditional Trademarks or HUGO BOSS Designs in its own name, or might damage HUGO BOSS' license relationships with third parties with respect to manufacture, distribution or otherwise.
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- 15.8 Licensee is aware that all internet domains incorporating the Trademarks or Traditional Trademarks are the sole property of HUGO BOSS AG, Dieselstrasse 12, D-72555 Metzingen, Germany, and recognises the exclusive rights of HUGO BOSS AG of such internet domains. The Parties agree that the provisions of this Clause 15.8 also apply, mutatis mutandis, to said internet domains. Licensee is further aware that HUGO BOSS is entitled to use such internet domains.
- 15.9 HUGO BOSS shall have the sole responsibility between the Parties to maintain the Trademarks, Traditional Trademarks and the HUGO BOSS Designs, in particular, to pay all pertaining prolongation fees, initiate and conduct opposition proceedings against similar trademark or design applications, in any applicable country of the License Territory. HUGO BOSS shall do so on its own costs. Licensee agrees to provide any and all information to HUGO BOSS which may reasonably be required in such actions, e.g. invoices to prove use of any given Trademark, Traditional Trademarks or HUGO BOSS Design. Licensee shall give immediate notice to HUGO BOSS of any application or registration of a sign, trade name, trademark, or product packaging or product design which comes to Licensee's attention and which appears to violate any of HUGO BOSS' rights with respect to the Trademarks, Traditional Trademarks, HUGO BOSS Designs or any packaging or product design.
- 15.10 Subject to this Clause 15.10, HUGO BOSS shall further have the sole right as between the Parties to defend the rights to the Trademarks, Traditional Trademarks, HUGO BOSS Designs and any other rights of HUGO BOSS in any applicable country of the License Territory against third party infringements of the Trademarks, Traditional Trademarks or HUGO BOSS Designs, e.g. counterfeits, use of the Trademarks or Traditional Trademarks, HUGO BOSS product or packaging design without authorization of HUGO BOSS, or of brand names or product or packaging design by third parties confusingly similar to the Licensed Products. Licensee agrees to provide any and all information to HUGO BOSS which may reasonably be required in such actions which HUGO BOSS in its [***] may initiate. In particular, but without limitation, Licensee shall provide prompt notice to HUGO BOSS of products which come to Licensee's attention and which infringe upon HUGO BOSS' rights, providing the names and addresses of the manufacturer, the supplier or seller, as the case may be, together with bills, receipts and other records, if any. Licensee shall use [***] to develop and implement reasonable measures which shall allow HUGO BOSS to distinguish between genuine Licensed Products and counterfeits. [***]. In addition to that, the Parties will discuss, in good faith, further measures to effectively proceed against counterfeits. Licensee agrees to co-operate fully with HUGO BOSS at [***] of the relevant costs, being agreed that the Parties shall also share [***] the recovery obtained, in any action or proceeding to redress any violations of HUGO BOSS' rights in respect of the Licensed Products pursuant to this Agreement which HUGO BOSS in its reasonable discretion may initiate. Licensee shall give prompt notice to HUGO BOSS of any use of a sign,
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trade name, trademark, website, or product packaging or product design which comes to Licensee's attention and which appears to be an infringement upon or to violate any of HUGO BOSS' rights with respect to the Trademarks, Traditional Trademarks, HUGO BOSS Designs or any packaging or product design. Nothing set forth herein shall be construed as requiring HUGO BOSS to prosecute any infringements if in its own discretion it decides not to do so.

- 15.11 HUGO BOSS shall continue to take all reasonable and necessary actions to obtain trademark registrations in those countries of the License Territory, where such registrations for the Trademarks have been applied for but are not yet issued, as identified in Annex 1 to this Agreement. In addition, in the event that HUGO BOSS determines that it is necessary to do so, HUGO BOSS shall take all reasonable and necessary actions to obtain additional registrations for the Trademarks in those countries identified in Annex 1 where such registrations have not yet been applied for. However, HUGO BOSS is not liable for ensuring the successful registration of the Trademarks in these countries. HUGO BOSS shall keep Licensee informed as to the legal status of the Trademarks. HUGO BOSS shall not be liable for ensuring that the Trademarks are utilised in a manner which maintains their protection.

Upon request by Licensee, HUGO BOSS shall take all reasonable and necessary actions to obtain trademark registrations of the Trademarks in other countries of the License Territory not named in Annex 1 to this Agreement, provided that HUGO BOSS accepts no liability for failure to successfully register such Trademarks in such countries.

In the event that trademark registrations for the Trademarks cannot be obtained in a country where, according to this Clause 15.11, HUGO BOSS is to seek such registrations, and such country is specifically mentioned in the Business Plan and the failure to obtain any such registrations has a material adverse effect on Licensee's ability to sell Licensed Products in such country, the Business Plan shall be adjusted proportionately to reflect the elimination of such country.

- 15.11.1 Licensee shall use its [***] to assist and otherwise co-operate with HUGO BOSS in applying for and maintaining the registration and protection of the Trademarks or Traditional Trademarks, such efforts to include without limitation, executing any registered user or other agreement or document as may be appropriate, through the making of necessary declarations, delivery of necessary documents and by providing useful or appropriate information. HUGO BOSS shall reimburse Licensee for its out-of-pocket costs incurred therefor.

Licensee shall supply to HUGO BOSS upon its reasonable request copies of invoices and other records of sales for each country where necessary or useful to establish proof of use of the Trademarks or Traditional Trademarks in such countries on the Licensed Products. For this purpose, Licensee shall also regularly inform HUGO BOSS of the countries in which deliveries of the Licensed Products are expected in the then current year.

- 15.11.2 Licensee agrees that it will be listed as "Registered User" of the Trademarks and/or Traditional Trademarks for the Licensed Products to the extent possible and/or required under relevant local law. HUGO BOSS will reimburse Licensee for its costs incurred therefor.
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15.11.3 Licensee agrees: (a) to use the Trademarks and Traditional Trademarks exclusively in the design format indicated by HUGO BOSS, and, to the extent not contrary to any of the provisions hereof, in conformity with the "Corporate Identity Policy" of HUGO BOSS, (b) to designate them with the markings prescribed by HUGO BOSS (such as "(R)" or "Marca registrada," "HUGO BOSS is the registered trademark of HUGO BOSS AG" or the like); provided that no such designation shall be required on the Licensed Products themselves, and (c) to the extent not contrary to any of the provisions hereof, to observe any and all other restrictions and conditions reasonably notified by HUGO BOSS to Licensee, including those which may arise from agreements between HUGO BOSS and any third party.

Licensee shall not itself use the Trademarks or Traditional Trademarks in connection with sub-brands or accompanying brands of Licensee or otherwise in any way not explicitly permitted by this Agreement or HUGO BOSS. In particular, and without limiting the foregoing, designations such as "BOSS HUGO BOSS by" are prohibited. All references to the manufacturer and/or Licensee require the prior written approval of HUGO BOSS. Notwithstanding the foregoing, Licensee shall not be prohibited from using model names for individual collections of Licensed Products or from applying for trademark registrations for such model names, provided that Licensee shall be solely responsible for all costs associated therewith.

15.11.4 The Parties acknowledge and agree that, as provided in Clause 15.4, HUGO BOSS is the owner of all rights (including without limitation any and all copyright, trademark, trade dress, and design rights) to the HUGO BOSS Designs and of the designs of the promotional material. HUGO BOSS grants the Licensee for the duration of this Agreement the right of use of these designs for the purpose of this Agreement in the License Territory. Furthermore, except as otherwise provided in Article 18, the Licensee undertakes to no longer use the above-mentioned designs and promotional material after termination of this Agreement.

Notwithstanding and without limiting the foregoing, Licensee shall provide to HUGO BOSS any and all instruments or documents necessary or useful to confirm HUGO BOSS' ownership of such copyright and design rights, including, without limitation, any assignments of rights that HUGO BOSS may reasonably request.

15.11.5 HUGO BOSS shall own all inventions made by Licensee or its employees, whether or not patentable, to the extent based on Confidential Information from HUGO BOSS as hereinafter defined in Clause 16. Licensee shall promptly notify HUGO BOSS of the making of each such invention and shall co-operate in securing to HUGO BOSS the benefits of each such invention throughout the world by executing assignments, patent applications and similar documents necessary for HUGO BOSS to perfect rights in the invention; provided that HUGO BOSS reimburses Licensee all amounts incurred by Licensee in assigning such rights to HUGO BOSS, including, without limitation, any and all amounts Licensee may be required to pay by law to the inventing employee.

15.12 Any and all intellectual property rights in display and sales promotional materials related to the Licensed Products shall be the property of HUGO BOSS. Licensee shall co-operate upon HUGO BOSS' request in securing to HUGO BOSS the benefits of any such rights throughout the world by executing assignments and similar documents necessary for HUGO BOSS to perfect its rights in such

matters; provided that HUGO BOSS reimburses Licensee all disbursements reasonably incurred by Licensee in assigning such rights to HUGO BOSS (including reasonable attorney's fees only to the extent the incurrence thereof by Licensee is reasonably necessary to protect Licensee's legitimate interests).

15.13 [***]. If necessary a separate agreement shall be concluded with regard to the Technology Enabled Watches.

15.14 The provisions contained in this Clause 15 shall not affect Clause 20.

16 Public Announcements / Confidentiality

16.1 Each Party acknowledges that their relevant holding companies, are listed at the respective competent local Stock Exchange and subject to all the rules and regulations stated for the German and US listed companies respectively.

16.2 Consequently, Licensee informs HUGO BOSS that the information relevant to the Agreement, its execution, expiration or termination, and in particular Confidential Information herein defined, is or may be "price-sensitive" information according to German Law and that the use of such information may be regulated or prohibited by applicable laws relating to insider dealing legislation, and the Parties undertake not to use any Confidential Information for any such purpose. For this purpose, either Party's press releases and other public announcements related to HUGO BOSS and/or the Licensee in connection with the present Agreement hereunder and otherwise naming HUGO BOSS or the Trademarks, if qualified as price sensitive under German Laws, shall be previously and mutually agreed between the Parties and handled in accordance with the applicable laws and regulations. To the extent that any such announcement is required by securities or other laws of general application, neither Party shall unreasonably withhold, delay or condition such consent.

16.3 Furthermore, the Parties agree that communication, in case of product liability matters, non-compliance with quality or safety regulations, or any other communication concerning the Licensed Products and/or the Parties, will be previously agreed upon by the Parties and handled by HUGO BOSS or, as the case may be and upon prior approval of HUGO BOSS, handled by the Licensee directly in case the business relation to the clients and the related sales are concerned. Each Party shall timely inform the other Party of any steps taken. To this purpose, each Party undertakes to deliver to the other, upon request, any and all relevant information which shall not be unreasonably withhold or delayed.

16.4 The Parties agree to use all Confidential Information (as hereinafter defined) of the other Party provided to it or obtained by it pursuant to this Agreement only in its capacity as Party to this Agreement and as contemplated in this Agreement. "**Confidential Information**" shall mean any and all technical data, knowledge or information, trade secrets or advice relating to the design development, manufacture, assembly, use, sale, and customer servicing of the Licensed Products and any and all information concerning the business of the other Party.

Either Party acknowledges the other Party's sole rights in the Confidential Information. Either Party shall ensure that, without the prior written approval of the other Party, no Confidential Information shall be used for any purpose other than as set forth herein or copied or disclosed to any third party during the term of this Agreement or after its termination.

16.5 This confidentiality provision does not apply to information

- a) which was or comes into the public domain through no fault of the receiving Party, or
- b) which was obtained from a third party legally entitled to use and disclose such information, or
- c) the disclosure of which is required by law, or
- d) which was already in possession of the receiving Party before closing this Agreement and not otherwise subject to any confidentiality obligation as between the Parties.

Upon termination of this Agreement, either Party shall either return to the other Party, or at the request of the other Party, destroy all Confidential Information in its possession.

17 Other Products

Licensee manufactures and/or distributes watches, jewelry and related products under the third party trademarks listed in Annex 11 hereto. The Parties agree that Licensee may continue to manufacture and/or distribute all existing products if they are sold under the trademarks listed in Annex 11 and Licensee has a current contractual obligation (including renewals of existing contracts) to the licensor of these trademarks to manufacture and/or distribute the products. However, HUGO BOSS shall be informed, if Licensee enters into an agreement with any other third party for the production and/or distribution of watches, jewelry or related products.

18 Liability Issues

- 18.1 Licensee undertakes to procure that the manufacture of the Licensed Products will neither infringe any trade secret, copyright, registered design or other similar right of any third party nor will the sale of the Licensed Products give rise to any claims by any third party and Licensee shall be responsible for any and all defects in the Licensed Products and in no event shall HUGO BOSS be liable for any direct, indirect, special, incidental or consequential damages or any lost revenues or profits or any other damages arising with respect to the Licensed Products, whether based in contract, tort, breach of express or implied warranty, including without limitation, negligence or product liability.
- 18.2 If either Party becomes aware of any law, or other rule, regulation or order having the force of law issued by any duly constituted authority having appropriate jurisdiction, in any country included within the Business Plan that would have the effect of making it impractical to sell or to continue selling Licensed Products in or into such country, the Parties shall consult in good faith and attempt to agree on an appropriate adjustment to the Business Plan, including, without limitation, a proportionate reduction in target Net Sales.
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- 18.3 HUGO BOSS will indemnify, defend and hold harmless Licensee, each Licensee Affiliate, and their respective officers, directors, agents, employees, shareholders, legal representatives, successors, Affiliates and assigns, from and against any and all claims, actions, suits, liabilities, damages and expenses (including reasonable attorneys' fees, costs and expenses) which Licensee or any Licensee Affiliate may incur or be obligated to pay in any action or claim for infringement of any other person's claimed right to use a trademark or other intellectual property right (except claimed rights relating to the designs of the Licensed Products or to any intellectual property used by Licensee and not granted by HUGO BOSS hereunder) in the License Territory, including such infringements as may be contained in any advertising placed by HUGO BOSS, where such action or claim results from Licensee's proper use of the Trademarks or other rights (except rights related to the HUGO BOSS Designs) granted hereunder in the License Territory, in accordance with the terms of this Agreement. Licensee will give HUGO BOSS timely written notice of any such claim or action, and thereupon HUGO BOSS will undertake and conduct the defence of any suit so brought. HUGO BOSS further agrees that the provisions contained in this Clause shall survive the termination or expiration of this Agreement.
- 18.4 Licensee agrees to indemnify, defend and save harmless HUGO BOSS and its officers, directors, agents, employees, shareholders, legal representatives, successors, Affiliates and assigns, and each of them, from any and all claims, actions and suits and from and against any and all liabilities, judgements, losses, damages, costs, charges, reasonable attorneys' fees and other expenses of every nature and character incurred in any action between HUGO BOSS and any third party, relating to Licensee's business and/or with respect to the Licensed Products (including, without limitation, any breach by Licensee of this Agreement). Licensee further agrees that the provisions contained in this Clause shall survive the termination or expiration of this Agreement.
- 18.5 Licensee will maintain at all times during the Term of the Agreement and for [***] thereafter and provide evidence thereof to HUGO BOSS from time to time upon its request, product liability insurance of a kind and in an amount reasonably satisfactory to HUGO BOSS naming HUGO BOSS as beneficiary as its interests shall appear.

19 Term and Termination

- 19.1 This Agreement enters into force and effect on January 1, 2022, and, unless sooner terminated as herein provided, expires on December 31, 2026. Between [***] before the final expiration of the Agreement, Licensee may request an extension of this Agreement by submitting to HUGO BOSS [***] (the "**Extended Business Plan**") in the format of the Business Plan but covering the period from January 1, 2027 through December 31, 2031 (the "**Extension Period**"). In such case, the Parties will, no later than June 30, 2026, [***] an extension of this Agreement for the Extension Period i[***]. Such extension (if any) shall be effective only upon the physical or digital signature, extending the term of this Agreement. If [***], the Agreement ends December 31, 2026 at the latest.
- 19.2 HUGO BOSS may terminate the Agreement if [***]. In this case the notice of termination must be provided in writing no later than [***] before the end of t[***] and will be effective as of the end of the calendar year following the relevant time periods. For the avoidance of doubt, all payment obligations of Licensee under this Agreement shall continue during such [***] period.
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19.3 Further, the Agreement may be terminated by either Party upon a notice period of [***] where there are material changes in the ownership composition of the ultimate parent entity of the other Party, i.e. a change of fifty (50) % or more of the voting ownership rights. The right of termination must be exercised within [***] after receiving the information about the material change in ownership composition.

19.4 Notwithstanding the foregoing, HUGO BOSS shall not have any such right of termination where the new owner of Licensee is either [***]

Licensee shall not have any such right of termination where the new owner of HUGO BOSS is either [***]

19.5 After a warning letter with a period of maximum [***] for fulfilling its non- financial obligations set forth in the Business Plan and any further Action Plans as referred to in Clause 13, HUGO BOSS may also terminate the Agreement upon a notice period of [***] of a particular year, if Licensee fails to fulfil its above-mentioned obligations. The right to terminate for cause remains unaffected. Such cause shall in particular exist,

- a) in the event of (i) filing by the other Party of a petition in bankruptcy or insolvency, (ii) the appointment of a receiver for the other Party of all or substantially all of its property relevant to the business activities under this Agreement, (iii) the making by the other Party of any assignment or attempted assignment for the benefit of creditors for all or substantially all of its properties relevant to its business activities under this Agreement, (iv) or the institution of any proceedings for the liquidation or winding up of the other Party's business or for the termination of its corporate charter, if any such proceeding is not dismissed within [***] of institution;
 - b) if - insofar as not otherwise indicated in this Agreement - the other Party fails to fulfil within [***] a contractual obligation or one undertaken in order to fulfil this Agreement despite prior written notice, or fails to desist from conduct that is in violation of the Agreement within this period;
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- c) if the other Party is in breach of a material obligation hereunder and fails to remedy such breach (if it reasonably can be remedied) within [***] after receipt of notice thereof from the Party not in breach;
- d) without prior written notice, if the other Party has [***]; or
- e) [***].

19.6 HUGO BOSS may also terminate the Agreement with a notice period of [***] for cause if Licensee falls more than [***] into arrears in paying the License Fees, the Advertising Fee, or any other financial obligations.

19.7 If Licensee or any of its Affiliates engage in any negligent acts or omissions that cause [***] considerable damages to the reputation or image of the Trademarks or the HUGO BOSS Group, HUGO BOSS may likewise terminate the Agreement without notice and without opportunity for cure.

19.8 Terminations and notices under this provision must be communicated by registered mail or reputable overnight international courier including FedEx, UPS or DHL and email to the addresses mentioned in Clause 21.10, and must (i) state the reason(s) for termination, (ii) cite the relevant clauses of this Agreement, and (iii) state what cure (if any) is required to avoid termination.

20 Consequences of Termination of the Agreement

20.1 The termination of this Agreement according to one of the above provisions does not release either of the Parties from any of its obligations under this Agreement accrued prior to the date of termination. Upon the justified termination for cause as defined in Clause 19.5 by HUGO BOSS, all earned but unpaid License and Advertising Fees will become immediately due and payable. Further rights of indemnity etc. will not be affected by extraordinary notice of termination, regardless of whether such rights are founded upon the Agreement or in law. The regular or extraordinary notice of termination and termination as such does not in itself give rise to any sort of damages or compensation claims.

20.2 Upon termination of this Agreement, or, if no extension is agreed upon between the Parties in accordance with Clause 19.1 of this Agreement, during the period from [***] (or such earlier date in [***] on which Licensee indicates that it does not wish to extend this Agreement) through the expiration of this Agreement, HUGO BOSS shall have the right to take any actions and make whatever arrangements it may deem appropriate to ensure continuity of distribution of collections for Watches and Jewelry which will follow the last collection under this Agreement, including but not limited to appointing one or more new licensees which shall commence to create, design, produce, label, pack, market, advertise, promote, distribute and sell such collections; provided that [***] until expiration or termination of this Agreement.

- 20.3 Subject to the following provisions of this Clause 20, on the date of termination or expiration of this Agreement, all rights of the Licensee to use the HUGO BOSS Designs, the Trademarks, Traditional Trademarks or the designations "BOSS" and/or "BOSS HUGO BOSS" and/or any other trademark or intellectual property rights in the design of the Licensed Products or the marketing material belonging to HUGO BOSS shall end. The Licensee shall also cease making any reference to HUGO BOSS and/or its Trademarks or Traditional Trademarks and any reference to previous activity/co-operation for/with HUGO BOSS as Licensee of HUGO BOSS, and will also be responsible therefor on behalf of its subcontractors. Further, the Licensee shall, no later than as of the date of termination of the Agreement, extinguish all Licensed Products "Registered User" registrations at its own cost or - upon the request and at the cost of HUGO BOSS - transfer them, to the extent legally possible, to third persons designated by HUGO BOSS.
- 20.4 Licensee shall as soon as reasonably practicable, but no later than [***] after expiration or termination, deliver to HUGO BOSS a complete and accurate written schedule of Licensee's and [***] ("**Licensee Parties**") inventory of all Licensed Products, packaging, labels, marketing materials, and any other materials bearing or displaying the Trademarks, Traditional Trademarks and/or HUGO BOSS Designs, broken down by [***] ("**Inventory Schedule**"). The Inventory Schedule shall list all inventory at the Licensee Parties' actual manufacturing costs as indicated in the books and records of the Licensee Parties, which books and records shall be made available for inspection by HUGO BOSS. HUGO BOSS has the right to purchase all or some of the inventory listed on the Inventory Schedule at [***]. To exercise such right, HUGO BOSS shall give Licensee written notice of the inventory of the Inventory Schedule HUGO BOSS intends to purchase no later than [***] prior to the effective termination date.
- 20.5 Licensee shall be permitted to distribute all its remaining Licensed Products not purchased by HUGO BOSS for up to [***] after the termination of the Agreement upon the previously customary conditions and through the previously utilised or similar channels of distribution and Licensee acknowledges that no new accounts may be opened for purposes of sell off without the prior written approval of HUGO BOSS, which may be granted or denied in HUGO BOSS' [***]; provided however that the quantity of Licensed Products Licensee shall be permitted to sell during such nine month period may not exceed [***], and provided further that any quantity in excess thereof and any Licensed Products remaining in inventory after the aforementioned [***] period either will be destroyed (in which event Licensee shall furnish to HUGO BOSS appropriate evidence of such destruction as HUGO BOSS may request) or may be sold by Licensee for an additional period not exceeding [***] through its outlet stores. The marketing, sale, and/or disposal of the inventory shall be subject to and in full compliance with all the terms and conditions of this Agreement. Licensee hereby acknowledges and agrees that it is essential to protect HUGO BOSS' premium brand image, and reputation during the sell-off of inventory and that full compliance with the terms and conditions of this Agreement during sell-off is essential. After the aforementioned [***] period, Licensee shall destroy all remaining inventory and shall furnish HUGO BOSS appropriate evidence of such destruction. Licensee shall account
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for these sales and pay the computed license fees to HUGO BOSS no later than within [***] after the last such sale. Costs for destruction will be borne by Licensee.

- 20.6 In addition to its rights under Clause 20.4, in case Licensee has still remaining inventory after the [***] distribution period, HUGO BOSS shall also have the right of election:
- a) to purchase the remaining inventory, completely or in part on terms to be mutually agreed upon,
or
 - b) to request the transfer of the remaining inventory to a third party designated by HUGO BOSS on terms to be mutually agreed upon. These sales will not be subject to the payment of License Fees.

21 Miscellaneous

- 21.1 Licensee may not assign, delegate to third parties or sublicense rights or duties under this Agreement or assign the Agreement as a whole, without the express prior written consent of HUGO BOSS. This does not apply to an assignment, delegation, or sublicense to any Licensee Affiliate (provided that notwithstanding any such assignment, delegation or sublicense, MGI Luxury Group S.A. shall remain liable for performance of Licensee's obligations hereunder) or to any change in control otherwise permitted under Clause 19.3 Licensee shall notify HUGO BOSS any such assignment. HUGO BOSS shall not assign any rights or delegate any duties to any party other than an Affiliate.
- 21.2 This Agreement constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, oral or written, between the Parties hereto with respect to the subject matter hereof. This Agreement may be modified, amended or supplemented (including this clause) only by the mutual written agreement of the Parties hereto.
- 21.3 This Agreement is made and shall be construed in all respects in accordance with the laws of Switzerland, without regard to its conflicts of law principles. The Parties irrevocably agree that all disputes related to this Agreement shall be brought exclusively before the courts of Zurich provided that HUGO BOSS may, but is not obliged to, seek relief in any court located in the place of Licensee's principal place of business.
- 21.4 In the event any of the provisions of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, unless the unenforceability or invalidity thereof causes a substantial departure from the underlying intent and sense of the remainder of this Agreement, the validity and enforceability of the remaining provisions shall not be affected thereby, except those remaining provisions of which the unenforceable or invalidated provisions comprise an integral part of or from which they are otherwise clearly inseparable. In the event any provision is held unenforceable or invalid, the parties shall use their best efforts to agree upon an enforceable and valid provision which shall be a reasonable substitute for such unenforceable or invalid provision in light of the purpose of this Agreement, and, upon so agreeing, shall incorporate such substitute provision in the Agreement. The same applies if omissions in the
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Agreement become apparent. The relevant provision, which is unenforceable or missing, is then to be replaced by a valid provision corresponding to the meaning and purpose of this Agreement.

21.5 The Agreement is executed in duplicate. The following Annexes to this Agreement constitute a part of this Agreement.

Annex 1: Trademarks

Annex 2: Traditional Trademarks

Annex 3: Licensee's HUGO BOSS Team Annex 4: Action Plan

Annex 5: Business Plan

Annex 6: Net Sales Monthly Statement Template Annex 7: Product

Development Calendar Template Annex 8: HUGO BOSS Online Guidelines

Annex 9: Guarantee

Annex 10: Audit Template (AUP)

Annex 11: Licensee's Existing Licensed Trademarks Annex 12: Selective

Criteria for Distributors

Annex 13 Licensee's General Acceptance Requirements and Brand Elements for the Licensed Products

21.6 No delay or omission by either of the Parties hereto in exercising any right or remedy provided for herein shall constitute a waiver of such right or remedy, nor shall it be construed as a bar to or a waiver of any such right or remedy on any future occasion. No waiver by either Party of any provision of this Agreement, or of any breach of default shall be effective unless in writing and signed by the Party against whom such waiver is to be enforced.

21.7 Nothing contained herein shall be deemed to place the Parties in the relationship of employer-employee, partners, joint ventures, or either as agent of the other. Licensee shall not represent itself as the employee, partner, agent or legal representative of HUGO BOSS for any purpose whatsoever and shall have no right to create or to assume any obligation of any kind, express or implied, for or on behalf of HUGO BOSS; provided, however, that Licensee may describe itself as the exclusive licensee of the Licensed Products in the License Territory.

21.8 Notwithstanding the provisions in Clause 21.3 above, HUGO BOSS may enforce its rights under Clauses 15 and 16 and Licensee may enforce its rights under Clause 16, in any court having competent jurisdiction.

21.9 The English language version of this Agreement shall be the definitive version and any issues that may arise in connection with this Agreement or its interpretation shall be resolved by reference only to that version.

21.10 Any notice to be given pursuant to this Agreement shall be written in English and shall be deemed duly given when sent by registered mail or reputable overnight international courier including FedEx, UPS or DHL to the respective address set forth below and by email to the respective email address set forth below confirmed by letter as aforesaid, or to such other address and/or email address as a Party hereto may designate by like notice.

To Licensee:
MGI Luxury Group S.A. Bahnhofplatz 2B
2502 Biel/Bienne Switzerland
Attn: General Manager – HUGO BOSS Watches Email: [***]

Copies to:
Movado Group, Inc.
650 From Road, Ste 375 Paramus, New Jersey
07652 U.S.A.
Attn: Legal Department
Email: [***]

To HUGO BOSS:
HUGO BOSS Trade Mark Management GmbH & Co. KG Niederlassung Zug
Baarerstr. 135
6300 Zug
Switzerland
Attn: Legal Department
Email: [***]

- 21.11 The obligations of either Party hereunder, except for the obligations of Licensee to pay License Fees, Advertising Fees and other amounts to be paid to HUGO BOSS hereunder, shall be excused for a period equal to the time by which such performance is prevented or delayed as a result of strikes, labour, disputes, acts of God, or any other causes beyond the reasonable control of the Party obligated to perform (a **"Force Majeure Event"**). Notwithstanding the foregoing, if a Force Majeure Event renders achievement of the Minimum Net Sales set forth in Clause 6.2 for a given calendar year impracticable, the Parties will review the impact of such Force Majeure Event on the market in general and the Licensee's business in particular, and discuss and in good faith, acting reasonably, agree upon appropriate adjustments to the Guaranteed Minimum License Fee and Guaranteed Minimum Advertising Fee for such contractual year, provided both Parties reasonably consider such adjustments necessary.

Date, 17-Mar-2022 Place Zug Date, 17-Mar-2022 Place Bienne

/s/ Paul Daly /s/ Carey S. Pepper /s/ Pellegrini /s/ Xavier Gauderlot
Managing Director SVP Global Licenses/ Managing Director President International
Managing Director HB TMM
HUGO BOSS TRADE MARK MGI Luxury Group S.A. MANAGEMENT GMBH & CO. KG

CERTIFICATIONS

I, Efraim Grinberg, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Movado Group, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) 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: May 26, 2022

/s/ Efraim Grinberg
Efraim Grinberg
Chairman of the Board of Directors and Chief
Executive Officer

CERTIFICATIONS

I, Sallie A. DeMarsilis, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Movado Group, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) 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: May 26, 2022

/s/ Sallie A. DeMarsilis
Sallie A. DeMarsilis
Executive Vice President,
Chief Operating Officer,
Chief Financial Officer and
Principal Accounting Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER 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 on Form 10-Q of Movado Group, Inc. (the "Company") for the quarter ended April 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report") the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 26, 2022

/s/ Efraim Grinberg
Efraim Grinberg
Chairman of the Board of Directors and Chief
Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER 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 on Form 10-Q of Movado Group, Inc. (the "Company") for the quarter ended April 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report") the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 26, 2022

/s/ Sallie A. DeMarsilis

Sallie A. DeMarsilis
Executive Vice President,
Chief Operating Officer,
Chief Financial Officer and
Principal Accounting Officer

