

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 October 31, 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

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 November 17, 2022 were 15,705,562 and 6,524,805 respectively.

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October 31, 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)

	October 31, 2022	January 31, 2022	October 31, 2021
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 186,665	\$ 277,128	\$ 201,814
Trade receivables, net	135,566	91,558	136,373
Inventories	215,006	160,283	170,714
Other current assets	18,664	16,974	20,151
Income taxes receivable	7,978	7,941	7,099
Total current assets	563,879	553,884	536,151
Property, plant and equipment, net	18,207	19,470	19,365
Operating lease right-of-use assets	74,918	68,599	68,669
Deferred and non-current income taxes	44,288	42,596	41,687
Other intangibles, net	9,818	13,507	14,511
Other non-current assets	64,570	63,104	60,634
Total assets	\$ 775,680	\$ 761,160	\$ 741,017
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Accounts payable	\$ 40,884	\$ 46,011	\$ 29,473
Accrued liabilities	66,894	48,522	69,975
Accrued payroll and benefits	15,581	25,117	19,798
Current operating lease liabilities	16,779	13,693	13,853
Income taxes payable	25,457	18,123	11,936
Total current liabilities	165,595	151,466	145,035
Deferred and non-current income taxes payable	15,639	19,614	20,354
Non-current operating lease liabilities	65,164	62,730	62,853
Other non-current liabilities	45,735	50,264	53,212
Total liabilities	292,133	284,074	281,454
Commitments and contingencies (Note 9)			
Redeemable noncontrolling interest	2,433	2,311	2,445
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; 28,783,101, 28,633,025 and 28,478,373 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 6,536,960 shares issued and outstanding, respectively	65	65	65
Capital in excess of par value	227,997	222,615	220,294
Retained earnings	461,789	413,587	387,959
Accumulated other comprehensive income	66,196	85,295	87,730
Treasury Stock, 13,090,839, 12,266,978 and 12,095,713 shares, respectively, at cost	(278,313)	(249,040)	(241,983)
Total Movado Group, Inc. shareholders' equity	478,021	472,808	454,349
Noncontrolling interest	3,093	1,967	2,769
Total equity	481,114	474,775	457,118
Total liabilities, redeemable noncontrolling interest and equity	\$ 775,680	\$ 761,160	\$ 741,017

See Notes to Consolidated Financial Statements

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Net sales	\$ 211,397	\$ 217,746	\$ 557,625	\$ 526,418
Cost of sales	90,370	92,172	232,986	228,189
Gross profit	121,027	125,574	324,639	298,229
Selling, general and administrative	82,756	84,171	230,417	218,937
Operating income	38,271	41,403	94,222	79,292
Non-operating income/(expense):				
Other income	422	86	704	443
Interest expense	(143)	(133)	(356)	(582)
Income before income taxes	38,550	41,356	94,570	79,153
Provision for income taxes (Note 10)	8,439	9,561	20,868	18,206
Net income	30,111	31,795	73,702	60,947
Less: Net income attributable to noncontrolling interests	825	390	1,900	723
Net income attributable to Movado Group, Inc.	\$ 29,286	\$ 31,405	\$ 71,802	\$ 60,224

Basic income per share:

Weighted basic average shares outstanding	22,379	23,095	22,590	23,248
Net income per share attributable to Movado Group, Inc.	\$ 1.31	\$ 1.36	\$ 3.18	\$ 2.59

Diluted income per share:

Weighted diluted average shares outstanding	22,794	23,600	23,044	23,679
Net income per share attributable to Movado Group, Inc.	\$ 1.28	\$ 1.33	\$ 3.12	\$ 2.54

See Notes to Consolidated Financial Statements

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Net income	\$ 30,111	\$ 31,795	\$ 73,702	\$ 60,947
Other comprehensive (loss)/income:				
Net unrealized gain on investments, net of tax provision of \$8, \$5, \$3 and \$13, respectively	23	14	9	39
Amortization of prior service cost, net of tax provision of \$3, \$4, \$11 and \$12, respectively	13	14	41	43
Foreign currency translation adjustments	(8,339)	(2,784)	(18,870)	(4,892)
Cash flow hedges:				
Accumulated other comprehensive (loss)/income before reclassification, net of tax (benefit)/provision of (\$17), \$0, \$376 and \$0, respectively	(87)	—	1,902	—
Amounts reclassified from accumulated other comprehensive (loss)/income, net of tax benefit of (\$225), \$0, (\$431) and \$0, respectively	(1,138)	—	(2,181)	—
Total other comprehensive (loss)/income, net of taxes	(9,528)	(2,756)	(19,099)	(4,810)
Less:				
Comprehensive income/(loss) attributable to noncontrolling interests:				
Net income	825	390	1,900	723
Foreign currency translation adjustments	(319)	(11)	(652)	(179)
Total comprehensive income attributable to noncontrolling interests	\$ 506	\$ 379	\$ 1,248	\$ 544
Total comprehensive income attributable to Movado Group, Inc.	\$ 20,077	\$ 28,660	\$ 53,355	\$ 55,593

See Notes to Consolidated Financial Statements

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

	Nine Months Ended October 31,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 73,702	\$ 60,947
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	8,218	9,401
Transactional (gains)/losses	(180)	(277)
Provision for inventories and accounts receivable	4,150	3,557
Deferred income taxes	(993)	909
Stock-based compensation	4,246	3,965
Other	190	234
Changes in assets and liabilities:		
Trade receivables	(49,967)	(62,393)
Inventories	(66,150)	(23,755)
Other current assets	(2,712)	4,962
Accounts payable	(3,470)	2,033
Accrued liabilities	19,582	22,581
Accrued payroll and benefits	(9,190)	1,866
Income taxes receivable	9,494	17,216
Income taxes payable	(6,444)	(3,479)
Other non-current assets	(4,599)	637
Other non-current liabilities	474	290
Net cash (used in)/provided by operating activities	(23,649)	38,694
Cash flows from investing activities:		
Capital expenditures	(4,703)	(3,637)
Long-term investments	(2,716)	(1,100)
Trademarks and other intangibles	(175)	(193)
Net cash used in investing activities	(7,594)	(4,930)
Cash flows from financing activities:		
Repayment of bank borrowings	—	(21,140)
Dividends paid	(23,600)	(16,226)
Stock repurchase	(28,150)	(17,023)
Stock awards and options exercised and other changes	(80)	496
Other	(85)	(99)
Net cash used in financing activities	(51,915)	(53,992)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(7,349)	(1,786)
Net decrease in cash, cash equivalents and restricted cash	(90,507)	(22,014)
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>\$ 187,209</u>	<u>\$ 202,409</u>
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 186,665	\$ 201,814
Restricted cash included in other non-current assets	544	595
Cash, cash equivalents, and restricted cash	<u>\$ 187,209</u>	<u>\$ 202,409</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 would be applicable to any of the Company’s borrowing instruments that use LIBOR as a reference rate, and is effective immediately, but is only available through December 31, 2022. The Company will continue to monitor new contracts that could potentially be eligible for contract modification relief through December 31, 2022.

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 per share is as follows (in thousands):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Weighted average common shares outstanding:				
Basic	22,379	23,095	22,590	23,248
Effect of dilutive securities:				
Stock awards and options to purchase shares of common stock	415	505	454	431
Diluted	22,794	23,600	23,044	23,679

For the three months ended October 31, 2022 and 2021, approximately 433,000 and 269,000, respectively, of potentially dilutive common stock equivalents were excluded from the computation of diluted earnings per share because their effect would have been antidilutive. For the nine months ended October 31, 2022 and 2021, approximately 270,000 and 406,000, 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 August 25, 2022, the Company declared a quarterly cash dividend of \$0.35 per share payable on September 21, 2022, to shareholders of record on September 7, 2022. The total dividend of \$7.8 million was paid on September 21, 2022. On May 26, 2022, the Company declared a quarterly cash dividend of \$0.35 per share payable on June 22, 2022, to shareholders of record on June 8, 2022. The total dividend of \$7.9 million was paid on June 22, 2022. 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 November 23, 2021, the Company declared a quarterly cash dividend of \$0.25 per share payable on December 17, 2021, to shareholders of record on December 3, 2021. The total dividend of \$5.7 million was paid on December 17, 2021. On August 26, 2021, the Company declared a quarterly cash dividend of \$0.20 per share payable on September 22, 2021, to shareholders of record on September 8, 2021. The total dividend of \$4.6 million was paid on September 22, 2021. On May 27, 2021, the Company declared a quarterly cash dividend of \$0.20 per share payable on June 23, 2021, to shareholders of record on June 9, 2021. The total dividend of \$4.7 million was paid on June 23, 2021. 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, or \$0.10 per share, to shareholders of record on January 21, 2021.

NOTE 5 – INVENTORIES

Inventories consisted of the following (in thousands):

	October 31, 2022	January 31, 2022	October 31, 2021
Finished goods	\$ 182,093	\$ 128,119	\$ 138,039
Component parts	30,192	29,759	30,088
Work-in-process	2,721	2,405	2,587
	<u>\$ 215,006</u>	<u>\$ 160,283</u>	<u>\$ 170,714</u>

The Company has corrected the previously disclosed October 31, 2021 balances of Finished goods and Component parts to increase Finished goods by \$8.9 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., 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”). As a result of the merger of Movado Watch Company S.A. into MGI Luxury Group S.A. in July 2022, MGI Luxury Group S.A. (subsequently renamed MGI Luxury Group GmbH as a result of the conversion of its corporate form) became the sole Swiss subsidiary of the Company party to the Credit Agreement (in such capacity, the “Swiss Borrower” and, together with the U.S. Borrowers, the “Borrowers”). 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 Borrower, 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 Borrower is not liable for, nor does it 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 Borrower does not provide collateral to secure the obligations under the Facility.

As of October 31, 2022, and October 31, 2021, there were no amounts in loans outstanding under the Facility for either period. Availability under the Facility was reduced by the aggregate amount 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 October 31, 2022 and October 31, 2021. At October 31, 2022, the letters of credit have expiration dates through May 31, 2023. As of October 31, 2022, and October 31, 2021, availability under the Facility was \$99.7 million for both periods.

The Company had weighted average borrowings under the Facility of zero during both the three months ended October 31, 2022 and 2021, respectively. The Company had weighted average borrowings under the Facility of zero and \$6.5 million during the nine months ended October 31, 2022 and 2021, respectively, with a weighted average interest rate of 2.8% during the nine months ended October 31, 2021.

A Swiss subsidiary of the Company maintains unsecured lines of credit with a Swiss bank that are subject to repayment upon demand. As of October 31, 2022, and 2021, these lines of credit totaled 6.5 million Swiss Francs for both periods, with a dollar equivalent of \$6.5 million and \$7.1 million, respectively. As of October 31, 2022, and 2021, there were no borrowings against these lines. As of October 31, 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 \$1.1 million and \$1.3 million, respectively, in various foreign currencies, of which \$0.5 million and \$0.6 million, as of October 31, 2022 and October 31, 2021, respectively, was a restricted deposit as it relates to lease agreements.

Cash paid for interest, including unused commitments fees, was \$0.2 million and \$0.4 million for the nine-month periods ended October 31, 2022 and October 31, 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 October 31, 2022, the Company's net forward contracts hedging portfolio designated as qualified cash flow hedging instruments consisted of 14.0 million Euros equivalent with various expiry dates ranging through January 12, 2023. 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 October 31, 2022, the Company's net forward contracts hedging portfolio not designated as qualified hedges consisted of 35.1 million Chinese Yuan equivalent, 40.0 million Swiss Francs equivalent, 24.4 million U.S. dollars equivalent, 27.0 million Euros equivalent and 7.5 million British Pounds equivalent with various expiry dates ranging through April 20, 2023. 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 and 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 October 31, 2022, January 31, 2022 and October 31, 2021 (in thousands):

Asset Derivatives				Liability Derivatives			
Balance Sheet Location	October 31, 2022 Fair Value	January 31, 2022 Fair Value	October 31, 2021 Fair Value	Balance Sheet Location	October 31, 2022 Fair Value	January 31, 2022 Fair Value	October 31, 2021 Fair Value
Derivatives designated as hedging instruments:							
Foreign Exchange Contracts	Other Current Assets			Accrued Liabilities			
	\$ 90	\$ 154	\$ —		\$ 48	\$ 30	\$ —
Total Derivative Instruments	\$ 90	\$ 154	\$ —		\$ 48	\$ 30	\$ —

Asset Derivatives				Liability Derivatives			
Balance Sheet Location	October 31, 2022 Fair Value	January 31, 2022 Fair Value	October 31, 2021 Fair Value	Balance Sheet Location	October 31, 2022 Fair Value	January 31, 2022 Fair Value	October 31, 2021 Fair Value
Derivatives not designated as hedging instruments:							
Foreign Exchange Contracts	Other Current Assets			Accrued Liabilities			
	\$ 31	\$ 43	\$ 26		\$ 981	\$ 140	\$ 74
Total Derivative Instruments	\$ 31	\$ 43	\$ 26		\$ 981	\$ 140	\$ 74

As of October 31, 2022, January 31, 2022 and October 31, 2021, the balance of deferred gains, net of taxes, on derivative financial instruments designated as cash flow hedges included in accumulated other comprehensive income were (\$0.1) million, \$0.2 million and zero, respectively. For the three and nine months ended October 31, 2022, the Company reclassified \$1.1 million and \$2.2 million, respectively, from accumulated other comprehensive income to Net sales in the Consolidated Statements of Operations. For the three and nine months ended October 31, 2021, the Company did not have any cash flow hedges. No ineffectiveness has been recorded for the three and nine months ended October 31, 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 October 31, 2022 and 2021 and January 31, 2022 (in thousands):

		Fair Value at October 31, 2022			
	Balance Sheet Location	Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale securities	Other current assets	\$ 262	\$ —	\$ —	\$ 262
Short-term investment	Other current assets	153	—	—	153
SERP assets - employer	Other non-current assets	928	—	—	928
SERP assets - employee	Other non-current assets	42,886	—	—	42,886
Defined benefit plan assets	Other non-current assets	—	—	24,847	24,847
Hedge derivatives	Other current assets	—	121	—	121
Total		<u>\$ 44,229</u>	<u>\$ 121</u>	<u>\$ 24,847</u>	<u>\$ 69,197</u>
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	\$ 42,886	\$ —	\$ —	\$ 42,886
Hedge derivatives	Accrued liabilities	—	1,029	—	1,029
Total		<u>\$ 42,886</u>	<u>\$ 1,029</u>	<u>\$ —</u>	<u>\$ 43,915</u>

		Fair Value at January 31, 2022			
	Balance Sheet Location	Level 1	Level 2	Level 3	Total
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		<u>\$ 48,446</u>	<u>\$ 197</u>	<u>\$ 29,096</u>	<u>\$ 77,739</u>
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	\$ 47,261	\$ —	\$ —	\$ 47,261
Hedge derivatives	Accrued liabilities	—	170	—	170
Total		<u>\$ 47,261</u>	<u>\$ 170</u>	<u>\$ —</u>	<u>\$ 47,431</u>

	Balance Sheet Location	Fair Value at October 31, 2021			
		Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale securities	Other current assets	\$ 235	\$ —	\$ —	\$ 235
Short-term investment	Other current assets	168	—	—	168
SERP assets - employer	Other non-current assets	882	—	—	882
SERP assets - employee	Other non-current assets	47,886	—	—	47,886
Defined benefit plan assets	Other non-current liabilities	—	—	28,655	28,655
Hedge derivatives	Other current assets	—	26	—	26
Total		<u>\$ 49,171</u>	<u>\$ 26</u>	<u>\$ 28,655</u>	<u>\$ 77,852</u>
Liabilities:					
SERP liabilities - employee	Other non-current liabilities	\$ 47,886	\$ —	\$ —	\$ 47,886
Hedge derivatives	Accrued liabilities	—	\$ 74	—	\$ 74
Total		<u>\$ 47,886</u>	<u>\$ 74</u>	<u>\$ —</u>	<u>\$ 47,960</u>

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 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 October 31, 2022 and January 31, 2022 and other non-current liabilities in the consolidated balance sheets at October 31, 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 nine months of fiscal 2023, the Company invested an additional \$2.7 million in venture capital funds (see Note 9 - Commitments and Contingencies for discussion of commitments made related to venture capital funds). The Company has evaluated and will regularly evaluate the carrying value of its investments. There were no adjustments to the original cost value during the three and nine months ended October 31, 2022. The carrying value of the investments are recorded in Other non-current assets in the Consolidated Balance Sheets at October 31, 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 while 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 such 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, which ends on January 31, 2023, 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 \$2.7 million during the first nine months of fiscal 2023 and may be called upon to satisfy capital calls in respect of the remaining \$16.8 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 October 31, 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 \$8.4 million and \$9.6 million for the three months ended October 31, 2022 and 2021, respectively.

The effective tax rate was 21.9% and 23.1% for the three months ended October 31, 2022 and 2021, respectively. The significant components of the effective tax rate changed primarily due to the mix of earnings.

The Company recorded an income tax provision of \$20.9 million and \$18.2 million for the nine months ended October 31, 2022 and 2021, respectively.

The effective tax rate was 22.1% and 23.0% for the nine months ended October 31, 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 October 31, 2022, the Company had no deferred tax liability for the undistributed foreign earnings of approximately \$244.1 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.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act ("IRA"), which implements a 15% minimum tax on book income of certain large corporations, a 1% excise tax on net stock repurchases, and several tax incentives to promote clean energy. The Company does not anticipate this legislation to have a material impact on the Company's Consolidated Financial Statements.

NOTE 11 – EQUITY

The components of equity for the nine months ended October 31, 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 Comprehensive 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	\$ (24,904)	\$ 1,967	\$ 474,775	\$ 2,311
Net income/(loss) attributable to Movado Group, Inc.					71,802			1,421	73,223	479
Dividends (\$1.05 per share)					(23,600)				(23,600)	
Stock options exercised		1		1,042			(1,123)		(80)	
Stock repurchase							(28,150)		(28,150)	
Supplemental executive retirement plan				94					94	
Stock-based compensation expense				4,246					4,246	
Net unrealized gain on investments, net of tax provision of \$3						9			9	
Net change in effective portion of hedging contracts, net of tax benefit of (\$55)						(279)			(279)	
Amortization of prior service cost, net of tax provision of \$11						41			41	
Foreign currency translation adjustment (3)						(18,870)		(295)	(19,165)	(357)
Balance, October 31, 2022	\$ —	\$ 287	\$ 65	\$ 227,997	\$ 461,789	\$ 66,196	\$ (27,831)	\$ 3,093	\$ 481,114	\$ 2,433
	Preferred Stock	Common Stock (1)	Class A Common Stock (2)	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interest	Total Movado Group, Inc. Shareholders' Equity	Redeemable Noncontrolling Interest
Balance, January 31, 2021	\$ —	\$ 281	\$ 65	\$ 214,043	\$ 341,641	\$ 92,540	\$ (22,330)	\$ 2,070	\$ 427,334	\$ 2,600
Net income/(loss) attributable to Movado Group, Inc.					60,224			735	60,959	(12)
Dividends (\$0.60 per share)					(13,906)				(13,906)	
Stock options exercised		3		2,147			(1,654)		496	
Stock repurchase							(17,023)		(17,023)	
Supplemental executive retirement plan				139					139	
Stock-based compensation expense				3,965					3,965	
Net unrealized gain on investments, net of tax provision of \$13						39			39	
Amortization of prior service cost, net of tax provision of \$12						43			43	
Foreign currency translation adjustment (3)						(4,892)		(36)	(4,928)	(143)
Balance, October 31, 2021	\$ —	\$ 284	\$ 65	\$ 220,294	\$ 387,959	\$ 87,730	\$ (24,198)	\$ 2,769	\$ 457,118	\$ 2,445

- (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 was 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 nine months ended October 31, 2022, the Company repurchased a total of 795,456 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 \$28.2 million, or an average of \$35.39 per share. During the nine months ended October 31, 2021, the Company repurchased a total of 548,402 shares of its common stock under the March 25, 2021 share repurchase program at a total cost of \$17.0 million, or an average of \$31.04 per share.

At October 31, 2022, zero remains available for purchase under the Company's March 25, 2021 repurchase program and \$24.3 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 nine months ended October 31, 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 October 31, 2022 and 2021, and January 31, 2022, related to each component of accumulated other comprehensive income/(loss) are as follows (in thousands):

	October 31, 2022	January 31, 2022	October 31, 2021
Foreign currency translation adjustments	\$ 65,855	\$ 84,725	\$ 88,274
Available-for-sale securities	181	172	163
Hedging contracts	(85)	194	—
Unrecognized prior service cost related to defined benefit pension plan	(246)	(287)	(301)
Net actuarial gain/(loss) related to defined benefit pension plan	491	491	(406)
Total accumulated other comprehensive income	<u>\$ 66,196</u>	<u>\$ 85,295</u>	<u>\$ 87,730</u>

Amounts reclassified from accumulated other comprehensive income/(loss) to operating income in the Consolidated Statements of Operations during the nine months ended October 31, 2022 and October 31, 2021 were \$2.2 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 October 31,		For the Nine Months Ended October 31,	
	2022	2021	2022	2021
Wholesale	\$ 174,158	\$ 178,988	\$ 440,121	\$ 404,106
Direct to consumer	36,495	37,612	114,835	119,447
After-sales service	744	1,146	2,669	2,865
Net Sales	<u>\$ 211,397</u>	<u>\$ 217,746</u>	<u>\$ 557,625</u>	<u>\$ 526,418</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 customers 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 Stock Incentive 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 nine months ended October 31, 2022 and October 31, 2021.

	Nine Months Ended October 31, 2022	Nine Months Ended October 31, 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 October 31, 2022 and 2021 was \$0.6 million and \$0.4 million, respectively. Total compensation expense for stock option grants recognized during the nine months ended October 31, 2022 and 2021 was \$1.7 million and \$1.1 million, respectively. As of October 31, 2022, there was \$3.4 million of unrecognized compensation cost related to unvested stock options. These costs are expected to be recognized over a weighted-average period of 1.8 years. Total cash consideration received for stock option exercises during the nine months ended October 31, 2022 and 2021 was \$1.0 million and \$2.1 million, respectively.

The following table summarizes the Company's stock options activity during the first nine months 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	170,493	\$ 38.04	\$ 38.04		
Exercised	(51,158)	\$ 26.36	\$23.35-\$30.36		
Forfeited	(8,440)	\$ 38.04	\$ 38.04		
Options outstanding at October 31, 2022	1,093,729	\$ 23.90	\$12.42-\$42.12	7.3	\$ 11,426
Exercisable at October 31, 2022	191,801	\$ 32.37		2.6	\$ 720
Expected to vest at October 31, 2022	866,459	\$ 21.78		8.3	\$ 10,500

The fair value of stock options exercised during the first nine months of fiscal 2023 was \$0.6 million and the intrinsic value was \$0.5 million.

Stock Awards:

Under the Plan, the Company can also grant stock awards to employees and directors. For the three months ended October 31, 2022 and 2021, compensation expense for stock awards was \$0.9 million and \$0.8 million, respectively. For the nine months ended October 31, 2022 and 2021, compensation expense for stock awards was \$2.6 million and \$2.9 million, respectively. As of October 31, 2022, there was \$4.6 million of unrecognized compensation cost related to unvested stock awards. These costs are expected to be recognized over a weighted-average period of 1.9 years.

The following table summarizes the Company's stock awards activity during the first nine months 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	128,254	\$ 37.89		
Units vested	(112,584)	\$ 31.88		
Units forfeited	(15,401)	\$ 35.40		
Units outstanding at October 31, 2022	<u>296,552</u>	\$ 28.81	2.0	\$ 9,807

Stock awards granted by the Company from time to time 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 employees for the payment of the employee's withholding tax obligation totaling \$1.1 million and \$1.7 million for the nine months ended October 31, 2022 and 2021, respectively. The total fair value of stock award units that vested during the first nine 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 36.7%, 9.9%, 6.8% and 5.3%, respectively, of the Company's total net sales for the three months ended October 31, 2022. For the three months ended October 31, 2021, the Company's International operations in Europe, the Middle East, the Americas (excluding the United States) and Asia accounted for 39.8%, 7.6%, 5.6% and 4.4%, respectively, of the Company's total net sales. The Company's International operations in Europe, the Middle East, the Americas (excluding the United States) and Asia accounted for 34.1%, 10.1%, 8.1% and 4.9%, respectively, of the Company's total net sales for the nine months ended October 31, 2022. For the nine months ended October 31, 2021, the Company's International operations in Europe, the Middle East, the Americas (excluding the United States) and Asia accounted for 34.9%, 8.0%, 6.0% and 4.7%, respectively, of the Company's total net sales.

Operating Segment Data for the Three Months Ended October 31, 2022 and 2021 (in thousands):

	Net Sales	
	2022	2021
Watch and Accessory Brands:		
Owned brands category	\$ 61,585	\$ 69,433
Licensed brands category	122,814	122,098
After-sales service and all other	1,766	2,795
Total Watch and Accessory Brands	186,165	194,326
Company Stores	25,232	23,420
Consolidated total	<u>\$ 211,397</u>	<u>\$ 217,746</u>

	Operating Income (3)	
	2022	2021
Watch and Accessory Brands	\$ 33,626	\$ 34,854
Company Stores	4,645	6,549
Consolidated total	<u>\$ 38,271</u>	<u>\$ 41,403</u>

Operating Segment Data as of and for the Nine Months Ended October 31, 2022 and 2021 (in thousands):

	Net Sales	
	2022	2021
Watch and Accessory Brands:		
Owned brands category	\$ 171,449	\$ 178,706
Licensed brands category	308,190	273,801
After-sales service and all other	4,197	4,277
Total Watch and Accessory Brands	<u>483,836</u>	<u>456,784</u>
Company Stores	73,789	69,634
Consolidated total	<u>\$ 557,625</u>	<u>\$ 526,418</u>

	Operating Income (3)	
	2022	2021
Watch and Accessory Brands	\$ 78,545	\$ 59,357
Company Stores	15,677	19,935
Consolidated total	<u>\$ 94,222</u>	<u>\$ 79,292</u>

	Total Assets		
	October 31, 2022	January 31, 2022	October 31, 2021
Watch and Accessory Brands	\$ 704,953	\$ 701,986	\$ 679,112
Company Stores	70,727	59,174	61,905
Consolidated total	<u>\$ 775,680</u>	<u>\$ 761,160</u>	<u>\$ 741,017</u>

Geographic Location Data for the Three Months Ended October 31, 2022 and 2021 (in thousands):

	Net Sales		Operating Income (3)	
	2022	2021	2022	2021
United States (1)	\$ 87,350	\$ 92,783	\$ 2,228	\$ 6,996
International (2)	124,047	124,963	36,043	34,407
Consolidated total	<u>\$ 211,397</u>	<u>\$ 217,746</u>	<u>\$ 38,271</u>	<u>\$ 41,403</u>

United States and International net sales are net of intercompany sales of \$105.6 million and \$118.7 million for the three months ended October 31, 2022 and 2021, respectively.

Geographic Location Data as of and for the Nine Months Ended October 31, 2022 and 2021 (in thousands):

	Net Sales		Operating Income (3)	
	2022	2021	2022	2021
United States (1)	\$ 238,439	\$ 244,163	\$ 6,787	\$ 16,575
International (2)	319,186	282,255	87,435	62,717
Consolidated total	<u>\$ 557,625</u>	<u>\$ 526,418</u>	<u>\$ 94,222</u>	<u>\$ 79,292</u>

United States and International net sales are net of intercompany sales of \$303.0 million and \$279.1 million for the nine months ended October 31, 2022 and 2021, respectively.

- (1) The United States operating income included \$16.5 million and \$21.6 million of unallocated corporate expenses for the three months ended October 31, 2022 and 2021, respectively. The United States operating income included \$42.5 million and \$43.5 million of unallocated corporate expenses for the nine months ended October 31, 2022 and 2021, respectively.
- (2) The International operating income included \$27.6 million and \$28.9 million of certain intercompany profits related to the Company's supply chain operations for the three months ended October 31, 2022 and 2021, respectively. The International operating income included \$65.5 million and \$59.7 million of certain intercompany profits related to the Company's supply chain operations for the nine months ended October 31, 2022 and 2021, respectively.
- (3) For the three months ended October 31, 2022 and 2021, and for the nine months ended October 31, 2022 and 2021, in the United States locations of the Watch and Accessory Brands segment, operating income included a charge of \$0.1 million, \$0.1 million, \$0.2 million and \$0.3 million, respectively, 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 the three months ended October 31, 2022 and 2021, and for the nine months ended October 31, 2022 and 2021 operating income included a charge of \$0.6 million, \$0.7 million, \$1.9 million and \$2.1 million, respectively, related to the amortization of acquired intangible assets as a result of the Company's acquisition of the Olivia Burton brand.

	Total Assets		
	October 31, 2022	January 31, 2022	October 31, 2021
United States	\$ 447,493	\$ 352,806	\$ 370,185
International	328,187	408,354	370,832
Consolidated total	<u>\$ 775,680</u>	<u>\$ 761,160</u>	<u>\$ 741,017</u>

	Property, Plant and Equipment, Net		
	October 31, 2022	January 31, 2022	October 31, 2021
United States	\$ 13,087	\$ 13,246	\$ 12,836
International	5,120	6,224	6,529
Consolidated total	<u>\$ 18,207</u>	<u>\$ 19,470</u>	<u>\$ 19,365</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 October 31, 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®. The Company's collaboration with Scuderia Ferrari ended on June 30, 2022, although the Company has the right to sell remaining inventory through December 31, 2022.

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 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 Russia, Belarus and Ukraine are

immaterial to the Company's results of operations, financial condition and cash flows. However, the conflict is having broader implications on economies outside the region, such as global inflationary impacts due to the disruption to food and other exports from Ukraine and the sanctions imposed on exports from Russia.

Results of Operations Overview

The following is a discussion of the results of operations for the three and nine months ended October 31, 2022 compared to the three and nine months ended October 31, 2021, along with a discussion of the changes in financial condition during the first nine months of fiscal 2023. The Company's results of operations for the first nine 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.

Results of operations for the three months ended October 31, 2022 as compared to the three months ended October 31, 2021

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

	Three Months Ended October 31,	
	2022	2021
Watch and Accessory Brands:		
United States	\$ 63,391	\$ 70,752
International	122,774	123,574
Total Watch and Accessory Brands	186,165	194,326
Company Stores:		
United States	23,959	22,031
International	1,273	1,389
Total Company Stores	25,232	23,420
Net Sales	<u>\$ 211,397</u>	<u>\$ 217,746</u>

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

	Three Months Ended October 31,	
	2022	2021
Watch and Accessory Brands:		
Owned brands category	\$ 61,585	\$ 69,433
Licensed brands category	122,814	122,098
After-sales service and all other	1,766	2,795
Total Watch and Accessory Brands	186,165	194,326
Company Stores	25,232	23,420
Net Sales	<u>\$ 211,397</u>	<u>\$ 217,746</u>

Net Sales

Net sales for the three months ended October 31, 2022 were \$211.4 million, representing a \$6.3 million or 2.9% decrease below the prior year period. This decrease is primarily attributable to the Watch and Accessory Brands segment, partially offset by an increase in the Company Stores segment. For the three months ended October 31, 2022, fluctuations in foreign currency exchange rates negatively impacted net sales by \$13.7 million when compared to the prior year period. On a constant dollar basis net sales increased 3.4% as compared to the prior year period.

Watch and Accessory Brands Net Sales

Net sales for the three months ended October 31, 2022 in the Watch and Accessory Brands segment were \$186.2 million, a decrease below the prior year period of \$8.2 million, or 4.2%. The decrease in net sales was primarily due to the negative impact of fluctuations in foreign exchange rates, lower demand from the Company's wholesale customers and a decrease in online retail, partially offset by the addition of the Calvin Klein brand.

United States Watch and Accessory Brands Net Sales

Net sales for the three months ended October 31, 2022 in the United States locations of the Watch and Accessory Brands segment were \$63.4 million, below the prior year period by \$7.4 million, or 10.4%, resulting primarily from decreased volumes resulting from lower demand from the Company's wholesale customers in the owned brand category and a decrease in online retail. The net sales recorded in the owned brands category decreased by \$6.4 million, or 12.0%, and net sales recorded in the licensed brand category increased \$0.6 million, or 3.9%.

International Watch and Accessory Brands Net Sales

Net sales for the three months ended October 31, 2022 in the International locations of the Watch and Accessory Brands segment were \$122.8 million, below the prior year by \$0.8 million, or 0.6%, which included fluctuations in foreign currency exchange rates that negatively impacted net sales by \$13.7 million when compared to the prior year period, mostly offset by increased volumes resulting from higher demand with growth in the Company's wholesale customers. The net sales decrease in the owned brands category was \$1.4 million, or 8.9%, and is primarily due to net sales decreases in Asia and the Americas (excluding the United States), partially offset by an increase in the Middle East, while Europe remained flat. Overall net sales in the licensed brands category increased \$0.1 million, or 0.1%, from the prior year period due to higher demand from the Company's wholesale customers, which includes the addition of the Calvin Klein brand; however, most individual licensed brands' net sales decreased from the prior year period mainly due to the negative impact of foreign exchange rate fluctuations. The overall net sales increase in the licensed brands category reflected net sales increases in the Middle East, Asia and the Americas (excluding the United States), partially offset by a decrease in Europe.

Company Stores Net Sales

Net sales for the three months ended October 31, 2022 in the Company Stores segment were \$25.2 million, \$1.8 million or 7.7% above the prior year period. The net sales increase was primarily the result of the growth of the Company's online outlet store at www.movadocompanystore.com and the opening of new retail outlet stores. As of October 31, 2022 and 2021, the Company operated 55 and 50 retail outlet locations, respectively.

Gross Profit

Gross profit for the three months ended October 31, 2022 was \$121.0 million or 57.3% of net sales as compared to \$125.6 million or 57.7% of net sales in the prior year period. The decrease in gross profit of \$4.6 million was primarily due to lower net sales combined with a lower gross margin percentage. The decrease in the gross margin percentage of approximately 40 basis points for the three months ended October 31, 2022 resulted primarily from the negative impact of fluctuations in foreign exchange rates of approximately 70 basis points, approximately 30 basis points due to increased shipping costs and approximately 20 basis points due to the increase and deleveraging of certain fixed costs, partially offset by a favorable impact of sales mix of approximately 80 basis points.

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

SG&A expenses for the three months ended October 31, 2022 were \$82.8 million, representing a decrease from the prior year period of \$1.4 million, or 1.7%. The decrease in SG&A expenses was primarily due to the following factors: a decrease in performance-based compensation of \$3.0 million; lower marketing expenses of \$1.8 million; and a decrease in consulting charges of \$1.2 million. Decreased SG&A expenses were partially offset by an increase in payroll related expenses of \$3.0 million; and an increase in allowance for doubtful accounts of \$0.8 million. For the three months ended October 31, 2022, fluctuations in foreign currency rates related to the foreign subsidiaries positively impacted SG&A expenses by \$1.7 million when compared to the prior year period.

Watch and Accessory Brands Operating Income

For the three months ended October 31, 2022, the Company recorded operating income of \$33.6 million in the Watch and Accessory Brands segment which includes \$16.5 million of unallocated corporate expenses as well as \$27.6 million of certain intercompany profits related to the Company's supply chain operations. For the three months ended October 31, 2021, the Company recorded operating income of \$34.9 million in the Watch and Accessory Brands segment which included \$21.6 million of unallocated corporate expenses as well as \$28.9 million of certain intercompany profits related to the Company's supply chain operations. The decrease in operating income was the result of a decrease in gross profit of \$4.0 million, partially offset by a decrease in SG&A expenses of \$2.7 million when compared to the prior year period. The decrease in gross profit of \$4.0 million was primarily the result of lower net sales. The decrease in SG&A expenses of \$2.7 million was primarily due to the following factors: a decrease in performance-based compensation of \$2.9 million; lower marketing expenses of \$2.0 million; and a decrease in consulting charges of \$1.2 million. Decreased SG&A expenses were partially offset by an increase in payroll related expenses of \$2.2 million; and an increase in allowance for doubtful accounts of \$0.8 million.

U.S. Watch and Accessory Brands Operating (Loss)/Income

In the United States locations of the Watch and Accessory Brands segment, for the three months ended October 31, 2022, the Company recorded an operating loss of \$2.2 million which includes unallocated corporate expenses of \$16.5 million. For the three months ended

October 31, 2021 the Company recorded operating income of \$0.8 million in the United States locations of the Watch and Accessory Brands segment which included unallocated corporate expenses of \$21.6 million. The change to operating loss from operating income of \$3.0 million was the result of a decrease in gross profit of \$5.4 million, partially offset by a decrease in SG&A expenses of \$2.4 million when compared to the prior year period. The decrease in gross profit of \$5.4 million was primarily the result of lower net sales. The decrease in SG&A expenses of \$2.4 million was primarily due to the following factors: lower marketing expenses of \$3.7 million; and a decrease in performance-based compensation of \$1.9 million. The decrease in SG&A expenses was partially offset by an increase in payroll related expenses of \$2.0 million, and an increase in allowance for doubtful accounts of \$0.4 million.

International Watch and Accessory Brands Operating Income

In the International locations of the Watch and Accessory Brands segment, for the three months ended October 31, 2022, the Company recorded operating income of \$35.9 million which includes \$27.6 million of certain intercompany profits related to the Company's International supply chain operations. For the three months ended October 31, 2021 the Company recorded operating income of \$34.1 million in the International locations of the Watch and Accessory Brands segment which included \$28.9 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 \$1.5 million, combined with a decrease in SG&A expenses of \$0.3 million. The increase in gross profit of \$1.5 million was primarily the result of a higher gross margin percentage primarily due to a favorable impact of sales mix. The decrease in SG&A expenses of \$0.3 million was primarily due to the following factors: a decrease in consulting charges of \$1.6 million; and a decrease in performance-based compensation of \$0.9 million. The decrease in SG&A expenses was partially offset by higher marketing expenses of \$1.7 million; and an increase in allowance for doubtful accounts of \$0.4 million.

Company Stores Operating Income

The Company recorded operating income of \$4.6 million and \$6.5 million in the Company Stores segment for the three months ended October 31, 2022 and 2021, respectively. The decrease in operating income of \$1.9 million was primarily related to a lower gross profit of \$0.6 million mainly due to a lower gross profit percentage and a \$1.3 million increase in SG&A expenses. The increase in SG&A expenses was primarily due to an increase of \$0.8 million in payroll related expenses; and an increase in rent and rent related expenses of \$0.3 million due to the opening of new company stores. As of October 31, 2022, and 2021, the Company operated 55 and 50 retail outlet locations, respectively.

Other Non-Operating Income

The Company recorded other income of \$0.4 million primarily due to interest income for the three months ended October 31, 2022.

The Company recorded other income of \$0.1 million primarily due to the non-service components of the Company's Swiss pension plan for the three months ended October 31, 2021.

Interest Expense

Interest expense was \$0.1 million for both the three months ended October 31, 2022 and 2021, respectively. There were no borrowings under the Company's revolving credit facility during the three months ended October 31, 2022 and 2021.

Income Taxes

The Company recorded an income tax provision of \$8.4 million and \$9.6 million for the three months ended October 31, 2022 and 2021, respectively.

The effective tax rate was 21.9% and 23.1% for the three months ended October 31, 2022 and 2021, respectively. The significant components of the effective tax rate changed primarily due to the mix of earnings.

Net Income Attributable to Movado Group, Inc.

The Company recorded net income attributable to Movado Group, Inc. of \$29.3 million and \$31.4 million for the three months ended October 31, 2022 and 2021, respectively.

Results of operations for the nine months ended October 31, 2022 as compared to the nine months ended October 31, 2021

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

	Nine Months Ended October 31,	
	2022	2021
Watch and Accessory Brands:		
United States	\$ 168,173	\$ 177,307
International	315,663	279,477
Total Watch and Accessory Brands	483,836	456,784
Company Stores:		
United States	70,266	66,856
International	3,523	2,778
Total Company Stores	73,789	69,634
Net Sales	\$ 557,625	\$ 526,418

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

	Nine Months Ended October 31,	
	2022	2021
Watch and Accessory Brands:		
Owned brands category	\$ 171,449	\$ 178,706
Licensed brands category	308,190	273,801
After-sales service and all other	4,197	4,277
Total Watch and Accessory Brands	483,836	456,784
Company Stores	73,789	69,634
Net Sales	\$ 557,625	\$ 526,418

Net Sales

Net sales for the nine months ended October 31, 2022 were \$557.6 million, representing a \$31.2 million or 5.9% increase above the prior year period. This increase is primarily attributable to growth in the Watch and Accessory Brands segment. For the nine months ended October 31, 2022, fluctuations in foreign currency exchange rates negatively impacted net sales by \$25.9 million when compared to the prior year period. On a constant dollar basis net sales increased 10.9% as compared to the prior year period.

Watch and Accessory Brands Net Sales

Net sales for the nine months ended October 31, 2022 in the Watch and Accessory Brands segment were \$483.8 million, an increase above the prior year period by \$27.1 million, or 5.9%. The increase in net sales was primarily due to the addition of the Calvin Klein brand and increased volumes resulting from higher demand with growth from the Company's wholesale customers in the International locations, partially offset by the negative impact of fluctuations in foreign exchange rates, a decrease in online retail and a decrease in the United States locations.

United States Watch and Accessory Brands Net Sales

Net sales for the nine months ended October 31, 2022 in the United States locations of the Watch and Accessory Brands segment were \$168.2 million, below the prior year period by \$9.1 million, or 5.2%, resulting primarily from decreased volumes resulting from lower demand in the Company's wholesale customers in the owned brand category and a decrease in online retail. The net sales recorded in the owned brands category decreased \$8.5 million, or 6.2%, and net sales recorded in the licensed brand category increased \$1.1 million, or 3.0%.

International Watch and Accessory Brands Net Sales

Net sales for the nine months ended October 31, 2022 in the International locations of the Watch and Accessory Brands segment were \$315.7 million, above the prior year by \$36.2 million, or 12.9%, which included fluctuations in foreign currency exchange rates that negatively impacted net sales by \$25.9 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 from 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 \$1.3 million, or 3.1%, and is primarily due to net sales increases in Europe, the Middle East and the Americas (excluding the United States), partially offset by a decrease in Asia. The net sales increase in the licensed brands category was \$33.3 million, or 14.1%, due to net sales increases across all regions.

Company Stores Net Sales

Net sales for the nine months ended October 31, 2022 in the Company Stores segment were \$73.8 million, \$4.2 million or 6.0% above the prior year period. The net sales increase was primarily the result of the growth of the Company's online outlet store at www.movadocompanystore.com and the opening of new retail outlet stores. As of October 31, 2022 and 2021, the Company operated 55 and 50 retail outlet locations, respectively.

Gross Profit

Gross profit for the nine months ended October 31, 2022 was \$324.6 million or 58.2% of net sales as compared to \$298.2 million or 56.7% of net sales in the prior year period. The increase in gross profit of \$26.4 million was primarily due to higher net sales combined with a higher gross margin percentage. The increase in the gross margin percentage of approximately 150 basis points for the nine months ended October 31, 2022 resulted primarily from a favorable impact of sales mix of approximately 240 basis points, partially offset by a negative impact of fluctuations in foreign exchange rates of approximately 50 basis points and approximately 30 basis points impact due to increased shipping costs.

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

SG&A expenses for the nine months ended October 31, 2022 were \$230.4 million, representing an increase from the prior year period of \$11.5 million, or 5.2%. The increase in SG&A expenses was primarily due to the following factors: an increase in payroll related expense of \$5.8 million; higher marketing expenses of \$4.4 million; an increase in allowance for doubtful accounts of \$0.9 million; an increase in rent and related expenses of \$0.8 million; an increase in consulting charges of \$0.4 million; and an increase in sales commissions of \$0.4 million. Increased SG&A expenses were partially offset by a decrease in performance-based compensation of \$3.6 million. For the nine months ended October 31, 2022, fluctuations in foreign currency rates related to the foreign subsidiaries positively impacted SG&A expenses by \$3.6 million when compared to the prior year period.

Watch and Accessory Brands Operating Income

For the nine months ended October 31, 2022, the Company recorded operating income of \$78.5 million in the Watch and Accessory Brands segment which includes \$42.5 million of unallocated corporate expenses as well as \$65.5 million of certain intercompany profits related to the Company's supply chain operations. For the nine months ended October 31, 2021, the Company recorded operating income of \$59.4 million in the Watch and Accessory Brands segment which included \$43.5 million of unallocated corporate expenses as well as \$59.7 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 \$26.2 million, partially offset by an increase in SG&A expenses of \$7.1 million when compared to the prior year period. The increase in gross profit of \$26.2 million was primarily the result of higher net sales, combined with a higher gross margin percentage primarily due to a favorable impact of sales mix, partially offset by a negative impact of fluctuations in foreign exchange rates and increased shipping costs. The increase in SG&A expenses of \$7.1 million was primarily due to the following factors: an increase in payroll related expense of \$3.7 million; higher marketing expenses of \$3.6 million; an increase in allowance for doubtful accounts of \$0.9 million and an increase in sales commissions of \$0.3 million. Increased SG&A expenses were partially offset by a decrease in performance-based compensation of \$3.4 million.

U.S. Watch and Accessory Brands Operating Loss

In the United States locations of the Watch and Accessory Brands segment, for the nine months ended October 31, 2022, the Company recorded an operating loss of \$8.1 million which includes unallocated corporate expenses of \$42.5 million. For the nine months ended October 31, 2021 the Company recorded an operating loss of \$2.7 million in the United States locations of the Watch and Accessory Brands segment which included unallocated corporate expenses of \$43.5 million. The increase in operating loss was the result of an increase in SG&A expenses of \$3.5 million, combined with a decrease in gross profit of \$1.9 million when compared to the prior year period. The decrease in gross profit of \$1.9 million was primarily the result of a decrease in net sales, partially offset by a higher gross margin percentage primarily due to a favorable impact of sales mix. The increase in SG&A expenses of \$3.5 million was primarily due to the following factors: an increase in payroll related expenses of \$2.2 million; an increase in consulting charges of \$1.4 million; higher

marketing expenses of \$1.3 million; and an increase in allowance for doubtful accounts of \$0.6 million. The increase in SG&A expenses were partially offset by a decrease in performance-based compensation of \$2.9 million.

International Watch and Accessory Brands Operating Income

In the International locations of the Watch and Accessory Brands segment, for the nine months ended October 31, 2022, the Company recorded operating income of \$86.7 million which includes \$65.5 million of certain intercompany profits related to the Company's International supply chain operations. For the nine months ended October 31, 2021 the Company recorded operating income of \$62.1 million in the International locations of the Watch and Accessory Brands segment which included \$59.7 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 \$28.1 million, partially offset by higher SG&A expenses of \$3.5 million when compared to the prior year period. The increase in gross profit of \$28.1 million was primarily the result of 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 \$3.5 million was primarily due to the following factors: higher marketing expenses of \$2.3 million; an increase in payroll related expenses of \$1.5 million; an increase in allowance for doubtful accounts of \$0.3 million; and an increase in sales commissions of \$0.2 million. Increased SG&A expenses were partially offset by a decrease in consulting charges of \$1.4 million and a decrease in performance-based compensation of \$0.5 million.

Company Stores Operating Income

The Company recorded operating income of \$15.7 million and \$19.9 million in the Company Stores segment for the nine months ended October 31, 2022 and 2021, respectively. The decrease in operating income of \$4.2 million was primarily related to a \$4.4 million increase in SG&A expenses partially offset by a higher gross profit of \$0.2 million mainly due to higher net sales. The increase in SG&A expenses was primarily due to an increase of \$2.1 million in payroll related expenses; an increase in rent and rent related of \$1.0 million due to the opening of new company stores; and an increase in marketing expenses of \$0.8 million. As of October 31, 2022, and 2021, the Company operated 55 and 50 retail outlet locations, respectively.

Other Non-Operating Income

The Company recorded other income of \$0.7 million primarily due to interest income and the non-service components of the Company's Swiss pension plan for the nine months ended October 31, 2022.

The Company recorded other income of \$0.4 million primarily due to the final settlement related to a sale of a building in an international location in fiscal 2021 and the non-service components of the Company's Swiss pension plan for the nine months ended October 31, 2021.

Interest Expense

Interest expense was \$0.4 million and \$0.6 million for the nine months ended October 31, 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 nine months ended October 31, 2022 as compared to the nine months ended October 31, 2021.

Income Taxes

The Company recorded an income tax provision of \$20.9 million and \$18.2 million for the nine months ended October 31, 2022 and 2021, respectively.

The effective tax rate was 22.1% and 23.0% for the nine months ended October 31, 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 \$71.8 million and \$60.2 million for the nine months ended October 31, 2022 and 2021, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2022 and October 31, 2021, the Company had \$186.7 million and \$201.8 million, respectively, of cash and cash equivalents. Of this total, \$56.7 million and \$127.5 million, respectively, consisted of cash and cash equivalents at the Company's foreign subsidiaries.

At October 31, 2022 the Company had working capital of \$398.3 million as compared to \$391.1 million at October 31, 2021. The increase in working capital was primarily the result of an increase in inventories partially offset by an increase in income taxes payable and accounts payable. The Company defines working capital as the difference between current assets and current liabilities.

The Company had \$23.6 million of cash used in operating activities for the nine months ended October 31, 2022 as compared to \$38.7 million of cash provided by operating activities for the nine months ended October 31, 2021. Cash used in operating activities for the nine months ended October 31, 2022 included net income of \$73.7 million, positively adjusted by \$15.6 million related to non-cash items. Cash used in operating activities for the nine months ended October 31, 2022 included a \$66.2 million increase in investment in inventories primarily due to timing of receipts and the addition of the Calvin Klein brand, an increase of \$50.0 million in trade receivables as a result of higher sales, a decrease in accrued payroll of \$9.2 million primarily as a result of payments of performance-based compensation, net of current year accrual, and a decrease of \$6.4 million in income taxes payable as a result of timing of payments, partially offset by an increase in accrued liabilities of \$19.6 million primarily as a result of timing of payments and a decrease of \$9.4 million in income taxes receivable partly due to tax refunds received.

Cash used in investing activities was \$7.6 million for the nine months ended October 31, 2022 as compared to cash used in investing activities of \$4.9 million for the nine months ended October 31, 2021. The cash used in the nine months ended October 31, 2022 was primarily related to capital expenditures of \$4.7 million primarily due to the Company's opening of new stores and new computer software and \$2.7 million of long-term investments.

Cash used in financing activities was \$51.9 million for the nine months ended October 31, 2022 as compared to cash used in financing activities of \$54.0 million for the nine months ended October 31, 2021. The cash used in the nine months ended October 31, 2022 included \$28.2 million in stock repurchased in the open market, \$23.6 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 \$1.0 million received in connection with stock options exercised. Cash used in financing activities for the nine months ended October 31, 2021 included repayment of bank borrowings of \$21.1 million, \$17.0 million in stock repurchased in the open market and \$16.2 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., 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"). As a result of the merger of Movado Watch Company S.A. into MGI Luxury Group S.A. in July 2022, MGI Luxury Group S.A. (subsequently renamed MGI Luxury Group GmbH as a result of the conversion of its corporate form) became the sole Swiss subsidiary of the Company party to the Credit Agreement (in such capacity, the "Swiss Borrower" and, together with the U.S. Borrowers, the "Borrowers"). 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 Borrower, 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 Borrower is not liable for, nor does it 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 Borrower does not provide collateral to secure the obligations under the Facility.

As of October 31, 2022, and October 31, 2021, there were no amounts in loans outstanding under the Facility for either period. Availability under the Facility was reduced by the aggregate amount 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 October 31, 2022 and October 31, 2021. At October 31, 2022, the letters of credit have expiration dates through May 31, 2023. As of October 31, 2022, and October 31, 2021, availability under the Facility was \$99.7 million for both periods. 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 during both the three months ended October 31, 2022 and 2021, respectively. The Company had weighted average borrowings under the Facility of zero and \$6.5 million during the nine months ended October 31, 2022 and 2021, respectively, with a weighted average interest rate of 2.8% during the nine months ended October 31, 2021.

A Swiss subsidiary of the Company maintains unsecured lines of credit with a Swiss bank that are subject to repayment upon demand. As of October 31, 2022, and 2021, these lines of credit totaled 6.5 million Swiss Francs for both periods, with a dollar equivalent of \$6.5 million and \$7.1 million, respectively. As of October 31, 2022, and 2021, there were no borrowings against these lines. As of October 31, 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 \$1.1 million and \$1.3 million, respectively, in various foreign currencies, of which \$0.5 million and \$0.6 million, as of October 31, 2022 and October 31, 2021, respectively, was a restricted deposit as it relates to lease agreements.

Cash paid for interest, including unused commitments fees, was \$0.2 million and \$0.4 million for the nine-month periods ended October 31, 2022 and October 31, 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 \$2.7 million during the first nine months of fiscal 2023 and may be called upon to satisfy capital calls in respect of the remaining \$16.8 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, \$0.35 per share, or \$7.9 million, during the three months ended July 31, 2022 and \$0.35 per share, or \$7.8 million, during the three months ended October 31, 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 cash dividends of \$0.20 per share, or \$4.6 million, during the three months ended April 30, 2021, \$0.20 per share, or \$4.7 million during the three months ended July 31, 2021, and \$0.20 per share, or \$4.6 million, during the three months ended October 31, 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 was 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 nine months ended October 31, 2022, the Company repurchased a total of 795,456 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 \$28.2 million, or an average of \$35.39 per share. At October 31, 2022, zero remains available for purchase under the Company's March 25, 2021 repurchase program and \$24.3 million remains available for purchase under the Company's November 23, 2021 repurchase program. During the nine months ended October 31, 2021, the Company repurchased a total of 548,402 shares of its common stock under the March 25, 2021 share repurchase program at a total cost of \$17.0 million, or an average of \$31.04 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 October 31, 2022, the Company's entire net forward contracts hedging portfolio consisted of 35.1 million Chinese Yuan equivalent, 40.0 million Swiss Francs equivalent, 24.4 million U.S. dollars equivalent, 41.0 million Euros equivalent (including 14.0 million Euros designated as cash flow hedges) and 7.5 million British Pounds equivalent with various expiry dates ranging through April 20, 2023, compared to a portfolio of 15.7 million Chinese Yuan equivalent, 20.0 million Swiss Francs equivalent, 19.8 million U.S. dollars equivalent, 25.6 million Euros equivalent and 6.9 million British Pounds equivalent with various expiry dates ranging through April 22, 2022, as of October 31, 2021. If the Company were to settle its Swiss Franc forward contracts at October 31, 2022, the net result would be a \$0.7 million loss. If the Company were to settle its Euro forward contracts at October 31, 2022, the net result would be an immaterial gain. As of October 31, 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 October 31, 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 October 31, 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 October 31, 2022 and 2021 was zero for both periods. During the nine months ended October 31, 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 October 31, 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 while 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 such 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 October 31, 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 was 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 October 31, 2022, the Company repurchased a total of 208,874 shares of its common stock at a total cost of \$6.6 million, or an average of \$31.65 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. There were no shares repurchased during the three months ended October 31, 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 October 31, 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
August 1, 2022 – August 31, 2022	40,000	\$ 33.29	40,000	\$ 29,530,063
September 1, 2022 – September 30, 2022	168,874	31.26	168,874	24,250,385
October 1, 2022 – October 31, 2022	—	—	—	24,250,385
Total	208,874	\$ 31.65	208,874	\$ 24,250,385

Item 6. Exhibits

- 10.1 [Amended and Restated License Agreement between MGI Luxury Group GmbH \(a wholly-owned Swiss subsidiary of the Registrant\), Lacoste S.A.S., Sporloisirs S.A. and Lacoste Alligator S.A., dated August 30, 2022.](#)
- 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 October 31, 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: November 22, 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.

LICENSE AGREEMENT

By and between:

LACOSTE S.A.S., a French corporation organized and existing under the laws of France whose registered office and principal place of business is located at 31-37 boulevard de Montmorency, 75016 Paris (France), represented by its *Président*, Monsieur Thierry GUIBERT,

hereinafter referred to as "**Lacoste**",

SPORLOISIRS S.A., a Swiss corporation organized and existing under the laws of Switzerland whose registered office and principal place of business is located at 6, rue Cornavin, CP 1880, 1211 Geneva 1 (Switzerland), represented by its Directors, Monsieur Ron AUFSEESSER and Monsieur Jean-Yves BIERI,

hereinafter referred to as "**SPL**",

LACOSTE ALLIGATOR S.A., a Swiss corporation organized and existing under the laws of Switzerland whose registered office and principal place of business is located at 6, rue Cornavin, CP 1880, 1211 Geneva 1 (Switzerland), represented by its Directors, Monsieur Ron AUFSEESSER and Monsieur Jean-Yves BIERI,

hereinafter referred to as "**LCA**",

all three together hereinafter referred to as the "**Licensor**",

and:

MGI Luxury Group GmbH., a company organized and existing under the laws of Switzerland whose registered office and principal place of business is located at 2B Place de la Gare, CH-2501 Bienne (Switzerland), acting on its behalf and on behalf of the entities controlling, controlled by **MGI Luxury Group GmbH** or under common control with **MGI Luxury Group GmbH**, represented by its Directors, Flavio PELLIGRINI and Sallie DEMARSILIS,

hereinafter referred to as the "**Licensee**".

WITNESSETH:

WHEREAS, the Licensor has created and developed over a period of many years a well-known and distinctive line of articles of sports and leisure apparel for men, women and children (the "**Lacoste Apparel Products**", as hereinafter defined); and

WHEREAS, in addition to the Lacoste Apparel Products, the Licensor has created and developed other lines of products such as toiletries, sunglasses and frames for optical glasses, leisure and sports bags, luggage, leathersgoods, shoes, terry towels, bath towels, bath robes, household linen, umbrellas, belts (the "**Lacoste Accessories**", as such term is hereinafter defined); and

WHEREAS, the Licensor has also contributed to the creation and the development of a line of watches, time-keeping devices and fashion jewelry (the "**Lacoste Watches and Jewelry**", as hereinafter defined); and

WHEREAS, the Lacoste Apparel Products, the Lacoste Accessories, as well as the Lacoste Watches and Jewelry, which are characterized by an emblem consisting of the pictorial representation of an alligator or a crocodile (the "**Crocodile**", as hereinafter defined), are renowned and sold world-wide under the trade name of "Lacoste", the word "Lacoste" recalling the name of René Lacoste the famous tennis champion who invented the original L1212 polo-shirt, and the Crocodile recalling his nickname on the tennis courts; and

WHEREAS, the Models (as hereinafter defined) making up the lines of the Lacoste Watches and Jewelry together with their specifications shall be the property of the Licensor to be used exclusively by the Licensee within the scope of this Agreement (as hereinafter defined), it being understood however that certain elements of the Models may, in certain circumstances, belong either to third parties or, in the case of elements previously used by the Licensee, to the Licensee; and

WHEREAS, in order to protect its rights, the Licensor has registered, directly or indirectly, its trademarks (the "**Lacoste Trademarks**", as hereinafter defined) world-wide; and

WHEREAS, the ownership of such registrations ensures the Licensor a clear exclusive right to use or license the right to use the Lacoste Trademarks for many different classes of products (including class 14 of the international classification, for watches and watches' accessories and jewelry) in numerous countries around the world as listed in Schedule III; and

WHEREAS, despite its ownership of the Lacoste Trademarks, the Licensor is not however in a position to warrant without limitation unimpeded use of all the Lacoste Trademarks in certain countries, due (a) to the existence of conflicting registrations (in particular in various far-east Asian jurisdictions, amongst which the People's Republic of China), or (b) to the lack of registration of certain of the Lacoste Trademarks, or (c) to the specificities and uncertainties generally associated with trademark law in certain jurisdictions; and

WHEREAS, through the development of the different lines of the Lacoste Apparel Products, Lacoste Accessories and Lacoste Watches and Jewelry, the Licensor has acquired a significant know-how in the fields of their styling, marketing and merchandising, advertising and promotion (the "**Styling Know-how**", the "**Marketing and Merchandising Know-how**", and the "**Advertising and Promotion Know-how**", as hereinafter defined); and

WHEREAS, in view of the world-wide development of the sales of the Lacoste Apparel Products, Lacoste Accessories and Lacoste Watches and Jewelry, it is more than ever necessary, in the best interest of all the licensees of the Lacoste Trademarks, that without interfering in the running of their day-to-day business, the Licensor be able to maintain the standards and quality of the Lacoste Brand Image (as hereinafter defined), particularly in coordinating the styling, the marketing and the merchandising, the advertising and the promotion of all Lacoste Apparel Products, Lacoste Accessories and Lacoste Watches and Jewelry; and

WHEREAS, in order to guarantee the authenticity of its creations and to ensure the homogeneity of their distribution at an international level, the Licensor has implemented selective distribution systems wherever and whenever practicable, so as to allow all its licensees and distributors to select and approve their retailers on the basis of objective criteria both with respect to quality and sales techniques; and

WHEREAS, the selective distribution systems implemented by the Licensor in connection with the Lacoste Apparel Products consist of the Approved Apparel Retailers Selective Distribution System (as hereinafter defined) and of the Lacoste Boutiques and Lacoste Corners Selective Distribution System (as hereinafter defined); and

WHEREAS, the selective distribution systems implemented by the Licensor in connection with each of the Lacoste Accessories incorporate, in addition to approved retailers, and for certain categories of Lacoste Accessories, a certain number of shops and special locations in shops dedicated to the sale of such Lacoste Accessories; and

WHEREAS, the selective distribution system implemented by the Licensor in connection with the Lacoste Watches and Jewelry incorporates Approved Watches/Jewelry Retailers; and

WHEREAS, the Licensee is a company specialized in the creation, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of watches, time-keeping devices and fashion jewelry, and has acquired a significant know-how in such fields (the "**Watches and Jewelry Know-how**", as such term is hereinafter defined); and

WHEREAS, pursuant to a license agreement signed on March 28, 2014, the Licensor, wishing to develop world-wide the manufacture and the distribution of the Lacoste watches, has granted to the Licensee the necessary rights in connection with the creation, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of the Lacoste watches in the Territory (as hereinafter defined), until December 31, 2022; and

WHEREAS, the Licensor and the Licensee are willing to continue their license relationship after December 31, 2022, subject to an update of said relationship's contractual terms and conditions; and also to add Lacoste fashion jewelry; and

WHEREAS, consequently, the Licensor and the Licensee have agreed to enter into a new license agreement (the **"Agreement"**, as hereinafter defined) for the Lacoste Watches and Jewelry, which shall be effective as from January 1, 2022.

THE PARTIES HEREBY AGREE AS FOLLOWS:

ARTICLE 1 - DEFINITIONS

As used herein, the following terms shall be defined as set forth below:

- 1.1 **"Affiliate"** shall mean a company which directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with a party to this Agreement.
 - 1.2 **"Agreement"** shall mean the present license agreement.
 - 1.3 **"Anti-Bribery Laws"** shall mean any national and/or international anti-bribery/corruption laws, regulations, conventions and/or rules (e.g., the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the 1977 U.S. Foreign Corrupt Practices Act, the 2010 U.K. Bribery Act, the 2016 French Sapin II Law, etc.).
 - 1.4 **"Approved Apparel Retailers Selective Distribution System"** shall mean the group of approved retailers which has been organized by Lacoste Operations in accordance with the specific guidelines of the Licensor with the purpose of selling the Lacoste Apparel Products and which comply with specific criteria with respect to client service, merchandising, presentation, advertising, promotion and respect of the Lacoste Brand Image.
 - 1.5 **"Approved Watches/Jewelry Retailers"** shall mean the selected retailers (the categories of which are listed in Schedule VII.a) which have entered with the Licensee, its Sub-Licensees or its Distributors, whenever possible, into specific agreements defining, or which otherwise are determined to satisfy, the conditions which need to be fulfilled and applied for the sale of the Lacoste Watches and/or Jewelry through the Lacoste Watches and Jewelry Selective Distribution System.
 - 1.6 **"Crocodile"** shall mean the pictorial representation of an alligator or a crocodile, the principal representation of which is depicted in Schedule II.
 - 1.7 **"Date of Termination"** shall mean the date on which the Agreement terminates for any reason after the required notice period(s) if any.
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- 1.8 "**Distribution Agreement**" shall mean an agreement entered into by and between the Licensee and a Sub-Licensee/Distributor in execution of the undertakings of the Licensee under the terms of Article 8.1.3.
- 1.9 "**Distributor**" shall mean any company selected by the Licensee and approved by the Licensor, including, as the case may be, Affiliates of the Licensee, for the wholesale distribution of Lacoste Watches and Jewelry in certain countries.
- 1.10 "**Factory Outlets**" shall mean the brick and mortar stores in the Territory owned and operated by the Licensee, its Sub-Licensees or its Distributors, which have been approved by the Licensor for the ongoing disposal of Leftovers and, as the case may be, of certain Lacoste Accessories [***].
- 1.11 "**Factory Outlets Sales**" shall mean the actual invoice price on sales of Lacoste Watches and Jewelry by the Factory Outlets (unless such sales have been taken into account for the calculation of Sales to Distributors) to consumers in the Territory, excluding any taxes on sales collected from the Factory Outlets by any governmental authority.
- 1.12 "**Important Markets**" shall mean [***].
- 1.13 "**Lacoste Accessories**" shall mean the products listed in Schedule VI bearing the Lacoste Trademarks. For avoidance of doubt, the Lacoste Accessories shall include neither the Lacoste Apparel nor the Lacoste Watches and Jewelry.
- 1.14 "**Lacoste Apparel Products**" shall mean products listed in Schedule V bearing the Lacoste Trademarks.
- 1.15 "**Lacoste Apparel Products Distributor**" shall mean those entities in certain countries to which the exclusive wholesale distribution rights of the Lacoste Apparel Products in such countries have been granted by Lacoste Operations.
- 1.16 "**Lacoste Boutiques**" shall mean the stand alone shops which are devoted exclusively to the sale of the Lacoste Apparel Products and, subject to the provisions of Article 9.2, of certain Lacoste Watches and Jewelry and/or Lacoste Accessories, using various fittings, displays, appliances, original furniture and equipment specially designed or approved by the Licensor and are authorized to use the word "Lacoste" and the Crocodile as signboards and as service marks for retail services.
- 1.17 "**Lacoste Boutiques and Lacoste Corners Selective Distribution System**" shall mean the group of Lacoste Boutiques and Lacoste Corners organized by Lacoste Operations in accordance with the specific guidelines of the Licensor and which comply with specific criteria with respect to client service, merchandising, presentation, advertising, promotion and respect of the Lacoste Brand Image. The Lacoste Boutiques and Lacoste Corners Selective Distribution System is distinct from the Lacoste Watches and Jewelry Selective Distribution System and from the Approved Apparel Retailers Selective Distribution System, as well as from each of the selective distribution systems existing for each of the Lacoste Accessories.
- 1.18 "**Lacoste Brand Image**" shall mean the existing identification in the principal markets where the Lacoste Apparel Products, the Lacoste Accessories and the Lacoste Watches and Jewelry are distributed, between the Lacoste Trademarks and good taste, authenticity, quality, functionality, modernity, elegance, high-end sports and leisure, however at competitive quality/price ratios. The Lacoste Brand Image shall be judged in relation to all the elements making up the perception by the consumer of the Lacoste Watches and Jewelry as to their style, quality, price, marketing and merchandising, advertising and promotion.
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- 1.19 "**Lacoste Brand Site(s)**" shall mean the single brand name website(s), authorized by the Licensor to use the "Lacoste" trade name and to sell the Lacoste Apparel Products, the Lacoste Accessories and the Lacoste Watches and Jewelry, which has been or may be set up in each country of the Territory.
- 1.20 "**Lacoste Corners**" shall mean the locations in certain shops of high standing which are devoted exclusively to the sale of the Lacoste Apparel Products and, subject to the provisions of Article 9.2, of certain Lacoste Watches and Jewelry and/or Lacoste Accessories, using various fittings, displays, appliances, original furniture and equipment specially designed or approved by the Licensor and are authorized to use the name "Lacoste" and the Crocodile as signboards and as service marks for retail services.
- 1.21 "**Lacoste Intellectual Property Rights**" shall mean all the Lacoste Trademarks, the Designs, the Copyrights, and any or all intellectual property rights on the Models, as well as patents and domain names owned by the Licensor.
- 1.22 "**Lacoste Operations**" shall mean the Affiliate of the Licensor to which the Licensor has granted the exclusive world-wide licenses with regard to (i) the design, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of Lacoste Apparel Products as well as the Lacoste leathersgoods products and (ii) the distribution, marketing, merchandising, advertising, promotion and sale of Lacoste footwear products.
- 1.23 "**Lacoste Trademarks**" shall mean any or all trademarks relating to the name "Lacoste" and/or the Crocodile owned by the Licensor.
- 1.24 "**Lacoste Watches and Jewelry**" shall mean the watches and time-keeping devices belonging to class 14 of the *Classification Internationale des Produits et des Services* (as listed in Schedule IV) and the fashion jewelry as well as any accessory thereto (straps, cases, etc.), packaging and wrapping bearing the Licensed Trademarks, manufactured and marketed by the Licensee itself and/or under its control and responsibility under the terms of this Agreement.
- 1.25 "**Lacoste Watches and Jewelry Selective Distribution System**" shall mean the group of Approved Watches/Jewelry Retailers organized by the Licensee in the Territory in accordance with the specific guidelines of the Licensor to sell the Lacoste Watches and Jewelry through one or more brick and mortar and/or online point(s) of sale, while respecting the specific criteria in the area of client service, merchandising, presentation, advertising, promotion and respect of the Lacoste Brand Image.
- 1.26 "**Leftovers**" shall mean (i) end-of season and outgoing units of models of Lacoste Watches and Jewelry resulting exclusively from unsuccessful resale of such units at the distribution stage within the Lacoste Watches and Jewelry Selective Distribution System and (ii) units of models of Lacoste Watches and Jewelry [***]. All such models may also be distributed through factory outlets owned and operated by Lacoste Operations, its Affiliates and/or the Lacoste Apparel Products Distributors.
- 1.27 "**Licensed Trademarks**" shall mean one or more of those Lacoste Trademarks authorized to be used by the Licensee in the Territory in connection with the creation, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of the Lacoste Watches and Jewelry, representations of which are appended hereto as Schedule I.
- 1.28 "**Main Countries**" shall mean [***] and any other country in which the Net Sales (as such term is hereinafter defined) exceed [***] of total Net Sales in the Territory.
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- 1.29 **"Marketing and Merchandising Know-how"** shall mean all accumulated expertise, which is implemented world-wide by the Licensor, concerning the distribution of the Lacoste Apparel Products, the Lacoste Accessories and the Lacoste Watches and Jewelry according to the Lacoste Brand Image including the level of quality and the techniques of such distribution (*i.e.*, the selection, training, supervision, etc. of the retailers), all of which know-how is regularly updated and improved as a result of the Licensor's research, and which know-how is owned by or originated from the Licensor and is made available to the Licensee and to other Licensor's licensees through the Licensor and which the Licensor is not otherwise obliged to hold in confidence.
- 1.30 **"Models"** shall mean any and all creations specific to the Lacoste Watches and Jewelry, or part thereof, already in existence at the time of execution of this Agreement or which shall be developed during its life by the Licensor and/or the Licensee and/or any Sub-Licensee alone or in co-operation with one another, it being understood however that certain elements of the Models may, in certain circumstances, belong either to third parties, or, in the case of elements previously used by Licensee, to Licensee.
- 1.31 **"Net Sales"** shall mean the actual invoiced price for sales in the Territory of all Lacoste Watches and Jewelry (whether sold at regular prices or at reduced prices, such as end-of-season prices, provided that such reduced prices shall not include any reduction which is otherwise not permitted pursuant to this Article) by the Licensee, its Sub-Licensees or its Distributors, to Approved Watches/Jewelry Retailers, to Off-Price Retailers (if not already taken into account for the calculation of Sales to Distributors, as such term is hereinafter defined), and to members of the Lacoste Boutiques and Lacoste Corners Selective Distribution System, as well as the sales covered in the last two paragraphs of this [Article 1.31](#), less [***].
- Whenever Net Sales cannot be determined by the Licensee for any reason, or if the Licensee at its sole discretion decides that it prefers to refer to Sales to Distributors, and whenever the determination of Net Sales is necessary for the application of any of the terms of this Agreement, Net Sales shall then be calculated on the basis of the corresponding Sales to Distributors multiplied by [***]. If in any year the weight of Sales to Distributors (calculated without giving effect to the [***] multiplier) is above [***] of the Licensee's total sales, Net Sales shall then be calculated on the basis of all corresponding Sales to Distributors multiplied by [***], in accordance with [Article 19.2](#).
- With regard to sales in the Territory of all Lacoste Watches and Jewelry to or through the Lacoste Brand Sites, Net Sales for each reference of the Lacoste Watches and Jewelry shall be calculated on the basis of the unit volume of such reference of the Lacoste Watches and Jewelry sold to or through such Lacoste Brand Sites multiplied by [***], less [***].
- With regard to direct sales by the Licensee, its Sub-Licensees or its Distributors to consumers through their own retail outlets, including through their own duly approved websites, Net Sales, for each reference of the Lacoste Watches and Jewelry shall be calculated on the basis of the unit volume of such reference of the Lacoste Watches and Jewelry sold through such outlets multiplied by [***], less [***].
- 1.32 **"Off-Price Retailers"** shall mean the brick and mortar and online stores in the Territory operated by third parties, which stores have been approved by the Licensor for the ongoing disposal of certain Leftovers pursuant to [Article 1.26](#) and, as the case may be, of certain Lacoste Accessories.
- 1.33 **"Priority Markets"** shall mean [***].
- 1.34 **"Promotion and Advertising Know-how"** shall mean all accumulated expertise which is implemented world-wide by the Licensor in maintaining a high quality promotion and advertising policy for the Lacoste Brand Image, the Lacoste Apparel Products, the Lacoste Accessories and the Lacoste Watches and Jewelry through selected and controlled channels, all of which know-how is regularly updated and
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improved as a result of the Licensor's research, and which know-how is owned by or originated from the Licensor and is made available to the Licensee and to other Licensor's licensees through the Licensor and which the Licensor is not otherwise obliged to hold in confidence.

- 1.35 "Quarter" shall mean any three-month period ending on March 31, June 30, September 30 and December 31 of each year.
- 1.36 "Sales to Distributors" shall mean the actual invoiced price in the Territory of all Lacoste Watches and Jewelry (whether made at regular prices or at reduced prices, such as end-of-season prices, in compliance with the provisions of [Article 1.31](#)) sold by the Licensee, its Sub-Licensees or its Sub-Contractors to Distributors, less [***].
- 1.37 "Seconds" shall mean any defective/damaged Lacoste Watches and Jewelry.
- 1.38 "Styling Know-how" shall mean all accumulated elements of product research implemented by the Licensor for the Lacoste Apparel Products, the Lacoste Accessories and the Lacoste Watches and Jewelry, according to the Lacoste Brand Image and more precisely materials, colors, designs and specifications, all of which know-how is regularly updated and improved as a result of the Licensor's research, and which know-how is owned by or originated from the Licensor and is made available to the Licensee and to other Licensor's licensees through the Licensor and which the Licensor is not otherwise obliged to hold in confidence.
- 1.39 "Sub-Contracting Agreement" shall mean an agreement entered into by and between the Licensee and a Sub-Contractor in execution of the undertakings of the Licensee under the terms of [Article 5.2.1](#).
- 1.40 "Sub-Contractor" shall mean any entity selected by the Licensee for the manufacture (but not the distribution) of certain Lacoste Watches and Jewelry.
- 1.41 "Sub-Licensee" shall mean any entity selected by the Licensee and approved by the Licensor for the manufacture and distribution of certain Lacoste Watches and Jewelry in certain countries.
- 1.42 "Supplier" shall mean any entity selected by the Licensee or a Sub-Licensee or a Sub-Contractor for the manufacture of components, packaging, merchandising, advertising or promotional items, furniture and/or any element of any kind bearing or representing the Licensed Trademarks to be used for or in connection with the Lacoste Watches and Jewelry.
- 1.43 "Supplies" shall mean any components, packaging, merchandising, advertising or promotional items, furniture and/or any element of any kind bearing or representing the Licensed Trademarks to be used for or in connection with the Lacoste Watches and Jewelry.
- 1.44 "Supply Agreement" shall mean an agreement entered into by and between the Licensee or a Sub-Licensee or a Sub-Contractor and a Supplier in execution of the undertakings of the Licensee under the terms of [Article 5.3.2](#) hereinafter.
- 1.45 "Territory" shall mean the whole world.
- 1.46 "Watches and Jewelry Know-how" shall mean all accumulated world-wide expertise of the Licensee concerning the creation, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of watches, time-keeping devices and fashion jewelry at a high quality level and according to selected and controlled techniques and fixtures designed to facilitate the distribution of watches and jewelry (including, but not limited to, the design of display materials and
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showcases), which know-how is regularly updated and improved by the Licensee and is owned by or originated from the Licensee and is made available to the Licensor.

ARTICLE 2 - RIGHTS GRANTED

2.1 The Licensor hereby grants to the Licensee, and the Licensee hereby accepts such grant, the exclusive right and license to use the Licensed Trademarks, including in particular the name "Lacoste" and the Crocodile, the Models, the Styling Know-how, the Marketing and Merchandising Know-how and the Promotion and Advertising Know-how in connection with the creation, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of the Lacoste Watches and Jewelry in the Territory.

For the avoidance of doubt, the Licensor hereby confirms that, for the duration of this Agreement and subject only to the specific provisions of this Agreement, it shall not grant to any party other than the Licensee any rights in connection with the creation, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of watches, time-keeping devices or fashion jewelry bearing the Lacoste Trademarks, without prejudice of Article 7.2.11h).

2.2 Notwithstanding anything herein to the contrary, the parties agree that the Licensee (or its Distributors) shall not develop, manufacture, distribute, advertise, promote, offer for sale or sell any gifts or goodies bearing the Lacoste Trademarks, intended to be jointly sold or offered with Lacoste Watches and Jewelry, which have not been approved [***] by the Licensor.

2.3 No rights or licenses are granted by the Licensor to the Licensee, expressly or by implication, except as herein provided.

2.3.1 The Licensor does not give the Licensee any guarantee whatsoever with respect to the extent of the rights it holds or will acquire or lose during the entire term of this Agreement concerning the Licensed Trademarks, the Models, the Styling Know-how, the Marketing and Merchandising Know-how and the Promotion and Advertising Know-how.

2.3.2 Notwithstanding the above, the Licensor undertakes to, at its exclusive expense, (i) take all [***] steps during the entire term of this Agreement for the registration and renewal of the Licensed Trademarks, and (ii) set up and/or maintain the adequate structures for the watch and defense of the Licensed Trademarks.

2.3.3 The Licensor undertakes to defend the Licensed Trademarks and to take all [***] anti-counterfeiting actions, subject to the provisions of Article 17.3.5. The Licensor shall in this regard only be held to an obligation of means, and not to an obligation of results.

2.3.4 The Licensee shall not create, develop, distribute, advertise, promote, offer for sale or sell any virtual good bearing the Licensed Trademarks, nor use the Licensed Trademarks in any virtual universe (e.g., Metaverse), without the prior written consent of the Licensor.

ARTICLE 3 - GENERAL BUSINESS POLICIES

- 3.1 The Licensee shall use its [***] efforts to develop its activities as manufacturer and distributor of the Lacoste Watches and Jewelry and shall use the Models, the Styling Know-how, the Marketing and Merchandising Know-how and the Promotion and Advertising Know-how in conjunction with its Watches and Jewelry Know-how in order to promote the image, sales and distribution of the Lacoste Watches and Jewelry in the Territory, in conformity with such policies as are prescribed and coordinated world-wide by the Licensor for the Lacoste Brand Image. The Licensee undertakes to capture the opportunity for Lacoste Watches and Jewelry by delivering Lacoste Watches and Jewelry in the markets and points of distribution where consumers seek Lacoste and relevant competing brands.
- 3.2 The Licensee undertakes to permanently consider and treat the Lacoste brand [***] by dedicating (but not on an exclusive basis) appropriate resources (especially as regards Licensee's personnel) for product development, style and creation, marketing, digital, merchandising, sales support, finance, etc.
- 3.3 The Licensee agrees that one of the goals of the Agreement is to contribute to the development of the Lacoste brand as a global premium lifestyle brand. The Licensee shall not alter in any way the positioning of the Lacoste Watches and Jewelry as a premium watches and jewelry brand without Lacoste's prior written consent.
- 3.4 The Licensee shall see to it that all the obligations and duties imposed upon the Licensee (and any correlative right of the Licensor) relating to activities that may be sublicensed or subcontracted hereunder or that may be rightfully performed by/with the assistance of third parties (Distributors, Sub-Contractors, Suppliers, Approved Lacoste Watches and Jewelry Retailers, Off-Price Retailers, advertising agencies, etc.), are duly [***] even though this Agreement does not expressly provide to this effect when outlining each such obligation and duty of the Licensee (and/or correlative right of the Licensor). Notwithstanding the foregoing, the Licensee shall remain fully responsible, vis-à-vis the Licensor, as regards any breach of this Agreement, even though such breach is committed by an aforementioned third party.
- 3.5 The Licensee acknowledges that beyond commercial goals, the purpose of this Agreement is to contribute to the safeguard and enhancement of the Lacoste Brand Image by using the Lacoste brand essence, codes and platform and by delivering the prevailing Lacoste brand strategy at all levels (creation, production, distribution and promotion/communication). Consequently, in case of disagreement, the Licensor shall have a final say, acting [***] and with due consideration of the commercial landscape, on category strategy, product strategy, product design and quality (colors, components...), collections' structure, media strategy, visuals, PR, digital, marketing activations (including gifts with purchase), merchandising, distribution strategy so that the Lacoste Watches and Jewelry business is aligned with the overall Lacoste brand strategy.
- 3.6 The Licensee shall cooperate closely in each market of the Territory with the Licensor and with Licensor's other licensees and/or distributors for Lacoste Apparel Products and Lacoste Accessories so as to give world-wide and in each market an identical and homogeneous image of the Lacoste Trademarks and of all the families of products bearing the Lacoste Trademarks and shall see to it to keep the Licensor informed of its direct contacts with said Licensor's other licensees and/or distributors.
- 3.7 The Licensee shall take all necessary steps to ensure that the Lacoste Watches and Jewelry manufactured and distributed by it or by its Sub-Licensees or Distributors pursuant to this Agreement are of high quality, and suitable for a clientele that demands the highest standard of merchandise.
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3.8 The Licensee shall [***] to take all measures necessary so that the Lacoste Watches and Jewelry are sold exclusively through the Lacoste Watches and Jewelry Selective Distribution System, through the Lacoste Boutiques and Lacoste Corners Selective Distribution System, through Factory Outlets and Off-Price Retailers, and through the Lacoste Brand Sites.

3.9 The Licensor shall use its [***] efforts to ensure that its other licensees for the Lacoste Apparel Products and the Lacoste Accessories fulfil similar commitments.

ARTICLE 4 - CREATION, STYLING AND TECHNICAL CO-OPERATION

The Licensee shall bear the sole responsibility for the creation and the development of the Lacoste Watches and Jewelry and shall assume all the corresponding costs and expenses. However, in the scope of the contribution by the Licensor of its Styling Know-how and by the Licensee of its Watches and Jewelry Know-how, the Licensee and the Licensor shall co-operate closely in the creation and the development of the Lacoste Watches and Jewelry in order, more particularly, to strengthen the Lacoste Brand Image.

The Licensee undertakes to study and implement with diligence any evolution of the collections proposed by the Licensor and intended to better adapt the Lacoste Watches and Jewelry to the evolution of the markets and to consumers' expectations. In particular, the Licensee shall make its [***] efforts to implement the Licensor's requests to create, manufacture and distribute a specific Model of Lacoste Watches and Jewelry.

4.1 Obligations of the Licensor

The Licensor shall provide the Licensee with those components of the Styling Know-how that the Licensor, in its best opinion, shall consider beneficial to the Licensee in the fulfillment of the purpose of this Agreement, and shall assist the Licensee in the use thereof.

4.2 Approval of product designs

4.2.1 The Licensee shall submit design proposals for Lacoste Watches and Jewelry to the Licensor in the following manner:

The Licensee shall submit to the Licensor design drawings for approval. After approval according to this [Article 4.2](#), the Licensee shall submit to the Licensor a pre-production prototype for approval. The Licensee warrants that final production will conform to approved pre-production prototypes.

Each collection of Lacoste Watches and Jewelry shall consist of a sufficient selection of Models so as to constitute a well-balanced line of watches and fashion jewelry. The Licensor shall, with respect to each submission made by the Licensee for approval, notify the Licensee in writing without undue delay, and in any event within [***] business days, as to whether the Licensor approves the submission. Unless the Licensor notifies the Licensee within the specified time period that it disapproves any submission, such submission shall be deemed approved.

4.2.2 In the event the Licensor disapproves any submission, the Licensor shall furnish the Licensee with the reasons for rejection and provide the Licensee with suggestions for modifying the rejected submission. The Licensee shall, as promptly as practicable, correct the rejected submission, resubmit the relevant material to the Licensor and seek the Licensor's approval under the same terms and conditions as set forth above.

4.3 Obligations of the Licensee

- 4.3.1 The Licensee shall inform the Licensor of the head of product development who shall have primary responsibility for the creation of the Lacoste Watches and Jewelry whom the Licensee plans to use. The Licensor shall [***].
- 4.3.2 In order to enforce the cooperation between the Licensor and the Licensee and/or its Sub-Licensees for the creation, the development and the manufacture of the Lacoste Watches and Jewelry and to allow the Licensor to give the approval provided for in Article 4.2 as quickly as possible, the Licensee shall provide the Licensor with a product development calendar and coordination meetings shall be organized between the Licensor, the Licensee and/or its Sub-Licensees for each collection at the following stages:
- a) definition of the product range after analysis of the sales results and of the needs of the different markets; and
 - b) definition of the models contemplated for the different lines of the Lacoste Watches and Jewelry; and
 - c) study of the prototypes of the models for the different lines of the Lacoste Watches and Jewelry as well as of their packaging, displays and point-of-sale equipment, the development and manufacture of which shall be at the Licensee's exclusive expense.
- 4.3.3 The Licensee shall not manufacture, distribute, advertise, promote or offer for sale any model of the Lacoste Watches and Jewelry, nor any display or point-of-sale equipment which has not been presented to the Licensor and approved in writing by the Licensor under the same conditions as those provided in Article 4.2.

4.4 Ownership of the Lacoste Intellectual Property Rights

- 4.4.1 The Lacoste Intellectual Property Rights shall be and remain in all circumstances during the term of this Agreement and after its end for any reason the sole property of the Licensor.
- 4.4.2 The Licensee undertakes to never use the Lacoste Intellectual Property Rights outside of the scope of this Agreement.
- 4.4.3 The Licensee warrants to the Licensor that throughout the Territory (i) all necessary clearance searches are conducted during the term of this Agreement and (ii) necessary authorizations/licenses are obtained from appropriate third parties for unimpeded use of any proprietary elements (product names, designs, packaging, etc.) included in any Lacoste Watches and Jewelry related item [***]. If the Licensee includes/uses any self-owned item into any Lacoste Watches and Jewelry (including [***]) the Licensee hereby grants the Licensor a non-exclusive world-wide, free of charge right of use of such item for [***].
- 4.4.4 The Licensee grants a non-exclusive and unimpeded right of use to the Licensor, [***] of all intellectual property rights related to the Lacoste Watches and Jewelry (e.g., copyrights on watches and/or jewelry related-item patterns) that are created/owned by
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third parties engaged by the Licensee (such as the Licensee's employees, independent contractors and licensors) provided that the Licensee shall have no obligation to register such intellectual property rights.

- 4.4.5 The Licensors undertake to take all necessary steps during the entire term of this Agreement to proceed with registration of any intellectual property rights pertaining to the Models (e.g., trademarks, copyrights, designs, patents), which shall be [***], taking into account the commercial potential of such Models, to protect such Models, as well as to all renewals of such intellectual property rights at their due dates.

ARTICLE 5 - MANUFACTURE, QUALITY

5.1 Obligations of Licensee

- 5.1.1 The Licensee undertakes to use its Watches and Jewelry Know-how and to make all reasonable investments necessary in order to organize an international manufacture and supply network with the capacity of meeting the needs for the Lacoste Watches and Jewelry in the Territory, and to develop the sales of such in a timely fashion.
- 5.1.2 The Licensee undertakes that the Lacoste Watches and Jewelry and the Supplies shall always be manufactured with reliable materials, carefully constructed, and clean in detail, and undertakes to take all necessary measures to that effect.
- 5.1.3 The Licensee undertakes to use components, materials, color ranges, designs and general architecture of its lines which create and maintain at all times the [***] reputation for the quality and design of the Lacoste Watches and Jewelry and for the Lacoste Brand Image. The Licensee shall use all reasonable endeavours to ensure that the [***] standard of workmanship is maintained for the manufacture of the Lacoste Watches and Jewelry and the Supplies and shall organise appropriate controls to prevent the production of any defective goods.

In all cases, the Licensee shall be solely responsible toward the Licensor for the quality of the Lacoste Watches and Jewelry produced by the Licensee (or under the control of the Licensee) by the Sub-Licensees, Sub-Contractors and/or Suppliers.

- 5.1.4 Whenever [***], the Licensee shall cause either (a) each Lacoste watch manufactured under this Agreement or (b) each package unit of Lacoste watches distributed under this Agreement, as determined by the Licensee in [***], to be serialized thereby allowing tracking by the Licensee if [***].
- 5.1.5 The Licensee undertakes to see to it that its Sub-Licensees and Sub-Contractors make such investments as are required to create and/or maintain the organization for the manufacture of the Lacoste Watches and Jewelry in a manner that allows them to fulfill the undertakings of Articles 5.1.1 to 5.1.4.
- 5.1.6 To the extent reasonably practicable, the Licensee shall remain at all times the owner of the moulds, prints, tools and computer data bearing or representing the Licensed Trademarks or allowing their reproduction and shall see to it that the Sub-Licensees, Sub-Contractors and Suppliers handle such elements carefully and protect them in order to avoid theft or any unauthorized use of such. The Licensee shall see to it that these
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elements shall be, at Licensee's sole option, either returned to the Licensee or destroyed under the supervision of a duly accredited representative of the Licensee at the end of each of the Sub-License Agreements, Sub-Contracting Agreements and Supply Agreements. The Licensee shall not transfer and/or assign the moulds, prints, tools and/or computer data bearing or representing the Licensed Trademarks or allowing their reproduction without the prior written approval of the Licensor.

5.1.7 The Licensee shall see to it that all Seconds and/or unusable Supplies in its possession or in the possession of its Sub-Contractors and/or Suppliers are [***].

5.1.8 Pursuant to Article 3.4, the Licensee shall [***] that its Sub-Licensees, Sub-Contractors and Suppliers abide by the other terms of this Agreement that apply to them.

5.2 Sub-Contractors

5.2.1 The Licensee (and its Sub-Licensees) shall have the right to have certain Lacoste Watches and Jewelry entirely manufactured by Sub-Contractors, provided however the Licensee (i) has previously informed the Licensor of their name and the precise location of their manufacturing units and (ii) has [***].

The Sub-Contractors shall undertake to sell the Lacoste Watches and Jewelry they have manufactured exclusively to the Licensee, its Sub-Licensees or its Distributors, and the Licensee, its Sub-Licensees and its Distributors shall buy from the Sub-Contractors all the Lacoste Watches and Jewelry manufactured by said Sub-Contractors.

5.2.2 [***].

5.3 Suppliers

5.3.1 Article 4.3 shall apply *mutatis mutandis* to the creation and development of Supplies.

5.3.2 The Licensee, its Sub-Licensees and the Sub-Contractors shall have the right to have certain Supplies manufactured by Suppliers designated by the Licensee, provided however they have [***].

5.3.3 The Licensee agrees that any breach by a Supplier [***] which should it be made by the Licensee, would also constitute a breach of Licensee's obligations under the Agreement, shall be the responsibility of and will be considered as a breach of this Agreement by the Licensee.

5.3.4 The Licensee, its Sub-Licensees, its Sub-Contractors and Distributors shall never use the Supplies for any purpose other than in connection with the Lacoste Watches and Jewelry.

ARTICLE 6 - COMPLIANCE

6.1 Business Ethics

The Licensee represents that it has read and understood the sections regarding corruption and influence peddling of the Lacoste Partners' Charter of Ethics attached hereto as Schedule VIII and undertakes to comply with the standards set out in this document in its organization and in its relationships with any third parties.

The Licensee warrants that itself, its Affiliates, any of its/their officers, directors, supervisors, managers, agents, employees and/or persons acting for its/their behalf shall comply at all times with:

- 6.1.1 Anti-Bribery Laws. In particular, the Licensee warrants that the above entities and/or individuals shall neither directly or indirectly offer, promise, give, nor request, agree to receive or accept a bribe or any other illicit/illegitimate advantage, to or from anyone in order to perform, to abstain from performing, or to delay an act within their responsibilities or to obtain a third party to do so.
- 6.1.2 Anti-money laundering laws, including but not limited to, applicable federal, state, international, foreign or other laws, regulations or government guidance regarding anti-money laundering, including, without limitation, international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering established in 1989 for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

In particular, the Licensee warrants that itself, its Affiliates, any of its/their officers, directors, supervisors, managers, agents, employees and/or persons acting on its/their behalf shall not employ in the transactions in connection with the Agreement, assets and securities originated or derived from:

- unlawful activities of any nature;
- terrorist organizations;
- individuals or entities subject to sanctions, embargoes, blockages or assets freezing imposed by the United Nations, the European Union and/or any of its member states, and/or the USA.

- 6.1.3 Laws and regulations imposing sanctions, including, but not limited to any economic or financial sanctions, trade-embargoes or similar measures enacted, administered or enforced by the United Nations, the European Union and/or any of its member states and/or the USA (hereafter, "**Sanctions**").

The Licensee warrants that no entity or person mentioned in Article 6.1 is, at the date of execution of this Agreement, a designated target of Sanctions, including without limitation as a result of being (a) owned or controlled directly or indirectly by any person which is a designated target of Sanctions, or (b) organized under the laws of, or a citizen or resident of any country that is subject to general and country-wide Sanctions.

- 6.1.4 The Licensor reserves the right to send to the Licensee, at any time during the term of this Agreement, a questionnaire in order to assess the Licensee's compliance with this Article 6.1. The Licensee undertakes to complete the questionnaire in good faith, in full and within the required timeframe. If the Licensee has not provided satisfactory responses to the aforesaid questionnaire [***] business days after a formal notice to cure, without any objective justification from the Licensee, Article 24.6 shall apply.
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6.2 CSR

- 6.2.1 The Licensee undertakes to comply with and, pursuant to Article 3.4, to ensure that all Sub-Licensees, Distributors, Sub-Contractors and Suppliers dealing with Lacoste Watches and Jewelry comply at all times with the relevant provisions of any treaty, law or regulation in relation to the protection of human rights and in particular childhood, salaries, duration and condition of workmanship, and with the relevant provisions of any treaty, law or regulation in relation to the protection of the environment.
- 6.2.2 The Licensee undertakes to sign and comply, and, pursuant to Article 3.4, to ensure that [***], at all times, with the Lacoste Partners' Charter of Ethics attached hereto as Schedule VIII (including evolutions thereof, to the extent such evolutions are consistently imposed on all other Lacoste's licensees) across the entire product lifecycle (product development, manufacturing, transportation, etc.), as well as regarding all promotional, marketing and communication tools (packaging, POS materials, etc.) related to the Lacoste Watches and Jewelry.
- 6.2.3 The Licensee and [***] shall undergo, at their own costs, semi-announced social audits by any well recognized independent firm accredited by ICS (Intertek, Bureau Veritas, AQM, Asia Inspection, UL, etc.), in accordance with the ICS standard. The validity of such audits shall be [***] from the initial audit date.
- Plants using [***] amount of water during production process to be declared to the Licensor and audited according to ICS environmental standard.
- 6.2.4 The Licensor and the Licensee shall hold at least [***] CSR meeting where, *inter alia*, the Licensor shall share significant updates of its CSR program, compliance process and policies to be implemented by the Licensee.

6.3 Pursuant to Article 3.4, the Licensee shall ensure that the provisions of Article 6 are [***].

- 6.3.1 Before entering into or renewing an agreement with its Sub-Licensees, Sub-Contractors and Suppliers, the Licensee shall perform a reasonable due diligence on the third party on the matters set out in this Article 6. In any event and on an ongoing basis, the Licensee shall take all necessary measures to [***] bring an end to any violation of Article 6 and/or terminate the Licensee's relationship with any non-complying party with respect to Lacoste Watches and Jewelry, and shall guarantee and indemnify the Licensor, its Affiliates and their assignees and successors from any claims, known or unknown, liabilities, demands, damages, causes of action, costs, expenses, dues, covenants, suits, indemnities, judgments which any third party hereafter can, shall or may have in connection with or arising out of any alleged direct or indirect violation by the Licensee and/or any entity/person mentioned in Article 6.
- 6.3.2 The Licensee shall [***] inform the Licensor if an entity or person mentioned in Article 6 fails to satisfy the requirements of said Article 6 during the term of this Agreement. In such a case, Article 24.6 shall apply.

6.4 The Licensee shall abide by the Regulatory Requirements Specification attached in Schedule XIII, (including evolutions thereof, to the extent such evolutions are consistently imposed on all other Lacoste's licensees).

6.5 [***].

6.6 Visits, controls and audits

- 6.6.1 The Licensee, upon [***], shall authorize or have the Licensor be authorized to visit, in the presence of representatives designated by the Licensee, any premises in which the Lacoste Watches and Jewelry or parts thereof or any items bearing or representing the Licensed Trademarks are manufactured by the Licensee, or by any one of its Sub-Licensees and/or Sub-Contractors and/or Suppliers.
- 6.6.2 The Licensee undertakes to authorize or have the Licensor be authorized to make or have made any necessary and/or appropriate control at any stage of the manufacture of the Lacoste Watches and Jewelry [***] or of any item bearing or representing the Licensed Trademarks by the Licensee, or by any of its Sub-Licensees and/or Sub-Contractors and/or Suppliers in order to ascertain that the quality of the Lacoste Watches and Jewelry [***] and of the items bearing or representing the Licensed Trademarks conforms to the provisions of this Agreement and *inter alia* with the provisions of Articles 3.7 and 5.1.2.
- 6.6.3 The Licensor reserves the right to carry out compliance audits in relation with Article 6.2, [***], provided that if a third-party auditor is used by the Licensor, then such third party shall be required to sign a confidentiality agreement reasonably acceptable for the Licensee. Such audits may be carried out in all premises used for the manufacturing and storage of products or components, [***] in connection with the Lacoste Watches and Jewelry. During such audits, the Licensee, its Sub-Licensees and/or Sub-Contractors and/or Suppliers shall provide [***] access to their [***] premises and personnel to the auditors designated by the Licensor; provided that such audits shall not [***] interfere with the normal business operations taking place in such premises and comply with the safety rules applicable to said premises. The Licensee, its Sub-Licensees and/or Sub-Contractors and/or Suppliers shall grant to the auditors access to all relevant documentation showing compliance with the Lacoste Partners' Charter of Ethics.

6.7 In any case, the Licensee shall [***] collaborate with the Licensor with regard to any request made by Lacoste in order to [***] comply with its obligations under compliance laws and regulations.

ARTICLE 7 - MARKETING AND MERCHANDISING

7.1 Obligations of the Licensor

The Licensor shall assist the Licensee in the marketing, merchandising, the distribution and sale of the Lacoste Watches and Jewelry in the Territory by providing the Licensee with its Marketing and Merchandising Know-how and through [***] visits and contacts among their respective personnel. To this effect, and in particular to maintain the homogeneity of the Lacoste Brand Image, the Licensor shall:

- 7.1.1 provide the Licensee each year, at the latest on January 20, with the Licensee's reporting schedule for the current year (the "**Reporting Schedule**") setting the dates of the Licensee's main reporting obligations along the following lines: [***]; and
 - 7.1.2 regularly advise the Licensee of its requirements within the field of marketing and merchandising, such as specifications concerning the presentation of the Lacoste
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Watches and Jewelry in the shop-windows or inside shops, the point-of-sales advertising materials, etc., that the Licensee shall have to implement within the Territory; and

- 7.1.3 carry out, in cooperation with the Licensee, all appropriate studies relating to the fitting, decoration and architecture of the points-of-sale and to the creation of the furniture and other elements to be used in connection with the sale of the Lacoste Watches and Jewelry in channels identified in [Article 9](#).

The costs related to such studies shall be [***]; and

- 7.1.4 authorize the Licensee to have manufactured by Suppliers specific furniture and display units to be used in connection with the sale of the Lacoste Watches and Jewelry. Said Suppliers shall have to [***] conform to the blueprints and recommendations of the Licensor with respect to the shapes, designs, quality and specifications imposed on by the Licensor for said furniture and display units; and

- 7.1.5 give the Licensee [***] access to any and all market surveys, statistics, reports and information it may have [***] regarding the Lacoste Brand Image and the market position of the Lacoste Watches and Jewelry among competitors, retail customers and consumers; and

- 7.1.6 at Licensee's request, assist the Licensee in the selection of any outside consultant as may be necessary and help the Licensee with the interpretation of the reports prepared by such consultants; and

7.2 Obligations of the Licensee

The Licensee shall take all [***] measures to promote the distribution and sale of the Lacoste Watches and Jewelry within the Territory by conforming to such policies as are prescribed and coordinated world-wide by the Licensor for the Lacoste Trademarks and by using the Marketing and Merchandising Know-how provided by the Licensor together with its own resources. To this effect, the Licensee shall:

- 7.2.1 make such investments as are [***] necessary to create and/or to maintain the organization necessary for the distribution, marketing, merchandising, promotion and advertising of the Lacoste Watches and Jewelry in a manner that may be [***] by the parties hereto. Such organization shall [***], the Licensee shall see to it that the distribution, marketing and merchandising, promotion and advertising of the Lacoste Watches and Jewelry be done so as to avoid any risk of confusion by the retail trade or the consumers with other brands offered by the Licensee, its Sub-Licensees or its Distributors; and

- 7.2.2 designate one of its senior managers as the principal correspondent with the Licensee on all business matters pertaining to this Agreement; and

- 7.2.3 provide the Licensor, [***], with an estimate of the sales [***]; and

- 7.2.4 provide the Licensor, [***] with its estimated Net Sales, Sales to Distributors and Factory Outlets Sales [***] for the current year, each time taking into consideration the actual Net Sales, Sales to Distributors and Factory Outlets Sales [***]; and

- 7.2.5 provide the Licensor, [***], with its estimated Net Sales, Sales to Distributors and Factory Outlets Sales [***] itemized, for each of the lines of Lacoste Watches and
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Jewelry, by [***]; and shall update the current [***] estimates [***] as specified in Article 7.2.4, each time taking into consideration the actual Net Sales, Sales to Distributors and Factory Outlets Sales [***]; and

- 7.2.6 provide the Licensor with its estimated Net Sales, Sales to Distributors and Factory Outlets Sales by [***] for the following [***] with key facts, next steps and commercial plan actions; and
 - 7.2.7 provide the Licensor [***] on the occasion of the provision of [***] (as defined in Article 7.2.5), with a list of [***]; and
 - 7.2.8 provide the Licensor [***], with:
 - I. the previous [***] actual Net Sales, Sales to Distributors and Factory Outlets Sales by [***]; and
 - II. the previous [***] actual Net Sales, Sales to Distributors and Factory Outlets Sales, in [***]; and
 - III. the previous [***] actual marketing expenses (pursuant to Articles 11.2.2 and 11.2.3) by [***]; and
 - 7.2.9 attend, to enforce the cooperation between the Licensor and the Licensee, to marketing and merchandising meeting points at the following stages:
 - I. Medium-term ([***) plan meeting (in [***) & budget meeting (in [***)): approval by the Licensor of the Licensee's strategy for Lacoste Watches and Jewelry (product design, collection strategy, distribution strategy with focus per key country, marketing investments, digital and trade activations, merchandising, etc.) in line with the Lacoste's brand strategy;
 - II. [***] high-level business reviews ([***) to share business results (sell-in, sell-out, activations result and qualitative feedback, etc.);
 - III. At least [***] high-level business meetings to work on marketing activations (trade, digital, media, PR, training, sales support, etc.)
 - IV. [***] high-level product meetings to (i) work on product strategy, design, structure of collection, colour rendering etc. and (ii) approve high-level product strategy, design, fabric and structure of the collection of Lacoste Watches and Jewelry;
 - 7.2.10 shall, before each new collection launch of Lacoste Watches and Jewelry, provide to the Licensor, at least [***] before the on-counter date of such collection, with [***] information on watches and jewelry category and core business as well as training tools on the upcoming collections, per area (EMEA, Americas, Asia);
 - 7.2.11 in a general manner:
 - a) invite the Licensor's personnel to attend (at Licensor's costs) all commercial meetings and to participate in all commercial trips concerning Lacoste Watches and Jewelry that the Licensor may wish in order to enable the Licensor to fulfill its role
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in particular with respect to the co-ordination of the marketing, merchandising, advertising and promotion of the Lacoste Brand Image; and

- b) give the Licensor [***] access to any and all market surveys, reports and information it may have (which it is not obliged to third parties to hold in confidence) regarding the market position of the Lacoste Watches and Jewelry among competitors, retail customers and consumers in the Territory; and
 - c) use [***] efforts to reply to any request from the Licensor concerning additional details or statistics regarding Lacoste Watches and Jewelry based on sales; and
 - d) in the interests of both parties, enable Licensor's personnel (at Licensor's costs) to carry out their role of assistance to and consultation with the Licensee and supply them with such help and information as may be [***] available for the accomplishment of their role and, in particular, provide all [***] information and surveys [***] necessary for the analysis of the retail outlets sales activity so as to permit the Licensor to better define the conditions and the trends of the market; and
 - e) [***] that the members of the Lacoste Watches and Jewelry Selective Distribution System implement and conform to the marketing and merchandising policy agreed with the Licensor; and
 - f) [***] that the Approved Watches/Jewelry Retailers and the Factory Outlets conform to the specifications concerning the fittings, the decoration and architecture of the points-of-sale and use the furniture and other elements developed by the Licensor and the Licensee in connection with the sale of the Lacoste Watches and Jewelry; and
 - g) in the best interest of the Lacoste Brand Image, use its [***] efforts so that the members of the Lacoste Boutiques and Lacoste Corners Selective Distribution System be supplied whenever possible with the Lacoste Watches and Jewelry; and
 - h) shall use its [***] efforts to [***] cooperate with the Licensor when (i) the Licensor enters into collaboration agreements with third parties involving the creation, production and/or distribution of capsule/co-branded watches and/or jewelry products (even if [***]) and/or (ii) the Licensor requests the Licensee to create, manufacture and distribute a specific Model for its fashion shows or any similar event, it being specified that if the Licensee is unable to satisfy the Licensor's request [***]; and
 - i) shall use its [***] efforts to adjust for any change in the Reporting Schedule set forth in Article 7.1.1 and in the meetings set forth in Article 7.2.9.
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ARTICLE 8 - WHOLESALE DISTRIBUTION

8.1 The Licensee may sub-license the rights to distribute the Lacoste Watches and Jewelry granted pursuant to Article 2.1 to Sub-Licensees/Distributors located in the Territory designated by it under the following conditions:

8.1.1 The Sub-Licensees/Distributors selected by the Licensee shall have to comply with the following criteria:

- a) a proposed Sub-Licensee/Distributor shall have to prove an adequate and appropriate technical, commercial ability; and
- b) a proposed Sub-Licensee/Distributor shall have to demonstrate a healthy financial situation in proportion with its forecasted activities with respect to the Lacoste Watches and Jewelry; and
- c) a proposed Sub-Licensee/Distributor shall have to clearly establish the identity of its ownership (especially its ultimate beneficial owners) and of its [***]; and
- d) unless otherwise previously approved in writing by the Licensor, a proposed Sub-Licensee/Distributor [***] shall not be in any way involved in [***]; and
- e) a proposed Sub-Licensee/Distributor, [***] are not or never have been involved in any way in [***].

8.1.2 The Licensee shall submit to the Licensor a detailed file concerning each of the proposed Sub-Licensees/Distributors including *inter alia* the necessary information allowing the Licensor to check the Sub-Licensee's/Distributor's conformity with the criteria defined in Article 8.1.1, notably a detailed report on the proposed Sub-Licensees/Distributors' integrity as regard the items listed in Article 6.1, a [***] sales forecast with respect to the Lacoste Watches and Jewelry with all appropriate assumptions underlying such forecast, including internal organization as well as the description of the commercial, marketing and communication strategy ([***]). The Licensor shall have a [***] period to agree to or refuse in writing the proposed Sub-Licensee on the grounds of the criteria defined in Article 8.1.1. The Licensor shall not [***] withhold its approval, and shall be deemed to have given its approval if it has not notified the Licensee of any objection within [***] days of receipt of the Licensee's proposals.

8.1.3 The Licensee shall enter with its Sub-Licensees/Distributors into written Distribution Agreements. Pursuant to Article 3.4, such Distribution Agreements shall include [***].

ARTICLE 9 - RETAIL DISTRIBUTION

9.1 Approved Watches/Jewelry Retailers

So as to provide the consumer with the best service, to ensure the homogeneity of the high quality of the distribution of the Lacoste Watches and Jewelry throughout the world and to guarantee their authenticity, the Licensee shall select Approved Watches/Jewelry Retailers on the basis of the following objective criteria as regards both quality and techniques, and shall use reasonable commercial efforts to establish with them, whenever possible, a contractual relationship including the terms and conditions set forth in the form of the *Lacoste Watches and Jewelry Approved Retailer*

Contract annexed hereto as Schedule IX, and/or the *Approved Lacoste Watches and Jewelry Internet Retailer Contract* annexed hereto as Schedule X.

The Licensee acknowledges and agrees that each brick-and-mortar and/or online point of sale contemplated by the Licensee, its Sub-Licensees or its Distributors for the sale of Lacoste Watches and Jewelry shall be selected and approved as per the provisions of this [Article 9.1](#), irrespective of the fact that the concerned retailer may already operate other approved brick-and-mortar and/or online points of sale.

9.1.1 Conditions of approval of brick and mortar points of sale:

9.1.1.1. The Licensee shall pre-select Approved Watches/Jewelry Retailers based on the following criteria which shall be applied in light of the Lacoste brand strategy at any given time and/or in accordance with guidelines set forth in the *Lacoste Watches and Jewelry General Conditions of Distribution* annexed to the *Lacoste Watches and Jewelry Approved Retailer Contract*, and that may be issued from time to time by the Licensor in this regard:

[***]

9.1.1.2. For every potential point of sale (excluding the points of sales already approved by the Licensor and currently operated by approved Lacoste watches retailers as of the effective date of this Agreement), the Licensee shall submit or cause to be submitted to the Licensor [***].

9.1.2 Conditions of approval of online points of sale:

9.1.2.1. The Licensee shall pre-select Approved Watches/Jewelry Retailers based on the following criteria which shall be applied in light of the Lacoste brand strategy at any given time and/or in accordance with guidelines set forth in the *Lacoste Watches and Jewelry Internet General Conditions of Distribution* annexed to the *Approved Lacoste Watches and Jewelry Internet Retailer Contract*. Online points of sale can include websites, marketplaces and other online sales channels. In particular, the following conditions shall have to be met:

[***]

9.1.2.2. The Licensee shall submit the online point of sale it has preselected pursuant to [Article 9.1.2.1](#) to the approval of the Licensor before any Lacoste Watches and Jewelry products are sold through said online point of sale. To allow the Licensor to grant or deny its approval of the online point of sale efficiently, the Licensee shall provide the Licensor the following information:

[***]

9.1.2.3. [***]

9.1.2.4. Lacoste Watches and Jewelry may be sold by Approved Watches/Jewelry Retailers on or through online marketplaces, provided:

[***]

9.1.3 Online sales' reporting

The Licensee agrees to provide the Licensor with [***] with respect to the sales of Lacoste Watches and Jewelry made by the approved online shops.

The Licensor and the Licensee shall regularly review together the evolutions in the field of internet sales on the main markets from a commercial, technological and legal point of view, and shall review the possibility of amending, completing or changing the terms of this Article 9.1.3.

9.1.4 Duties of the Approved Watches/Jewelry Retailers

After the initial approval, the Licensee shall ensure that the Approved Watches/Jewelry Retailers and/or the points of sale (both brick and mortar and online) comply [***] with the applicable terms of Articles 9.1.1.1 and 9.1.2.1 and with the following obligations (as all these terms may be updated pursuant to Article 9.1.6) [***].

9.1.5 The Licensor reserves the right to reasonably modify Articles 9.1.1, 9.1.2 and 9.1.4 in order to further protect and enhance the Lacoste Brand Image and/or to take into account significant changes and evolutions applicable to the retail trade (e.g. regulatory or technological modifications –cross-channel activity, in-store online tools, etc.), which the Licensee accepts; provided that all significant modifications shall need to be mutually agreed to by the Licensee and the Licensor. The Licensor shall grant the Licensee [***] to comply with said changes.

9.1.6 Regular assessment of the Approved Watches/Jewelry Retailers

The Licensee shall assess on a [***] basis whether the points of sale (both brick and mortar and online) of Approved Watches/Jewelry Retailers keep meeting the criteria set forth in Articles 9.1.1 and/or 9.1.2.

The Licensee shall [***] that, should an Approved Watches/Jewelry Retailer cease to meet said criteria and/or fail to comply with any of the duties set forth in Article 9.1.4, then the approval of such Approved Watches/Jewelry Retailer as a member of the Lacoste Watches and Jewelry Selective Distribution System shall be withdrawn [***], possibly after a reasonable notice to cure if the applicable failure/violation is curable.

The Licensor reserves the right to verify at any time that any Approved Watches/Jewelry Retailers meets the criteria in Articles 9.1.1 and/or 9.1.2 and conforms to the duties set out in Article 9.1.4. If the Licensor determines that certain Approved Watches/Jewelry Retailers do not satisfy the foregoing, the Licensee shall withdraw their approvals as members of the Lacoste Watches and Jewelry Selective Distribution System [***], possibly after a reasonable notice to cure if the applicable failure/violation is curable.

9.1.7 The Licensee shall offer an appropriate warranty on the Lacoste Watches and Jewelry of at least [***] starting from the date of purchase of such Lacoste Watches and Jewelry, and shall put in place and organize an after-sale service of the level appropriate with the Lacoste Trademarks Image.

9.2 Members of the Lacoste Boutiques and Lacoste Corners Selective Distribution System

Lacoste Boutiques and Lacoste Corners are primarily devoted to the sale of Lacoste Apparel. However, they may also offer for sale Lacoste Watches and Jewelry under the following conditions:

The proportion and range of Lacoste Watches and Jewelry offered for sale in a Lacoste Boutique or in a Lacoste Corner may vary in particular according to (i) the commercial strategy of the local Lacoste Apparel Distributor and (ii) the available surface of the concerned point of sale.

For the avoidance of doubt, it is specified that nothing contained in this Agreement shall be construed as meaning that Lacoste Watches and Jewelry shall be sold in [***] Lacoste Boutiques and Lacoste Corners of the Territory.

9.2.1 Selection of Lacoste Watches and Jewelry

The collections of Lacoste Watches and Jewelry for the Lacoste Boutiques and Lacoste Corners in the Territory shall be selected among the collections approved by the Licensor, by agreement between the Licensee/its local Distributor(s) and the corresponding local Lacoste Apparel Distributor(s). However, in case of disagreement, the final decision shall rest with [***].

9.2.2 Supply of Lacoste Watches and Jewelry to the Lacoste Brand Sites, Lacoste Boutiques and Lacoste Corners

Without prejudice to the foregoing, the Licensee/its local Distributor(s) may sell Lacoste Watches and Jewelry either to the corresponding local Lacoste Apparel Distributor(s) or directly to the operators of Lacoste Boutiques and Lacoste Corners, in coordination with the local Lacoste Apparel Distributor(s) and according to their specificities (size, location, customers).

The Licensee/its local Distributor(s) shall send upon request to the corresponding local Lacoste Apparel Distributor(s) any information report on the Lacoste Watches and Jewelry sold to each Lacoste Boutique and Lacoste Corner that are not operated directly by the local Lacoste Apparel Distributor(s), broken down by [***].

The Licensee shall arrange preferential trade terms for the supply of Lacoste Watches and Jewelry to the Lacoste Brand Sites, the Lacoste Corners and/or the Lacoste Boutiques operated by Lacoste Operations or its Affiliates and located in [***], and shall sell them Lacoste Watches and Jewelry with a [***] discount on recommended resale price, subject to centralized purchasing and shipping by region. Other specific Lacoste retail conditions shall be agreed based on business priorities and centralized purchase to set on specific region.

9.2.3 Furniture and sales equipment

The furniture and other sales equipment used for the presentation and sale of the Lacoste Watches and Jewelry in the Lacoste Boutiques and Lacoste Corners shall be the exclusive responsibility of the Lacoste Apparel Distributors.

9.3 Factory Outlets and Off-Price Retailers

The Licensee shall submit to the Licensor its proposal for the opening within the Territory of Factory Outlets or Off-Price Retailers for the disposal under the best possible conditions of Leftovers, pursuant to Article 1.26, under the conditions and according to the methods set forth hereinafter:

9.3.1 The Licensee shall submit to the Licensor, for prior approval, for each Factory Outlet or Off-Price Retailer [***].

- 9.3.2 The Licensor reserves the right to verify that every brick and mortar or online point of sale selected by the Licensee as a Factory Outlet or an Off-Price Retailer conforms to the marketing policy established by the Licensor in the Territory, based both on the application itself and on the commercial policy (including the selective distribution policy) adopted by the Licensor in the Territory.

The Licensee shall submit for approval or cause to be submitted for approval to the Licensor [***]. The Licensor shall inform the Licensee of its decision, in writing, within [***] business days from the date of receipt of [***]. In the absence of any notification from the Licensor within [***] business days from the date of receipt of [***], the proposed brick and mortar or online point of sale shall be deemed [***].

- 9.3.3 The Licensee shall ensure that all precautions are taken in order to avoid confusion in the mind of the consumers between the Factory Outlets and the Off-Price Retailers on the one hand and the other points of sale for Lacoste Watches and Jewelry on the other hand, particularly by using different furniture and display units, and shall ensure that the sales made by the Factory Outlets and the Off-Price Retailers are not [***].
- 9.3.4 The Licensee shall send on a [***] basis to the Licensor the list of the sales of Lacoste Watches and Jewelry as well as, as the case may be, of Lacoste Accessories made by [***] the Factory Outlets in the Territory, as well as all other relevant information which may be reasonably requested by the Licensor, in a form satisfactory for the Licensor.
- 9.3.5 Subject to the prior written authorization of the Licensor, the Licensee shall not object to the sale of the Lacoste Accessories, by their respective distributors or licensees in the Territory, to the Factory Outlets, provided that such Factory Outlets are large enough and that the lease permits it, as determined by the Licensee in cooperation with the Licensor.
- 9.3.6 Pursuant to Article 3.4, the Licensee shall [***] that the Factory Outlets and/or Off-Price Retailers abide by the other terms of this Agreement that apply to them (e.g. Articles 7.2.11e) and 7.2.11f), 11.2.7 to 11.2.9, 13, the relevant terms of Articles 16, 17, etc.).
- 9.3.7 The Licensor shall have the right [***] to impose on the Licensee the termination of sales through any Factory Outlet and/or to any Off-Price Retailer for justifiable reasons, in particular the breach of certain provisions herein or a change in the type or standing of the applicable brick-and-mortar and/or online point of sale which [***] be harmful to the Lacoste Brand Image, for instance if the applicable point of sale becomes insufficiently qualitative (after assessment by or on the behalf of the Licensor). The Licensee shall then terminate [***] possibly after a reasonable notice to cure (if the applicable failure/violation is curable), subject to the fulfilment of open confirmed orders and to the extent permitted by the applicable laws.

9.4 [***] sales to/through Factory Outlets, Off-Price Retailers

The Licensee shall take the necessary measures in order that the Net Sales of Lacoste Watches and Jewelry sold to Factory Outlets and/or Off-Price Retailers [***].

ARTICLE 10 - NO OTHER SALE CHANNEL OR METHOD

Save with the previous written approval of the Licensor, the Licensee, its Sub-Licensees, Distributors, the Approved Watches/Jewelry Retailers and the Off-Price Retailers shall not sell the Lacoste Watches and Jewelry through any channel or method not expressly mentioned in this Agreement (e.g. mail order, TV shopping, auction, etc.).

ARTICLE 11 - PROMOTION, ADVERTISING AND MARKETING

- 11.1 In order to allow the Licensor to coordinate in the Territory a promotional and advertising policy for the sale of the Lacoste Watches and Jewelry compatible with the prestige of the Lacoste Trademarks and of the name Lacoste and which support a satisfactory development of sales, the Licensor and the Licensee agree that:
- 11.1.1 the development of the advertising of the Lacoste Brand Image shall be made by the Licensor at [***]. The Licensor shall draw up [***] the strategy defining the policy to be implemented for the advertising of the Lacoste Brand Image as well by the Licensee as by the Licensor's other licensees (briefings) and recalling the basic permanent or semi-permanent rules to be followed for said advertising, more particularly with respect to the use of the Lacoste Trademarks (Charter); and
- 11.1.2 the development of the advertising for the Lacoste Watches and Jewelry shall be made by the Licensee [***], respecting as closely as possible the Promotion and Advertising Know-how put at the Licensee's disposal by the Licensor including the Lacoste Brand Image advertising policy defined by the Licensor according to the provisions of Article 11.1.1. The costs relating to the exploitation of the advertising of the Lacoste Watches and Jewelry (media buying etc.) shall be borne by the Licensee [***] shall be deemed to constitute an integral part of the promotion and advertising budgets defined in Article 11.2.2; and
- 11.2 To this effect, the Licensee:
- 11.2.1 shall participate in the international or local business reviews organized in each of the Main Countries within the Territory by the Licensor with the other main licensees and/or distributors for the Lacoste Apparel Products and Lacoste Accessories in order to ensure the consistency of the different promotional and advertising campaigns; and
- 11.2.2 shall allocate for the promotional and advertising actions listed in Schedule XI an annual advertising and promotional budget representing no less than s[***] of its Net Sales for the preceding calendar year, as declared according to the provisions of Article 7.2.6. On the dates defined by the Licensor in the Reporting Schedule (as specified in Articles 7.1.1 V and VI), the Licensee shall submit to the Licensor its advertising and promotion budget for [***], detailed [***] as given in Schedule XI, as well as a description of its main promotional and advertising actions or campaigns; and
- 11.2.3 shall allocate for the trade marketing actions listed in Schedule XII an annual trade marketing budget representing no less than [***] of its Net Sales for the preceding calendar year, as declared pursuant to Article 7.2.6. On the dates defined by the Licensor in the Reporting Schedule (as specified in Articles 7.1.1 V and VI), the Licensee shall submit to the Licensor its trade marketing budget for [***], as well as a description of its main actions or campaigns; and
- 11.2.4 shall contribute, each year, upon provision of the report mentioned in Article 7.2.8 I, in an amount of [***] of the Net Sales in the Territory for the preceding calendar year (excluding, for the avoidance of doubt, [***]), to operations, carried out by the Licensor, which are in the world-wide interest of the Lacoste Trademarks and which may be used or have direct or indirect repercussions with respect to the distribution of Lacoste Watches and Jewelry or the promotion and advertising of the Lacoste Brand Image (the
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"Marketing Contribution"). The Licensee shall pay the Marketing Contribution in full amount without any deduction of any kind, within [***] calendar days from receipt of the Licensor's invoice.

- 11.2.5 shall take all [***] steps to ensure in particular that not only the Lacoste Brand Image, but also the personal reputation of Mr. René Lacoste and his family are safeguarded; and
 - 11.2.6 shall safeguard the Lacoste Brand Image: Any repetitive and conspicuous use of, communication on, presentation and/or display of the Lacoste Watches and Jewelry and/or the Licensed Trademarks which, by its nature, content or medium, could [***] to a depreciation of the Licensed Trademarks shall be strictly prohibited (e.g. [***]); and
 - 11.2.7 shall use exclusively the letterings, labels and logos created by the Licensor when advertising or promoting the "Lacoste" image and the Lacoste Watches and Jewelry; and
 - 11.2.8 shall use the advertising and promotional material campaigns for the Lacoste Watches and Jewelry exclusively the Lacoste Apparel Products and/or Lacoste Accessories or accessories bearing the Lacoste Trademarks whenever such exist and are available; and
 - 11.2.9 shall consult with the Licensor before retaining any promotion, communication or advertising agency for work in relation with the Lacoste Watches and Jewelry; and
 - 11.2.10 pursuant to Article 3.5, shall in a general manner, consult the Licensor when planning its advertising and promotional programs and inform the Licensor of the particulars of such programs before they are finalized by its advertising agents, in particular with the purpose of allowing the coordination of these programs with those of the other licensees of the Licensor (media plans); and
 - 11.2.11 shall keep the Licensor duly informed of all its advertising and promotional campaigns [***]; and
 - 11.2.12 pursuant to Article 3.5, shall submit to the Licensor prior to any use a copy or a photograph of its advertising or promotional projects (press/TV/online etc. advertising, catalogues, posters, circulars and in general all publi-promotional material) and/or sales aids such as, in particular, the furniture, the booths for trade shows and the private or public salesrooms intended to facilitate or promote the distribution and sale of the Lacoste Watches and Jewelry. The Licensor shall have a [***] day period to notify in writing Licensee that it approves or disapproves the content, the form and/or the media used for these projects. Should the Licensor not respond within said [***] days period, it will be deemed to have [***]; and
 - 11.2.13 shall allow the Licensor, its Affiliates and the Licensor's other licensees and distributors to use the approved advertising materials. Without prejudice to its obligations under Article 11.2.12, the Licensee shall clearly indicate to the Licensor any limit to the right of use of said advertising materials, failing which the Licensee shall guarantee and hold harmless the abovementioned parties against any and all claims in this respect.
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11.3 Control of advertising and promotional / trade marketing expenses

11.3.1 The Licensee shall provide the Licensor [***], with a report on the amounts spent on advertising and promotion, according to the provisions of Article 11.2.2, and on trade marketing actions, according to the provisions of Article 11.2.3, during the previous calendar year, by [***] in Schedules XI and XII.

11.3.2 The Licensee shall keep (and make sure that its Sub-Licensees and its Distributors keep) available to the Licensor, for the periods identified in Article 21, all documents evidencing the expenses of the Licensee (its Sub-Licensees and its Distributors) on advertising and promotion and on trade marketing actions.

Sufficient evidence of advertising and promotional actions or trade marketing actions shall include (the following list is not limitative): copies of contracts or invoices evidencing the cost of the relevant actions, pictures, footages, copies of press or internet articles, or samples illustrating the relevant actions.

11.3.3 The Licensee shall allow representatives of the Licensor and/or auditors appointed by the Licensor pursuant to Article 21, to examine and audit, [***] such documentation evidencing the expenses of the Licensee on advertising and promotional actions or trade marketing actions during the [***]. Expenses declared by the Licensee and which are not justified with the adequate documentation shall not be taken into account by the Licensor in its assessment of the Licensee's expenses on advertising and promotional actions or trade marketing actions.

11.3.4 Should the Licensor, upon review of the [***] report to be provided by the Licensee according to Article 11.3.1, find that the Licensee (together with its Sub-Licensees and Distributors) failed to spend the entirety of the minimum required yearly advertising and promotional amount or of the minimum required yearly trade marketing amount, the unspent amounts shall be spent by the Licensee as a supplement to the advertising and promotion budget and/or trade marketing budget of the following [***]; for the avoidance of doubt, the unspent amounts shall be respectively added to the following [***] advertising and promotion budget/trade marketing budget in due proportion, unless otherwise agreed in writing by the Licensor. If the Licensee fails to spend any carried-over amount of such minimum required yearly promotional and advertising amount and/or minimum required [***] trade marketing amount during the following [***] according to the provisions of Article 11.3.4, Article 24.9 shall apply.

[***].

11.4 Neither the Licensee, nor its Sub-Licensees and its Distributors shall, except after having obtained the previous written agreement of the Licensor, and in such event according to the Licensor's prescriptions, register an e-mail address or domain name and/or any account on social network including the word [***].

The Licensee, its Sub-Licensees and its Distributors may be granted visibility on web pages in the sites created by or for the Licensor in certain countries of the Territory, provided such sites are to be shared among the different Licensor's licensees and/or distributors and the content of which shall be provided by the Licensee, its Sub-Licensees and its Distributors to the Licensor.

The Licensee, its Sub-Licensees and its Distributors shall provide the Licensor with the necessary information to update said web pages, whenever requested by the Licensor.

Should the Licensee, its Sub-Licensees or its Distributors wish to include a web page in their own institutional websites in relation with the Licensed Trademarks and the Lacoste Watches and Jewelry,

or links to the sites of the Lacoste Group, including the Lacoste Brand Sites, the Licensee, its Sub-Licensees and its Distributors shall have to submit their plans to the Licensor and obtain its prior written approval before going on line. The same procedure shall apply for [***].

11.5 The Licensor shall, for its part:

- 11.5.1 continue the promotional and advertising activities that it has carried out for many years throughout the world, including operations which are in the world-wide interest or the Lacoste Trademarks, as defined in Article 11.2.4; and
- 11.5.2 supply the Licensee from time to time, at [***] price, with any advertising material used by the Licensor that the Licensee may wish to purchase; and
- 11.5.3 use [***] efforts to keep the Licensee informed of the actions of its other licensees and distributors in the field of their marketing, merchandising, promotion and advertising programs; and
- 11.5.4 use all [***] endeavors to ensure that its licensees and distributors for the Lacoste Apparel Products and the Lacoste Accessories fulfill the same obligations in respect of advertising and promotion as are binding upon the Licensee as regards to the Lacoste Watches and Jewelry pursuant to Article 11.2.

ARTICLE 12 - MARKETING POLICY – SPECIAL SUPPLIES

- 12.1 In order to safeguard the Lacoste Brand Image, the Licensee undertakes to apply a pricing policy, which takes into account the characteristics of the main markets in the Territory, and of the prices applied in said market for products of comparable quality and commercial standard.
 - 12.2 The Licensee shall be free to fix its retail prices to consumers and its prices to operators identified in Article 9 so as to facilitate the diffusion of Lacoste Watches and Jewelry and the development of sales within the Territory. [***].
 - 12.3 If requested by the Licensor, and as long as such request is provided with appropriate times, the Licensee shall supply the Licensor and/or its Affiliates [***] charge Lacoste Watches and Jewelry for public relations/special events/VIP loyal programs organized by the Licensor and/or its Affiliates in the limit of [***] units per year in aggregate.
 - 12.4 The other Lacoste Watches and Jewelry the Licensor may need for its own use shall be invoiced by the Licensee to the Licensor at the recommended resale price minus [***].
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ARTICLE 13 - LEFTOVERS AND SECONDS

- 13.1 Leftovers may be sold with the Licensed Trademarks through the normal channels of distribution for the Lacoste Watches and Jewelry and/or through the Factory Outlets and/or the Off-Price Retailers.
- 13.2 Seconds [***] may include gifts to charities, sales after removal of all Licensed Trademarks on products, upcycling and recycling after removal of all Licensed Trademarks on products (as applicable), at their expense by the Licensee, its Sub-Licensees or its Distributors.
- 13.3 The Licensee shall supply the Licensor [***], with a detailed inventory of Seconds and Leftovers held by the Licensee, in a form reasonably satisfactory to the Licensor.

ARTICLE 14 - COMPLIANCE WITH LAWS REGARDING LACOSTE WATCHES AND JEWELRY

The Licensee shall abide by all applicable law and regulations regarding its activities in connection with the Lacoste Watches and Jewelry and this Agreement (including but not limited to, product/price labelling requirements, consumer law, personal data protection law and advertising law) and shall maintain at its costs, during the whole term of this Agreement, all licenses and permits in connection thereto.

ARTICLE 15 - UNFAIR COMPETITION

In consideration of the rights hereby granted to the Licensee under this Agreement, the Licensee undertakes:

- 15.1 to never create, develop, manufacture, distribute, advertise, promote, offer for sale or sell for its own account or for the account of third parties, directly or indirectly, any product identical with or confusingly similar to the Lacoste Watches and Jewelry or likely to create confusion, including association, in the mind of the public, or reproducing characteristics unique to any Model of the Lacoste Watches and Jewelry, such undertaking to remain in full force and effect for [***]; and
- 15.2 nor to infringe Licensor's rights in the Lacoste Trademarks in any jurisdiction in the world [***]; and
- 15.3 to be vigilant and, promptly alert the Licensor, about any prior right any third party could oppose to the development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of the Lacoste Watches and Jewelry worldwide which the Licensee may be aware of in connection with the Watches and Jewelry Know-How.

ARTICLE 16 - LICENSED TRADEMARKS USE

- 16.1 The Licensor undertakes that in each country listed in Schedule III at least one representation of the Crocodile and one mark including the name "Lacoste" are available for use by the Licensee.
- 16.2 The Licensed Trademarks shall be affixed on the Lacoste Watches and Jewelry and the Licensee shall describe the ownership and right to use the Licensed Trademarks only in such form and manner as may be approved from time to time by the Licensor. The Lacoste Watches and Jewelry shall bear no other name or mark or wording which may or would in the normal course of event lead third parties to believe that the Licensed Trademarks are owned by any person, firm or corporation other than the Licensor.
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Any additional mark or wording required by the laws and regulations in force in certain of the countries of the Territory shall have to be submitted to the prior written approval of the Licensor, which will have the right to decide of their size or placement whenever possible.

- 16.3 No representation of the Licensed Trademarks or combinations thereof shall be put in use by the Licensee without the prior written approval of the Licensor.
- 16.4 The Licensee acknowledges that the representation of the Licensed Trademarks has a significant effect upon the public's perception and understanding of the Lacoste Brand Image, and that changes in such representation need to be few and carefully planned. If the Licensor desires to change the form or manner of use of any Licensed Trademarks from that previously approved by it, such change shall either take effect after (and as soon as) the Licensee's components and elements using such Licensed Trademarks as previously approved are used up, or shall take effect at once if the Licensor agrees to hold the Licensee harmless against actual losses incurred by the Licensee as a result of such change. The Licensor shall give notice to the Licensee of any such change [***] at least before its implementation.
- 16.5 The Licensee undertakes not to use any pictorial representation of an alligator or crocodile, or any lizard- or saurian-like reptile identical or confusingly similar with an alligator or crocodile, on [***].
- 16.6 The Licensee undertakes to use any word relating to an alligator or crocodile, or any lizard- or saurian-like reptile identical or confusingly similar with an alligator or crocodile, only on or in connection with the Lacoste Watches and Jewelry [***].
- 16.7 The Licensee shall always respect good trade practices in the manner and use of the Licensed Trademarks and adhere to such [***] opinion as may be provided from time to time by the Licensor's trademark counsels for such use.
- 16.8 In order to maintain adequate protection for the Licensed Trademarks and notwithstanding the exclusivity of the rights granted to the Licensee, the Licensee shall permanently export, sell and distribute Lacoste Watches and Jewelry in every market of the Territory where such distribution is [***], but in any event in the Priority Markets and in the Important Markets, to ensure an actual and genuine use of the Licensed Trademarks. The Licensee shall provide the Licensor with all relevant sales evidence materials thereof at Licensor's first demand.
- If the Licensee fails to export, sell and distribute Lacoste Watches and Jewelry in any Priority Markets, Article 24.8 shall apply. If the Licensee fails to export, sell and distribute Lacoste Watches and Jewelry in any Important Markets, the Licensor shall have the right to [***]. In such case, the Licensee shall cooperate with the Licensor to facilitate such [***]. The Licensee shall actively collaborate with the Licensor to insure efficient logistics of Lacoste Watches and Jewelry up to the relevant point(s) of sale in the relevant Important Markets, at lower costs for the Licensor.

ARTICLE 17 - LACOSTE INTELLECTUAL PROPERTY RIGHTS

- 17.1 The Licensee undertakes not to use the Lacoste Intellectual Property Rights otherwise than within the scope and the limits of this Agreement and for the sale of the Lacoste Watches and Jewelry.
- 17.2 The Licensee hereby acknowledges that the Licensor is the sole owner, worldwide, of the Lacoste Intellectual Property Rights.
- 17.3 The Licensee undertakes to strictly respect the Lacoste Intellectual Property Rights.
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Consequently, the Licensee:

- 17.3.1 shall not apply for registration of any of the Lacoste Trademarks nor for the registration of any trademark confusingly similar to, or closely resembling the Lacoste Trademarks anywhere in the world, nor shall it assist any party other than the Licensor to do so except with the prior written consent of the Licensor, such prohibitions applying to each and every kind of goods or services in [***]; and
 - 17.3.2 undertakes to facilitate during the term of this Agreement all applications for the registration of trademarks which the Licensor may apply for at Licensor's own expense anywhere in the world to protect the Lacoste Trademarks in any class or category of a national or international classification, it being hereby expressly acknowledged by the Licensee that any such trademark or any other right thus obtained shall be the exclusive property of the Licensor; and
 - 17.3.3 shall, during the term of this Agreement, uphold and assist the Licensor in maintaining, at the Licensor's exclusive expense, adequate trademark registration of the Licensed Trademarks within the Territory; and
 - 17.3.4 shall not apply for the registration of any of the intellectual property rights pertaining to the Models nor for the registration of any model confusingly similar to the Models anywhere in the world, nor shall it assist any party other than the Licensor to do so, except jointly with the Licensor; and
 - 17.3.5 shall be vigilant in watching for any infringement of the Lacoste Intellectual Property Rights, and shall consequently promptly notify the Licensor after becoming aware of the same of any act that may constitute a counterfeit, an usurpation or an imitation of the Licensed Trademarks or the Models, as well as of any act of unfair competition. The Licensor takes all necessary steps to defend the Lacoste Intellectual Property Rights against infringers, if deemed appropriate by the Licensor, and the Licensee shall assist the Licensor [***], and shall ensure that its Sub-Licensees, its Distributors, its Sub-Contractors and the Suppliers assist it also [***]. If the Licensor does not take legal action within [***] calendar days as of the date of the request that was notified to it by the Licensee, the Licensee shall be entitled to [***]; and
 - 17.3.6 shall defend [***] any action for unfair competition, passing-off, trademark, copyright, patent or design infringement, including advertising or other related cause of action arising out of its use of the Licensed Trademarks or the Models, and shall give prompt notice in writing to the Licensor of any such action. The Licensor shall always have the right to participate in such an action at its sole discretion. In this event the expenses of the proceedings as well as any damage arising from such action shall be [***]. In any event, the Licensor shall provide its assistance to the Licensee in such defense; and
 - 17.3.7 shall in no circumstances, and whatever may have been the duration of this Agreement or the reason for its termination, be entitled to any claim to the ownership of the Lacoste Intellectual Property Rights, before or after the Date of Termination.
- 17.4 In no circumstances, the Licensor may be held liable by the Licensee for any loss the Licensee may suffer due to acts of counterfeiting, imitation, usurpation or unfair competition committed by third parties.
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- 17.5 Notwithstanding the foregoing, either party shall have the right to prosecute by law any third party for unfair competition according to its own interest and at its own expense.

ARTICLE 18 - CONFIDENTIALITY

- 18.1 The Licensor and the Licensee recognize that this Agreement and all the terms thereof shall be kept strictly confidential by both parties. Notwithstanding the foregoing, each party shall have the right to disclose the terms hereof (i) to its financial and legal advisors (but only to the extent that such advisors are advised of the confidentiality hereof and agree to be bound by this confidentiality agreement), or (ii) pursuant to order or legal process of any court or governmental agency or authority provided that each party shall give prompt written notice to the other party so that appropriate protective relief may be sought and (iii) to the extent disclosure is required by law.
- 18.2 The Licensor and the Licensee recognize that the information (including the Styling Know-how, the Marketing and Merchandising Know-how, the Promotion and Advertising Know-how and the Watches and Jewelry Know-how) they have so far received and shall receive in the future, related directly or indirectly to this Agreement (a) shall remain the exclusive property of the party which has provided it, (b) shall be kept strictly confidential by both parties, (c) shall only be used within the scope and during the term of this Agreement by the party which has not provided it, while the party which has provided it may use it freely, either during the entire term of this Agreement as well as after its expiration or termination for whatever reason, and (d) shall not be revealed to third parties by the party which has not provided it without having obtained the prior written agreement of the party which has provided such information. The information which is already fully in the public domain, received from third parties which are not required to keep it confidential or which one of the parties is required to reveal by virtue of legal or regulatory requirements, shall not be covered by this Article 18.2.
- 18.3 As an exception to the provisions of Article 18.2, the Licensor may disclose to its Affiliates, as well as to its other licensees and distributors, the confidential marketing and communication information received from the Licensee and use such information in the context of its agreements with its other licensees and distributors, to the extent that (a) such confidential information offers a direct interest for the development of the "Lacoste" activity of said licensees and distributors and (b) does not relate to manufacturing costs of the Licensee for the Lacoste Watches and Jewelry.
- 18.4 The Licensor and the Licensee are required to have third parties (such as advertising agencies, marketing research offices, etc.) to whom they may have recourse signed commitments according to which they shall undertake to never reveal to any party the confidential information of any nature whatsoever which shall have been given to them by the Licensor or the Licensee in the framework of the services required or which they shall have learned by chance, as well as to never use for the benefit of third parties or to transmit to said third parties the creations or studies carried out for the benefit of the Licensor or the Licensee, except with the prior written approval of the Licensor and of the Licensee.
- 18.5 Notwithstanding anything to the contrary, the Licensor shall have the right [***] to discuss with third parties (including the Licensee's competitors) that may become the Licensor's next watches and/or jewelry licensee upon expiry/termination of the Agreement and to disclose to them information on the Lacoste watches and jewelry business, provided the Licensee's commercial strategy and pricing structure are excluded from such disclosure.
- 18.6 The provisions contained in this Article 18 shall remain in force even after the termination of this Agreement for a period of [***] after said termination.
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ARTICLE 19 - COMPENSATION

- 19.1 For and in consideration of the rights and licenses granted or to be granted to it herein, the Licensee shall pay the Licensor as royalty such sum or sums as shall, after deduction of all applicable charges and taxes for which the Licensor cannot obtain credit or reimbursement, amount to:

19.1.1 [***] of the Net Sales; or

19.1.2 [***] of the Sales to Distributors.

The determination of Net Sales/Sales to Distributors of Lacoste Watches and Jewelry to Affiliates of the Licensee, if any, shall be deemed to be at a price equal to [***].

Whenever Net Sales cannot be determined by the Licensee, or if the Licensee at its sole discretion prefers to refer to Sales to Distributors for certain markets, Net Sales shall then be calculated [***].

The determination of which Licensor entity is to receive such payments (i.e., Lacoste, SPL or LCA) shall be made at Licensor's sole option (which may be exercised either for the entire Territory or on a country-by-country basis) upon reasonable prior written notice to Licensee.

- 19.2 If in any year the weight of Sales to Distributors (calculated without giving effect to the [***] multiplier) is above [***] of the Licensee's total sales, then (i) Net Sales shall be calculated [***], (ii) royalties rate for Sales to Distributors should amount to [***] of Sales to Distributors.

- 19.3 In addition to the royalties set forth in Article 19.1, the Licensor shall receive from the Licensee as a royalty such sum or sums as shall, after deduction of all applicable taxes and charges for which the Licensor cannot obtain credit or reimbursement, amount to [***] of the Factory Outlets Sales.

- 19.4 For each calendar year, the Licensee shall guarantee to the Licensor a minimum royalty (the "**Minimum Guaranteed Royalty**") corresponding to [***] of Net Sales Minima set forth in Article 23.1, which, unless updated pursuant to Article 23.2, amount to:

[***] from January 1, 2022 to December 31, 2022

[***] from January 1, 2023 to December 31, 2023

[***] from January 1, 2024 to December 31, 2024

[***] from January 1, 2025 to December 31, 2025

[***] from January 1, 2026 to December 31, 2026

[***] from January 1, 2027 to December 31, 2027

[***] from January 1, 2028 to December 31, 2028

[***] from January 1, 2029 to December 31, 2029

[***] from January 1, 2030 to December 31, 2030

[***] from January 1, 2031 to December 31, 2031.

The obligation to pay, each year, the Minimum Guaranteed Royalty shall not be affected by [***].

- 19.5 Should Licensor obtain any tax credit or other credits of any nature for the taxes and charges paid by the Licensee or any one of its Distributors, then such amount shall be, at Licensor's choice, either paid back by Licensor to the Licensee or its Distributor or shall be deducted by the Licensee from the next payment due to Licensor.
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- 19.6 Without prejudice to other provisions of this Agreement, including, without limitation, Articles 19.1, 19.5 and 20.6, any withholding tax (or equivalent withholding or deductions, including but not limited to VAT and profit tax) on payments to be made by the Licensee to the Licensor under this Agreement to any tax authorities may be deducted from amounts due if and only if the Licensee furnishes the Licensor on time with all required documentation enabling the Licensor to be entitled to benefit from a tax credit, if available, in the amount of the taxes deducted by the Licensee.

ARTICLE 20 - REPORTS OF ROYALTIES AND PAYMENTS

- 20.1 As regards the implementation of Article 19, the Licensee shall maintain true, accurate and complete records of Net Sales, Sales to Distributors and Factory Outlets Sales of each model of each line of Lacoste Watches and Jewelry, and shall provide the Licensor with true and accurate [***] statements of such Net Sales, Sales to Distributors and Factory Outlets Sales in a form satisfactory to the Licensor, no later than [***] after the end of each [***], showing [***]:
- 20.1.1 the total number of each model of said Lacoste Watches and Jewelry, sold during each [***] after deduction of the returned products; and
- 20.1.2 Net Sales, Sales to Distributors and Factory Outlets Sales during each [***]; and
- 20.1.3 the amount or amounts due to Lacoste, SPL and LCA under Article 19 for [***].
- 20.2 Subject to receipt such statements, the Licensor shall send to the Licensee by any means, including by email, its invoice(s) for the royalties due under Article 19. The Licensee shall pay to Lacoste, SPL and LCA, according to the provisions of Article 19.1, at such addresses as the Licensor may designate in writing, the amount or amounts due to Lacoste, SPL, and LCA, within [***] calendar days after receipt of such invoice(s). Any overpayment (by reason of later returns, rebates or discounts actually given) for any one [***] may be credited to amounts due for any subsequent [***].
- 20.3 For each contractual year of this Agreement, after the receipt by the Licensor, pursuant to Article 7.2.8, of the previous calendar year's actual Net Sales, if the amounts accrued on such previous calendar year's actual Net Sales are below the Minimum Guaranteed Royalty, the difference shall be paid by the Licensee to each Lacoste, SPL and LCA according to the share of the Net Sales of the previous calendar year allocated to each of them pursuant to Schedule III. The Licensor shall send the invoices to the Licensee and payments shall be made by the Licensee within [***] calendar days.
- 20.4 Interest calculated at the two months EURIBOR rate with [***] shall also be due and paid on any amount in arrears up to [***] calendar days and at the two months EURIBOR rate with [***] on any amount in arrears over [***] calendar days.
- If the Licensor determines that the applicable supervisor or administrator (if any) of EURIBOR, or a governmental authority has made a public statement identifying the specific date after which EURIBOR shall no longer be used for determining interest rates for loans and/or a rate other than EURIBOR has become a widely recognized benchmark rate for newly originated loans in EUROS in the European market, then the Licensor may choose a replacement index for EURIBOR and make related amendments to this Agreement as referred to below such that, to the extent practicable, the all-in interest rate based on the replacement index will be substantially equivalent to EURIBOR market index rate-based interest rate in effect prior to its replacement. The Licensor and the Licensee shall enter into an amendment to this Agreement to reflect the replacement index and such other related amendments as may be appropriate, in the reasonable discretion of the Licensor. Such amendment
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shall become effective without any further action or consent of any other party to this Agreement on the [***] business day after such amendment is signed. If the former index (EURIBOR) is no longer published, as long as the amendment is not executed by the parties, the parties shall apply the [***] applicable rate according to the previously applicable index. [***].

- 20.5 The rate of exchange used for the conversion of any currency into Euros shall be the rate of exchange published by [***].
- 20.6 Any amounts mentioned hereunder shall be exclusive of value added tax ("VAT") and other taxes, whether direct or indirect. As the case may be, VAT shall be calculated and paid in addition to such amounts according to the applicable legislation, and the Licensor shall include the appropriate VAT amount in any invoice it issues to the Licensee hereunder.
- 20.7 Within [***] days after the Date of Termination and each [***] days thereafter, the Licensee shall render to the Licensor a statement similar to that required by Article 20.1 together with full detail of the disposal, by sale or otherwise, of all the Lacoste Watches and Jewelry including the complete identification of all persons to whom such Lacoste Watches and Jewelry were sold and the number of units and sales price of such products covering the period from the latest date covered by the last preceding statement to the Date of Termination or the final disposal of all such Lacoste Watches and Jewelry, whichever is latest.
- 20.8 Within [***] calendar days after the Date of Termination and each [***] calendar days thereafter, subject to the receipt of the statements mentioned in Article 20.7, the Licensor shall send to the Licensee its invoice(s) for the royalties due under Article 19. Immediately upon such receipt, the Licensee shall pay to Lacoste according to the provisions of Article 19.1, at such address(es) as the Licensor may designate in writing, the amount or amounts due respectively to Lacoste, SPL, and LCA. The last payment of royalties shall be followed by a settlement of accounts between the Licensee and the Licensor, which shall be established no later than [***] calendar days after such last payment and which shall be without prejudice to the right of the Licensor to audit Licensee's records for a period of [***] after the Date of Termination as provided herein in Article 21.
- Any over payment (by reason of late return, rebates or discount actually given) for any one period may be credited to amounts due for any subsequent payment.
- 20.9 In the event that by virtue of any regulation, ruling or order of competent public authorities of one or more countries, the Licensee should be unable, permanently or temporarily, to make any payments falling due hereunder, then payments equal to the amounts due in Euros (or the currency used in the pending invoices issued by Lacoste) into bank account(s) in the countries where payments are restricted to the credit of any party defined by the Licensor, shall be immediately arranged by the Licensee upon instructions from the Licensor. Amounts on the bank account(s) shall be adjusted so as to be always equal to the amounts due in Euros or the currency used on the invoices. The Licensor and the Licensee shall in parallel consult with each other [***], in order to reach a solution permitting the Licensee to satisfy its contractual obligations. If such restrictions [***], the Licensor shall be entitled to terminate this Agreement in accordance with the provisions of Article 24.1.
- 20.10 Any payments due to the Licensor by the Licensee under this Agreement shall be fully paid irrespective of any actual or alleged (i) claims for set-off or retention, regardless of the reason for which such claims have or might have arisen and/or (ii) any difficulties for the Licensee to be paid by its Sub-Licensees, Distributors, etc. in connection with the Lacoste Watches and Jewelry business.

ARTICLE 21 - AUDITS

- 21.1 At any time during the term of this Agreement and [***] thereafter, the Licensor may appoint representatives of the Licensor or independent certified or chartered public accountant or auditors to audit the Licensee's [***] records and accounts, including at their premises to verify the accuracy of any statement, report, expense or payment provided or made in relation with the Agreement, and in particular and without limitation, in connection with Articles 11, 19 and 20.
- 21.2 The Licensee shall fully cooperate [***] with the Licensor's appointees in connection with any such audit, including without limitation by giving access to all records, documents, premises and personnel required by the Licensor or its appointees. The Licensor shall give the Licensee reasonable notice of any audit.
- 21.3 The Licensee [***] shall keep the records and documents in connection with Articles 11, 17.3.5, 19 and 20 for each calendar year for a period of [***] after the end of each such year.
- 21.4 If it appears that any amounts paid/expenses made are, for any reason whatsoever, less than amounts actually due and/or expenditures required (any unsubstantiated expenses to be ignored), the Licensee shall pay the difference to the Licensor, and such difference shall bear interest as set forth in Article 20.4. In addition, if it appears that the aggregate amounts paid and/or expenses made in any contractual year are, for any reason whatsoever, less than the aggregate amounts due and/or expenditures required for such contractual year (taken on a combined annual basis) by at least [***], the Licensee shall reimburse the Licensor for all arm's length third-party costs incurred by or on behalf of the Licensor in undertaking the audit and enforcing its results.

ARTICLE 22 - TERM OF THE AGREEMENT

- 22.1 The Prior Agreement shall early terminate, and this Agreement shall enter into force retroactively on January 1, 2022 and shall expire on December 31, 2031.
- 22.2 This Agreement shall not be tacitly renewable at the end of such term.
- At least [***] before the expiration of the Agreement, the parties may decide (but shall not be compelled) to enter into discussions regarding the conditions for a possible continuation of their relationship after December 31, 2031. Each party may at its discretion elect not to enter into such discussions, the effect of which is that this Agreement will terminate on December 31, 2031. In case discussions are initiated as per this Article 22.2, and as a basis therefor, the Licensee shall provide the Licensor with a detailed business plan. Discussions shall be carried out [***] but shall not entail an obligation to enter into a new agreement or to continue or renew this Agreement.

ARTICLE 23 - SALES MINIMA

- 23.1 The Licensee undertakes to sell in the Territory taken as a whole quantities of Lacoste Watches and Jewelry representing Net Sales of no less than:
- [***] from January 1, 2022 to December 31, 2022
[***] from January 1, 2023 to December 31, 2023
[***] from January 1, 2024 to December 31, 2024
[***] from January 1, 2025 to December 31, 2025
[***] from January 1, 2026 to December 31, 2026
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[**] from January 1, 2027 to December 31, 2027
[**] from January 1, 2028 to December 31, 2028
[**] from January 1, 2029 to December 31, 2029
[**] from January 1, 2030 to December 31, 2030
[**] from January 1, 2031 to December 31, 2031.

- 23.2 For any year in which the weight of Sales to Distributors (calculated without giving effect to the [**] multiplier specified in [Article 19.1.2](#)) is above [**] of the Licensee's total sales, Net Sales shall then be calculated on the basis of all corresponding Sales to Distributors multiplied by [**] pursuant to [Article 19.2](#), business plan Net Sales, as attached in Schedule XIV, and the corresponding Net Sales Minima shall be recalculated according as [**] of updated Net Sales and Minimum Guaranteed Royalty shall be recalculated accordingly as application of [**] of royalties on Net Sales Minima pursuant to [Article 19.4](#).

ARTICLE 24 - TERMINATION

- 24.1 This Agreement may be terminated at any time by either of the parties, in the event of a material breach of this Agreement by the other party, provided that it has given [**] calendar days written notice (by registered letter) of such breach to the other party and that said other party has failed to cure such breach within such period or failed to take action within such period clearly sufficient to remedy said breach without prejudice of any compensation or damages whatsoever.

The provisions of the first paragraph of this [Article 24.1](#) shall not apply if the minima fixed by [Article 23](#) is not reached, which situation shall be ruled by the provisions of [Article 24.4](#).

- 24.2 This Agreement may be terminated at any time by either of the parties, upon notice, in the event that the other shall reasonably be deemed to be in violation of any substantial agreement with any material creditor under circumstances that would allow such creditor to accelerate the maturity date of a material financial obligation, or (1) be dissolved; (2) apply for or consent to the appointment of a receiver, trustee or liquidator for its properties or assets; (3) admit in writing its definitive inability to pay its debts as they mature; (4) make a general assignment for the benefit of creditors; (5) file a voluntary petition or be the subject of an involuntary petition in bankruptcy or an answer seeking reorganization in arrangement with creditors (which involuntary petition is not dismissed within [**] days), or take advantage of any bankruptcy, reorganization, insolvency or readjustment of debt law or statute, or file an answer admitting the material allegations of a petition filed against it in any proceedings under such a law or statute, or take any action for the purposes of effecting any of the foregoing; or (6) have any order, judgment or decree entered against it without the application, approval or consent of the concerned party, by any court of competent jurisdiction approving a petition seeking reorganization of its properties or assets or the appointment of a receiver, trustee or liquidator for it.

- 24.3 This Agreement may be terminated by the Licensor, in the event that any royalties or other amounts due to the Licensor by the Licensee have not been received within [**] days after their due date, provided that it has given [**] days written notice of such event to the Licensee and that the Licensee has failed to pay such amount within such [**] day period without prejudice to any proceedings for forced collection and to damages which may be filed by the Licensor.

- 24.4 This Agreement may be terminated by the Licensor in the event that the minima provided in [Article 23](#) have not been reached for [**], whatever the reason may be (except in case of Force Majeure as defined in [Article 27](#)), provided that the Licensor has given [**] written notice of such event to the Licensee.
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- 24.5 This Agreement may be terminated forthwith by the Licensor, upon notice to the Licensee by registered mail with notification of return receipt to sender, in the event of the indictment of the Licensee and/or one of its Affiliates and/or one of their officers or directors [***].
- 24.6 This Agreement may be terminated forthwith by the Licensor, upon notice to the Licensee by registered mail with notification of return receipt to sender, in the event of (i) a sanction imposed upon the Licensee by a public body or authority for failure to [***].
- 24.7 This Agreement may be terminated forthwith by the Licensor, upon notice to the Licensee by registered mail with notification of return receipt to sender, in the event of any direct or indirect involvement of the Licensee in [***].
- 24.8 This Agreement may be terminated by the Licensor, upon notice to the Licensee by registered mail with notification of return receipt to sender, if the Licensee fails to export, sell, and distribute the Lacoste Watches and Jewelry in any Priority Market within [***] after receiving such notice from the Licensor.
- 24.9 This Agreement may be terminated by the Licensor, upon notice to the Licensee by registered mail with notification of return receipt to sender, if the Licensee fails to spend (i) the yearly minimum promotional and/or advertising budget pursuant to Article 11.2.2 and/or the yearly minimum trade marketing budget pursuant to Article 11.2.3 for [***] or (ii) any carried-over amount of such yearly promotional and advertising budget and yearly trade marketing budget during [***] according to the provisions of Article 11.3.4. [***]
- 24.10 This Agreement may be terminated by the Licensor within [***] calendar days after the giving of a formal notice of termination without giving rise to any damages or compensation whatsoever, in the event of breach by the Licensee of Article 26.
- The Licensor shall be entitled to postpone its right to terminate this Agreement to assess the compatibility of the contemplated change with the Licensor and the Lacoste Brand Image.
- It within [***] following the receipt of the Licensee's notice of the occurrence of an event mentioned in Article 26, the Licensor has not implemented its right to terminate this Agreement, it shall continue in force until its normal expiry date, subject to the other provisions contained in this Article 24.
- 24.11 Notwithstanding the provisions of Article 19.4, this Agreement may be terminated by the Licensee if [***]. The Licensee shall have [***] after providing its previous calendar year's actual Net Sales pursuant to Article 7.2.8 to exercise such right of termination.
- In case of termination of this Agreement by the Licensee pursuant to this Article 24.11, the Licensee shall give the Licensor a [***] prior written notice, it being specified that the Licensee shall continue to pay the Minimum Guaranteed Royalties to the Licensor during said [***] period, with such Minimum Guaranteed Royalties for any partial year being the Minimum Guaranteed Royalties for the applicable year as set forth in Article 19.4, applied on a prorata temporis basis.
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ARTICLE 25 - PROVISIONS AT THE END OF TERMINATION

25.1 Upon the end of this Agreement for whatever reason:

- 25.1.1 all rights and licenses granted to the Licensee pursuant to this Agreement shall terminate and revert to the Licensor; and
- 25.1.2 all intellectual property rights on the Models developed by the Licensee shall be transferable to the Licensor, at no cost for the latter; and
- 25.1.3 subject to the provisions of Article 25.1.7, the Licensee shall immediately cease (i) to trade as a "Lacoste" licensee on the Date of Termination and (ii) to use the Styling Know-how, the Marketing and Merchandising Know-how and the Promotion and Advertising Know-how, the Lacoste Intellectual Property Rights, and shall not assist any third party to do so; and
- 25.1.4 the Licensee shall cancel at its own expense all government clearances it may have obtained with the appropriate governmental authorities with respect to the implementation of this Agreement; and
- 25.1.5 the Licensee shall, at Licensor's sole option, either deliver free of charge to the Licensor or to any third party designated by the Licensor, or dispose of, as agreed with the Licensor and at Licensee's costs, in an environmentally-friendly manner and in the presence of a representative of the Licensor, of all remaining advertising and promotional material, and in general all documents and items bearing or representing the Licensed Trademarks (catalogues, technical documents, POS materials, etc.) [***] the Licensor; and
- 25.1.6 the Licensee shall, at Licensor's sole option, either deliver free of charge to the Licensor or to any third party designated by the Licensor, or dispose of, as agreed with the Licensor and at Licensee's costs, in an environmentally-friendly manner and under the supervision of a duly accredited representative of the Licensor, all the molds, prints, computer bands, digital files or cards and, in general, all tools bearing, representing or used to replicate the Licensed Trademarks; and
- 25.1.7 the Licensor shall have the right, at its sole option, either to repurchase or have any third party it may wish to appoint repurchase all or part of the inventory of Lacoste Watches and Jewelry which the Licensee may have on hand at the Date of Termination at a price [***]. If less than all of Licensee's inventory of Lacoste Watches and Jewelry is purchased, the Licensee shall have the right to sell its remaining inventory for up to [***] thereafter, provided such sales are exclusively made [***] (the "Sell-Off Period").

In such event, the Licensee:

- shall not have any Lacoste Watches and Jewelry manufactured during the Sell-Off Period;
 - shall provide to the Licensor the detail, by reference, of the inventory of Lacoste Watches and Jewelry that the Licensee, its Sub-Licensees or its Distributors shall have in their possession, at least twice: at the beginning and at the end of the Sell-Off Period.
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Unless prohibited by applicable law, e.g., in the United States of America, in no event, shall the Licensee apply, during the [***] preceding the automatic termination of this Agreement or during any notice period under this Agreement as well as during the Sell-Off Period, a price policy which could be detrimental to the Lacoste Brand Image.

At the end of the Sell-Off Period, the remaining stocks shall have to be disposed as instructed by the Licensor, which may include gifts to charities, sales after removal of all Licensed Trademarks on products, upcycling and recycling after removal of all Licensed Trademarks on products (as applicable) etc. with detailed information to the Licensor about the disposal in particular the date and place, the methods of disposal and the types and exact quantities of stocks disposed of (excluding any such inventory in the stock of any retail stores owned by the Licensee or any of its affiliates).

- 25.2 In case of termination of this Agreement, the Licensee undertakes to maintain the warranty provided by the terms of Article 9.1.7 for a [***] period starting from the Date of Termination, unless a new licensee for the Lacoste Watches and Jewelry is chosen by the Licensor, in which case such new licensee shall assume the burden of such warranty.

The Licensee shall keep (or shall use reasonable efforts to cause any third party previously providing such service to maintain) the necessary inventory of parts and/or finished goods so as to be able to maintain such warranty, and shall transfer at its cost price this inventory to the new licensee for the Lacoste Watches and Jewelry of the Licensor.

- 25.3 The Licensee undertakes, during [***], to do whatever may be reasonably necessary to protect and safeguard the Lacoste Brand Image and facilitate the transition with a new licensee for the Lacoste Watches and Jewelry which may be chosen and/or approved by the Licensor or with the Licensor itself.

In particular, notwithstanding anything herein to the contrary, the Licensee undertakes that it shall not object in any manner whatsoever that a new licensee for the Lacoste Watches and Jewelry chosen by the Licensor and without claiming for this purpose any compensation, indemnities or remuneration from the new licensee and/or the Licensor itself:

- a) manufacture or has manufactured, directly or indirectly, any quantities of Lacoste watches and/or jewelry and/or supplies bearing the Lacoste Trademarks, visits any clients (including the Licensee's clients), takes any orders, makes any sales and deliveries, directly or indirectly, at the wholesale level, for collections of Lacoste watches and/jewelry to be sold, delivered, at the retail level, and retailed to end-consumers, immediately after [***], and
 - b) use intellectual property rights on the Models and the Lacoste Intellectual Property Rights, including in particular but not exclusively, the name "Lacoste" and the Crocodile, the Lacoste Trademarks, the Designs, the Copyrights, the Styling Know-how, the Marketing and Merchandising Know-how and the Promotion and Advertising Know-how, in connection with the creation, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of the Lacoste Watches and Jewelry in the Territory, it being specified that the new licensee for the Lacoste Watches and Jewelry or the Licensor itself may deliver Lacoste Watches and Jewelry to its clients [***], for retailing after such date, and
 - c) participate in the sales meetings of the Licensor, make general public statements or take general and public communication actions, which may include the names of the relevant entities, concerning the fact that a new licensee for the Lacoste Watches and Jewelry has been selected by the Licensor.
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- 25.4 The Licensee shall not, during the last [***] of any notice of termination period, or the [***] immediately preceding the automatic termination of this Agreement, manufacture or place orders of Lacoste Watches and Jewelry, without the Licensor's prior written consent.
- 25.5 The Licensee acknowledges and agrees that it is entering into this Agreement on the express understanding that its revenues from the manufacture and sale of Lacoste Watches and Jewelry under this Agreement are intended to be sufficient to compensate it fully for all risks, costs and expenses incurred in connection with this Agreement, including all costs and expenses incurred by the Licensee for its manufacture, sales, marketing, merchandising, advertising and promotion efforts to create what is commonly known as "goodwill" for the Licensed Trademarks, the Models and the Lacoste Watches and Jewelry.
- 25.6 Accordingly, upon the end of this Agreement, for whatever reason [***], the Licensee shall have no right to, and shall not claim from the Licensor, any further payment, indemnity or compensation for loss of goodwill or for any risks, costs or expenses incurred or developed by the Licensee during the term of this Agreement or in connection with this Agreement.
- 25.7 The Licensor shall have the right, during the [***] immediately preceding the automatic termination of this Agreement or during any notice period under this Agreement, to conduct reasonable due diligence of Licensee's business insofar as it is strictly related to the performance of the Agreement. [***].
- 25.8 It is expressly stipulated that the termination or the non-renewal of the Agreement, in whole or in part, shall mean that Licensee shall no longer be able to grant any rights to any Distributor, Approved Watches/Jewelry Retailer, Off-Price Retailer or any other third party relating to Lacoste Watches and Jewelry after such termination or non-renewal.
- 25.9 Notwithstanding anything to the contrary herein, termination of this Agreement will not affect accrued rights, indemnities, and existing commitments. Any contractual provision which, by its express terms or nature and context is intended to survive termination or expiration of this Agreement, will survive any such termination or expiration, including, but not limited to, the payment of invoices issued after the Date of Termination (e.g., in connection with the Sell-Off Period).

ARTICLE 26 - ASSIGNMENT – CHANGE OF CONTROL

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective authorized successors and assignees under the provisions of this Agreement.

The Licensee shall not assign, transfer, sell, pledge, charge or otherwise encumber this Agreement, whether in part or as a whole, be it in a given part of the Territory, whether in isolation or together with other licenses or assets, including as a result of a transaction including whole or part of the Licensee's business or division, without the prior written consent of the Licensor (save as expressly provided for in this Agreement and, *inter alia*, under the provision of Articles 5.2, 5.3 and 8.1).

Any transfer, by operation of law or otherwise, of the control of the Licensee, or of a [***] or greater interest in the Licensee (whether in one or in a series of transactions in the Licensee or in its ultimate controlling entity, whether of stock, partnership interest or otherwise), shall be deemed an unauthorized assignment of the Licensee's rights and interest under this Agreement to which the terms of Article 24.10 shall apply. Generally, any transaction (including but not limited to the issuance of stock to other than the existing shareholders), by the effect of which either the direct or indirect control of the Licensee would be changed to a company under a

different control than the current control of the Licensee is deemed an unauthorized transfer of that stock for the purposes of this Article 26. Notwithstanding the foregoing, no transaction or series of transactions shall be deemed to constitute an unauthorized assignment of the Licensee's rights and interest under this Agreement so long as both (i) the Licensee continues to be controlled, directly or indirectly, by Movado Group, Inc. and (ii) no one person or group of persons acting in concert shall have obtained a controlling interest in Movado Group, Inc., other than any person or group of persons acting in concert that has such a controlling interest on the date of this Agreement.

For the purpose hereof, the "control of the Licensee" shall mean the rights held by one or more persons (including through agreements existing between such persons) allowing it (or them) by its (their) voting rights or in any other manner to exercise a predominant influence on the Licensee or on its governing bodies. Notwithstanding the foregoing, any person, acting alone or together with other persons through agreements or in any other manner, holding, directly or indirectly, at least [***] of the voting rights of the Licensee shall be deemed to hold the control of the Licensee for the purpose of this Agreement.

The control of the Licensee as well as its shareholding, at the date of signature of this Agreement, are detailed in Schedule XV.

The Licensor may assign this Agreement or one of its rights hereunder to any of its Affiliates. The Licensor shall inform the Licensee of such transfer in due time.

ARTICLE 27 - FORCE MAJEURE

- 27.1 The parties shall not be liable for any damages or loss of any kind, arising from any delay or failure to perform (partially or totally) the obligations provided for in this Agreement caused by an event of force majeure, without there being however fault or negligence of the parties which rely thereon. Moreover, a reason for exoneration of responsibility under this Article 27.1 excludes thereby the possible right of the other party to terminate or cancel this Agreement due to the corresponding non-performance.

For the purposes of this Agreement, an event of force majeure is any event or cause which was unpredictable, when the Agreement entered into force, that is irresistible and is not within the will of the parties and which has for effect, directly or indirectly, to prevent or to render impossible the performance of an obligation set forth in this Agreement (for the purposes of this Agreement, and without limitation, any war, insurrection, strike, serious economic crisis, global pandemic declared by the World Health Organization, national restriction in transfer of royalties).

After the occurrence of an event of force majeure, the party concerned shall promptly send notice by registered letter, telex or fax, informing the other party of all the details of such event.

In all cases, the party who relies thereon shall take all useful and necessary measures to assure as rapidly as possible the normal resumption of the performance of this Agreement.

- 27.2 If the circumstances go beyond [***] and once the continuation of the Agreement appears to be possible upon adaptation, the parties shall co-ordinate to modify in good faith and in equity the necessary amendments.
- 27.3 If these negotiations do not produce results in a period of [***], the Agreement shall be readapted by a third party designated by the *Centre international d'expertise de la Chambre de Commerce Internationale*.
- 27.4 If the continuation of the Agreement does not appear to be possible even upon adapting this Agreement, the parties shall negotiate [***] the provisions permitting the termination of this Agreement.
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ARTICLE 28 - INDEMNIFICATION-INSURANCE

28.1 Indemnification

28.1.1 The Licensee confirms that, on its behalf and on behalf of the Sub-Licensees, Distributors, Sub-Contractors and Suppliers, it shall be solely responsible for the creation, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of the Lacoste Watches and Jewelry on or in connection with which the Licensed Trademarks and the Models are used and for the making of all representations, warranties and disclaimers used in the marketing and sale of the Lacoste Watches and Jewelry.

28.1.2 The Licensee shall accordingly both defend the Licensor and its Affiliates against all claims, actions, suits or proceedings and indemnify and hold the Licensor harmless from any and all resulting losses, liabilities, costs (including any and all related legal fees and expenses incurred by the Licensor) and damages (including punitive and exemplary damages) arising out of or in any way connected with tort liability arising from its retail activity or with the creation, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale or defective performance of the Lacoste Watches and Jewelry on or in connection with which the Licensed Trademarks and/or the Models are used.

Such indemnification shall include, but not be limited to, losses, liabilities, costs and/or damages alleged to be based upon (i) intentional or negligent conduct, (ii) strict liability, (iii) breach of warranty, (iv) misrepresentation, (v) Intellectual Property rights infringement (excluding any claim based upon the Licensed Trademarks), (vi) breach of contract or (vii) any other theory of liability pursuant to which damages and/or injunctive relief is sought against the Licensor as the result of the creation, development, manufacture, distribution, marketing, merchandising, advertising, promotion and sale of the Lacoste Watches and Jewelry.

28.1.3 Each party shall give prompt written notice to the other of any such claim, action, suit or proceeding which may be brought against them.

28.2 Product Liability

28.2.1 The Licensee shall have, and maintain at its own expense for the full term of this Agreement on its behalf and on behalf of the Sub-Licensees, Distributors, Sub-Contractors and Suppliers, general world-wide general liability including product liability and umbrella insurance policies (which shall explicitly cover the U.S.A. and Canada), including the Lacoste Watches and Jewelry issued by a carrier with an AM Best rating of at least [***], and having coverage in a minimum amount of [***] in the aggregate and standard terms for the US market (hereinafter the "**Insurance Policy**").

28.2.2 The Insurance Policy shall be for the benefit of the Licensee itself, its Sub-Licensees, Distributors, Sub-Contractors and Suppliers. The Insurance Policy shall provide coverage for any event causing personal, material or immaterial, consecutive or non-consecutive damage, which may occur after delivery, without limitation.

- 28.2.3 The Insurance Policy shall provide for at least [***] prior written notice to the Licensor and the Licensee in the event of cancellation or substantial modification of the policy.
- 28.2.4 The Licensee shall, [***] upon the Licensor's request, promptly supply or have supplied evidence, in the form and substance satisfactory to the Licensor, of the maintenance of the Insurance Policy, including and limited to certificates of insurance (with applicable riders and endorsements) and proof of premium payments.
- 28.2.5 Each party hereby agrees that the other party's liability under this Agreement shall be capped in any case to [***].

ARTICLE 29 - CAPACITY OF THE PARTIES

- 29.1 It is expressly agreed that, within the framework of this Agreement, the Licensee manufactures, purchases and resells the Lacoste Watches and Jewelry for its own account and acts as an independent trader both with respect to the Licensor and with respect to the Sub-Licensees, the Distributors, the Sub-Contractors, the Suppliers and its customers. Consequently, under no circumstances shall it enter into any agreement or take any action purporting to obligate the Licensor to third parties.
- 29.2 Nothing in this Agreement shall be construed to render either party liable for any debts or obligations of the other party and the parties shall in no way be considered agents or representatives of each other. Neither party shall have the authority to act for or bind the other.

ARTICLE 30 - GOVERNING LAW / ARBITRATION

- 30.1 This Agreement shall be governed by and construed in accordance with the laws of France.
- 30.2 The parties shall attempt to settle amicably all disputes. Irrespective of their future domicile or residence, the parties agree that any controversy or claim arising out of or in connection with this Agreement or the breach thereof, shall be finally settled by arbitration under the *Rules of Arbitration of the International Chamber of Commerce* by one or more arbitrators appointed in accordance with said *Rules*.
- 30.3 Any such arbitration proceedings shall take place in Paris (France), and shall be conducted in the English language.
- 30.4 Each party shall be bound by, and agrees to perform in accordance with, any award resulting from the arbitration proceedings (or pre-arbitral proceedings, as the case may be) described above. Such award, when issued, shall be final and non-appealable, and judgment upon the award may be entered in any Court having jurisdiction thereof.
- 30.5 Notwithstanding the foregoing, the Licensor may bring actions against infringement of its intellectual property rights by the Licensee or any of its Affiliates or their personnel or representatives, including but not limited to securing injunctive or other extraordinary relief in the courts in the jurisdiction of the Territory.
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ARTICLE 31 - MISCELLANEOUS

- 31.1 [***], the Licensee shall forward to the Licensor an updated list setting out the details (corporate names, corporate addresses, contact points i.e., names, responsibilities, e-mail addresses, and the type of products/components/accessories manufactured, as the case may be) of current Sub-Licensees, Sub-Contractors, Suppliers, Distributors, Approved Watches/Jewelry Retailers and Off-Price Retailers.
- 31.2 The Licensee shall, at its own expense, in the Territory, and the Licensor shall, at its own expense, in France and Switzerland, execute any documents required to comply with the laws and requirements of the respective countries with respect to declaring, recording or otherwise rendering this Agreement effective.
- 31.3 Any notices, demands, requests, consents, approvals or other communications, faxes or telexes, hand delivery notices, given or made, or required to be given or made to a party under this Agreement shall be deemed effective on the earlier of the date of actual personal delivery or deposit, air mail, postage prepaid, in the registered mail of the country of origin, sent to:
- 31.3.1 for the Licensor:
- The *Président* of Lacoste, with a copy to SPL and LCA; and
- 31.3.2 for the Licensee:
- the President of MGI Luxury Group GmbH, with a copy to General Counsel, Movado Group, Inc., 650 From Road, Paramus, NJ 07652, USA.
- Any change of address shall be accomplished only by providing written notice to the other party to this Agreement.
- 31.4 No rights of any party arising out of this Agreement, or any provision hereof, shall be waived except in writing. Failure by either party to exercise or enforce, in any one or more instances, any of the terms or conditions of this Agreement shall not constitute or be deemed a waiver of that party's right thereafter to enforce the terms and conditions of this Agreement.
- 31.5 This Agreement and the Schedules hereto constitute the entire understanding of the parties with respect to the subject matter hereof, and the rights, obligations, and interests of any party as they may pertain herein may not otherwise be changed, modified or amended except by the written agreement of the party to be charged.
- 31.6 If at any time any party hereto shall deem or be advised that any further assignments, licenses, assurances in law or other acts or instruments, including lawful oaths, are necessary or desirable to vest in it the rights provided for herein, the parties hereto agree to do all acts and execute all documents as may reasonably be necessary or proper for that purpose or otherwise to carry out the intent of this Agreement.
- 31.7 In case any one or more of the provisions contained herein shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein, unless the deletion of such
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provision or provisions would result in such a material change as to cause completion of the transactions contemplated herein to be unreasonable.

- 31.8 The rights and obligations of the parties hereto under this Agreement shall be subject to all applicable laws, orders, regulations, directions, restrictions and limitations of the Government having jurisdiction on the parties hereto.
- 31.9 In the event, however, that any such law, order, regulation, direction, restriction or limitation, or construction thereof, shall substantially alter the relationship between the parties under this Agreement or the advantages derived from such relationship, or shall prevent the performance of any provision of this Agreement, the adversely affected party may request the other party hereto to modify this Agreement, and if within [***] calendar days subsequent to the making of such request, the parties hereto are unable to agree upon a mutually satisfactory modification hereof, then the adversely affected party may terminate this Agreement by giving [***] days' notice not later than [***] following the end of such [***] day period.
- 31.10 Notwithstanding, anything contained herein to the contrary no third party other than a party hereto is intended to or shall have any legal or equitable right, remedy or claim under this Agreement or any part thereof, as against any party to this Agreement, it being understood that the provisions of this Agreement are for the sole benefit of the parties hereto and no other party shall be or be deemed a third party beneficiary of this Agreement.
- 31.11 This Agreement shall be binding upon the parties, their successors, and their assigns to the extent consistent with the provisions of Article 26.
- 31.12 This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.
- 31.13 Paragraph headings of this Agreement are for convenience only and shall not be construed as a part of this Agreement or as a limitation on the scope of any terms or provisions of this Agreement.
-

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers at the dates indicated below.

Lacoste S.A.S. Sporloisirs S.A.

août 11, 2022 août 11, 2022 August 30, 2022

/s/ Thierry Guibert /s/ Ron Aufseesser /s/ Jean-Yves Bieri

T. GUIBERT R. AUFSEESSER J.-Y. BIERI

Lacoste Alligator S.A. MGI Luxury Group GmbH

août 11, 2022 August 30, 2022 August 30, 2022 August 30, 2022

/s/ Ron Aufseesser /s/ Jean-Yves Bieri /s/ Flavio Pellegrini /s/ Sallie DeMarsilis

R. AUFSEESSER J.-Y. BIERI F. PELLIGRINI Sallie DEMARSILIS

SCHEDULE I

The Licensed Trademarks

SCHEDULE II

The Crocodile

SCHEDULE III

**III.a - Countries in which the Lacoste Trademarks
belong to Lacoste**

**III.b - Countries in which the Lacoste Trademarks
belong to SPL**

**III.c - Countries in which the Lacoste Trademarks
belong to LCA**

SCHEDULE IV

The Lacoste Watches and Jewelry

Watches for men, women, children

Time-keeping devices

Cases for watches and time-keeping devices

Bracelets, straps and components for watches

Fashion Jewelry for men, women, children

SCHEDULE V

The Lacoste Apparel Products

SCHEDULE VI

The Lacoste Accessories

SCHEDULE VII

Points of sale

VII.a - Approved Watches/Jewelry Retailers

**VII.b - Members of the Lacoste Boutiques and Lacoste
Corners Selective Distribution System**

VII.c - Factory Outlets and Off-Price Retailers

SCHEDULE VIII

Lacoste Partners' Charter of Ethics in force at the Effective Date

SCHEDULE IX

SCHEDULE X

Approved Lacoste Watches and Jewelry Internet Retailer Contract

SCHEDULE XI

Promotion and advertising

SCHEDULE XII

Trade Marketing

SCHEDULE XIII

Lacoste Regulatory Specification in force at the Effective Date

SCHEDULE XIV

Business plan

SCHEDULE XV

Control of the Licensee (as defined in Article 26) at the date of signature of this Agreement

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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: November 22, 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: November 22, 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 October 31, 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: November 22, 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 October 31, 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: November 22, 2022

/s/ Sallie A. DeMarsilis

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