

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-Q

X Quarterly report pursuant to Section 13 or 15(d) of the Securities

-----  
Exchange Act of 1934

For the quarterly period ended October 31, 1996  
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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 \_\_\_\_\_

MOVADO GROUP, INC.

-----  
(Exact Name of Registrant as Specified in Its Charter)

New York

13-2595932

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

-----  
(IRS Employer  
Identification No.)

(201)-406-4800

(Registrant's Telephone Number, Including Area Code)

-----  
(Former Name, Former Address and Former Fiscal Year, if Changed  
Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No .  
-----

APPLICABLE ONLY TO ISSUERS INVOLVED IN  
BANKRUPTCY PROCEEDINGS DURING THE  
PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No  
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APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of December 12, 1996 the rgeistrant had 2,586,891 shares of Class A Common Stock, par value \$0.01 per share, outstanding and 3,440,806 shares of Common Stock, par value \$0.01 per share, outstanding.

## MOVADO GROUP, INC.

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PART 1 - FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

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

|   | OCTOBER, 31<br>1996<br>----- | OCTOBER 31,<br>1995<br>----- | JANUARY 31,<br>1996<br>----- |
|---|------------------------------|------------------------------|------------------------------|
| <b>ASSETS</b>   |                              |                              |                              |
| Current assets:   |                              |                              |                              |
| Cash  | \$ 4,040                     | \$ 5,770                     | \$ 3,829                     |
| Trade receivables, net  | 112,701                      | 99,591                       | 75,335                       |
| Inventories   | 102,894                      | 96,664                       | 89,101                       |
| Other   | 10,972                       | 11,833                       | 12,521                       |
|   | -----                        | -----                        | -----                        |
| Total current assets  | 230,607                      | 213,858                      | 180,786                      |
|   | -----                        | -----                        | -----                        |
| Plant, property and equipment, net  | 14,312                       | 12,274                       | 11,794                       |
| Other assets  | 8,338                        | 7,827                        | 7,800                        |
|   | -----                        | -----                        | -----                        |
|   | \$ 253,257                   | \$ 233,959                   | \$ 200,380                   |
|   | =====                        | =====                        | =====                        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                              |                              |                              |
| Current liabilities:  |                              |                              |                              |
| Loans payable to banks  | \$ 43,859                    | \$ 35,778                    | \$ 8,782                     |
| Accounts payable  | 20,681                       | 18,415                       | 22,042                       |
| Accrued liabilities   | 17,012                       | 13,971                       | 9,289                        |
| Deferred and current taxes payable  | 9,129                        | 9,230                        | 7,994                        |
|   | -----                        | -----                        | -----                        |
| Total current liabilities   | 90,681                       | 77,394                       | 48,107                       |
|   | -----                        | -----                        | -----                        |
| Long-term debt  | 45,000                       | 40,000                       | 40,000                       |
| Deferred and non-current foreign income taxes   | 4,033                        | 3,860                        | 3,860                        |
| Other liabilities   | 3,396                        | 3,909                        | 3,572                        |
|   | -----                        | -----                        | -----                        |
| Shareholders' equity:   |                              |                              |                              |
| Preferred Stock, \$0.01 par value,<br>5,000,000 shares authorized; no shares issued   |                              |                              |                              |
| Common Stock, \$0.01 par value,<br>20,000,000 shares authorized; 3,431,732, 3,411,410 and<br>3,426,610 shares issued, respectively                          | 34                           | 34                           | 34                           |
| Class A Common Stock, \$0.01 par value,<br>10,000,000 shares authorized; 2,588,891, 2,588,891, and<br>2,588,891 shares issued and outstanding, respectively | 26                           | 26                           | 26                           |
| Capital in excess of par value  | 34,315                       | 34,009                       | 34,252                       |
| Retained earnings   | 68,335                       | 57,638                       | 60,319                       |
| Cumulative translation adjustment   | 7,565                        | 17,217                       | 10,338                       |
| Treasury Stock, 9,201 shares, at cost   | (128)                        | (128)                        | (128)                        |
|   | -----                        | -----                        | -----                        |
|   | 110,147                      | 108,796                      | 104,841                      |
|   | -----                        | -----                        | -----                        |
|   | \$ 253,257                   | \$ 233,959                   | \$ 200,380                   |
|   | =====                        | =====                        | =====                        |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

|  | NINE MONTHS ENDED OCTOBER 31, |           | THREE MONTHS ENDED OCTOBER 31, |           |
|--|-------------------------------|-----------|--------------------------------|-----------|
|  | 1996                          | 1995      | 1996                           | 1995      |
| Net sales                              | \$158,629                     | \$140,269 | \$ 76,864                      | \$ 68,079 |
| Costs and expenses:                    |                               |           |                                |           |
| Cost of sales                          | 70,681                        | 65,909    | 33,897                         | 31,947    |
| Selling, general and administrative    | 72,568                        | 60,863    | 31,439                         | 25,468    |
|  | 143,249                       | 126,772   | 65,336                         | 57,415    |
| Operating income                       | 15,380                        | 13,497    | 11,528                         | 10,664    |
| Net interest expense                   | 3,490                         | 3,650     | 1,367                          | 1,369     |
| Income before income taxes             | 11,890                        | 9,847     | 10,161                         | 9,295     |
| Provision for income taxes             | 3,330                         | 2,954     | 2,811                          | 2,789     |
| Net income                             | \$ 8,560                      | \$ 6,893  | \$ 7,350                       | \$ 6,506  |
| Income per share:                      | \$ 1.42                       | \$ 1.15   | \$ 1.22                        | \$ 1.08   |
| Shares used in per share computations: | 6,009                         | 5,998     | 6,011                          | 6,003     |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

|   | NINE MONTHS ENDED OCTOBER 31, |          |
|---|-------------------------------|----------|
|   | 1996                          | 1995     |
| Cash flows from operating activities:   |                               |          |
| Net income  | \$ 8,560                      | \$ 6,893 |
| Adjustments to reconcile net income to net cash used in operating activities: |                               |          |
| Depreciation and amortization   | 2,691                         | 2,381    |
| Deferred and non-current foreign income taxes                                 | (530)                         | (307)    |
| Provision for losses on accounts receivable                                   | (5)                           | (560)    |
| Changes in current assets and liabilities:                                    |                               |          |
| Trade receivables   | (37,471)                      | (30,597) |
| Inventories   | (14,975)                      | (8,584)  |
| Other current assets  | (2,694)                       | 5,606    |
| Accounts payable  | 125                           | (4,807)  |
| Accrued liabilities   | 7,867                         | 4,916    |
| Deferred and current taxes payable  | 2,326                         | 2,547    |
| (Increase) decrease in other non-current assets                               | (1,204)                       | 938      |
| Increase in other non-current liabilities                                     | 223                           | 875      |
| Net cash used in operating activities   | (35,087)                      | (20,699) |
| Cash flows used for investing activities:                                     |                               |          |
| Capital expenditures  | (4,382)                       | (2,292)  |
| Goodwill, trademarks and other intangibles                                    | (69)                          | (99)     |
| Net cash used in investing activities   | (4,451)                       | (2,391)  |
| Cash flows from financing activities:   |                               |          |
| Net proceeds from current borrowings under lines of credit                    | 35,641                        | 24,915   |
| Proceeds from long-term debt  | 5,000                         | --       |
| Principal payments under capital leases                                       | (365)                         | (621)    |
| Exercise of stock options   | 63                            | 6        |
| Purchase of treasury stock  | --                            | (128)    |
| Dividends paid  | (529)                         | (443)    |
| Net cash provided by financing activities                                     | 39,810                        | 23,729   |
| Effect of exchange rate changes on cash                                       | (61)                          | 235      |
| Net decrease in cash  | 211                           | 874      |
| Cash at beginning of period   | 3,829                         | 4,896    |
| Cash at end of period   | \$ 4,040                      | \$ 5,770 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## BASIS OF PRESENTATION

The accompanying 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 financial statements included in the Company's fiscal 1996 Annual Report filed on form 10-K. In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the periods presented. These consolidated financial statements should be read in conjunction with the aforementioned annual report.

## NOTE 1 - RECLASSIFICATION

Certain amounts from prior years have been reclassified to conform to the fiscal 1997 presentation.

## NOTE 2 - INVENTORIES

Inventories consist of the following (in thousands):

|                                     | OCTOBER 31,<br>1996 | JANUARY 31,<br>1996 |
|-------------------------------------|---------------------|---------------------|
|                                     | -----               | -----               |
| Finished goods                      | \$ 61,392           | \$ 51,034           |
| Work-in-process and component parts | 41,502              | 38,067              |
|                                     | -----               | -----               |
|                                     | <u>\$102,894</u>    | <u>\$ 89,101</u>    |
|                                     | =====               | =====               |

## NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION

The following is provided as supplemental information to the consolidated statements of cash flows (in thousands):

|  | NINE MONTHS<br>ENDED OCTOBER 31, |         |
|--|----------------------------------|---------|
|  | -----                            |         |
|  | 1996                             | 1995    |
|  | ----                             | ----    |
| Cash paid during the period for:             |                                  |         |
| Interest                                     | \$2,727                          | \$3,010 |
| Income taxes                                 | 1,745                            | 1,127   |
| Non-cash investing and financing activities: |                                  |         |
| Equipment acquired under capital leases      | \$ 198                           | \$ 116  |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Nine months ended October 31, 1996 compared to nine months ended October 31, 1995.

**Net Sales.** Net sales increased 13.1% to \$158.7 million from \$140.3 million for the nine months ended October 31, 1996 and October 31, 1995, respectively. The increase was attributable to a 15.7% increase in domestic sales reflecting growth in the Company's Concord, Movado and ESQ brands. International sales increased 2.5%.

**Gross Margins.** Gross profit for the nine months ended October 31, 1996 was \$87.9 million (55.4% of net sales) as compared to \$74.4 million (53.0% of net sales) for the comparable prior year period. The increase in margin is mainly attributable to the Company continuing to experience a shift in overall sales mix toward its higher margin Movado, Concord and Esquire brands, as well as a strengthening of the U.S. dollar against the Swiss franc which affects the Company's product acquisition costs.

**Operating Expenses.** Operating expenses increased 19.2% for the nine months ended October 31, 1996 to 45.7% of net sales from 43.4% of net sales for the comparable prior year period. Excluding the effect of a one-time, pre-tax charge of \$600,000 included in last year's results, operating expenses increased approximately \$12.3 million. The increase in operating expenses is mainly attributable to increases in advertising, marketing and other variable costs related to higher sales volumes.

**Interest Expense.** Net interest expense, which consists primarily of interest on the Company's \$40,000,000 of 6.56% Senior Notes and borrowings against its working capital and revolving lines of credit, was \$3.5 million for the nine months ended October 31, 1996 as compared to \$3.7 million for the comparable prior year period. The lower interest expense is mainly due to a reduction in average interest rates partially offset by increased average amounts outstanding, as compared to the period ended October 31, 1995.

**Income Taxes.** The Company recorded a provision for income taxes of \$3.3 million for nine months ended October 31, 1996 as compared to a provision of \$3.0 million for the comparable prior year period. Taxes were provided at a 28% effective rate which the Company believes will approximate the effective annual rate for fiscal 1997; however, there can be no assurance of this as it is dependent on a number of factors including: mix of foreign to domestic earnings, local statutory tax rates and utilization of net operating losses. The 28% effective rate differs from the United States statutory rate due to the mix of earnings between the Company's U.S. and international operations, the most significant of which are located in Switzerland. The Company's international operations are generally subject to tax rates that are significantly lower than U.S. statutory rates.

Three months ended October 31, 1996 compared to three months ended October 31, 1995.

**Net Sales.** Net sales increased 12.9% to \$76.9 million from \$68.1 million for the three months ended October 31, 1996 and October 31, 1995, respectively. The increase was attributable to a 9.9% increase in domestic sales reflecting unit sales increases in the Company's Movado and ESQ brands. International sales for the quarter increased 33%.

**Gross Margins.** Gross profit for the three months ended October 31, 1996 was \$43.0 million (55.9% of net sales) as compared to \$36.1 million (53.1% of net sales) for the comparable prior year period. The increase in margin is mainly attributable to the Company continuing to experience a shift in overall sales mix toward its higher margin Movado, Concord and ESQ brands as well as a strengthening of the U.S. dollar against the Swiss franc which affects the Company's product acquisition costs.

**Operating Expenses.** Operating expenses increased 23.4% for the three months ended October 31, 1996 to 40.9% of net sales from 37.4% of net sales for the comparable prior year period. Operating expenses increased approximately \$6.0 million. The increase in operating expenses is mainly attributable to increases in advertising, marketing and other variable costs related to higher sales volumes.

**Interest Expense.** Net interest expense, which consists primarily of interest on the Company's \$40,000,000 of 6.56% Senior Notes and borrowings against its working capital and revolving lines of credit, was \$1.4 million for the three months ended October 31, 1996 and 1995, respectively. Interest expense remained flat as compared with the prior year period as a result of a slight decrease in interest rates on the working capital lines offset by higher average borrowings.

**Income Taxes.** The Company recorded a provision for income taxes of \$2.8 million for three months ended October 31, 1996 as compared to a provision of \$2.8 million for the comparable prior year period. Taxes were provided at a 28% effective rate which the Company believes will approximate the effective annual rate for fiscal 1997; however, there can be no assurance of this as it is dependent on a number of factors including: mix of foreign to domestic earnings, local statutory tax rates and utilization of net operating losses. The 28% effective rate differs from the United States statutory rate due to the mix of earnings between the Company's U.S. and international operations, the most significant of which are located in Switzerland. The Company's international operations are generally subject to tax rates that are significantly lower than U.S. statutory rates.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs have been, and are expected to remain, primarily a function of its seasonal working capital requirements which have increased due to significant growth in domestic sales over the two previous years. The Company's business is not capital intensive and liquidity needs for capital investments have not been significant in relation to the Company's overall financing requirements.

The Company has met its liquidity needs primarily through funds from operations and bank borrowings under working capital lines of credit with domestic and Swiss banks. The Company's domestic lines of credit were renewed during the third quarter. The Company has also entered into a revolving credit agreement with its domestic banks. Funds available under this agreement are in addition to the Company's working capital lines. The Company's debt to total capitalization ratio was 44.7% at October 31, 1996, 41.1% at October 31, 1995 and 31.8% at January 31, 1996. The increase from January 31, 1996 was primarily the result of the Company financing seasonal working capital requirements under its working capital lines of credit.



The Company's net working capital consisting primarily of trade receivables and inventories amounted to \$139.9 million at October 31, 1996, \$136.4 million at October 31, 1995 and \$132.7 million at January 31, 1996.

Accounts receivable at October 31, 1996 were \$112.7 million as compared to \$99.6 million at October 31, 1995 and \$75.3 million at January 31, 1996. The increase in the receivables was primarily the result of the Company's increased domestic sales volume and the timing of shipments during the third quarter of fiscal 1997.

Inventories at October 31, 1996 were \$102.9 million as compared to \$96.7 million at October 31, 1995 and \$89.1 million at January 31, 1996. The increase in inventories reflects both the seasonal build in inventories as well as the expansion of the company's sales base and product line.

The Company's fiscal 1997 year-to-date capital expenditures approximate \$4.4 million compared to \$2.3 million through October 31, 1995. Expenditures were primarily related to improvements in the Company's management and sales management information systems, costs incurred in connection with the expansion of domestic distribution operations and the move of the Company's Swiss distribution operations. Additionally, costs related to the company's new Piaget flagship store in New York City are included in fiscal 1997. The Company expects that its annual capital expenditures in fiscal year 1997 will exceed the average levels experienced over the last three fiscal years due to planned improvements in management information systems, expansion of its retail store network, including the Piaget store, and the expansion of distribution operations to support continued sales growth.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

## (a) Exhibits

- 10.1 Line of Credit Letter Agreement dated August 30, 1996, signed September 18, 1996 between The Chase Manhattan Bank and the Registrant.
- 10.2 Letter Agreement dated August 9, 1996 amending line of credit letter agreement dated May 31, 1995 between Fleet Bank, NA and the Registrant.
- 10.3 Line of Credit Letter Agreement dated November 13, 1996 between Marine Midland Bank and the Registrant.
- 10.4 Amended and restated Movado Group, Inc. Deferred Compensation Plan for Executives dated June 15, 1996.
- 10.5 Movado Group, Inc. 1996 Stock Incentive Plan amending and restating 1993 Employee Stock Option Plan.
- 10.6 Movado Group, Inc. Annual Incentive Compensation Plan for fiscal year 1997.
- 11. Computation of net income per share.
- 27. Financial schedules.

(b) Reports on Form 8-K  
None

## SIGNATURES

Pursuant to the requirements of the Securities and 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: December 13, 1996

By: /s/ Kenneth J. Adams

-----  
Kenneth J. Adams  
Senior Vice President and  
Chief Financial Officer  
(Chief Financial Officer)

Dated: December 13, 1996

By: /s/ John J. Rooney

-----  
John J. Rooney  
Corporate Controller  
(Principal Accounting Officer)

## EXHIBIT INDEX

| EXHIBIT<br>NUMBER<br>----- | DESCRIPTION<br>-----   |
|----------------------------|--|
| 10.1                       | Line of Credit Letter Agreement dated August 30, 1996, signed September 18, 1996 between The Chase Manhattan Bank and the Registrant.        |
| 10.2                       | Letter Agreement dated August 9, 1996 amending line of credit letter agreement dated May 31, 1995 between Fleet Bank, NA and the Registrant. |
| 10.3                       | Line of Credit Letter Agreement dated November 13, 1996 between Marine Midland Bank and the Registrant.                                      |
| 10.4                       | Amended and restated Movado Group, Inc. Deferred Compensation Plan for Executives dated June 15, 1996.                                       |
| 10.5                       | Movado Group, Inc. 1996 Stock Incentive Plan amending and restating 1993 Employee Stock Option Plan.   |
| 10.6                       | Movado Group, Inc. Annual Incentive Compensation Plan for fiscal year 1997.  |
| 11.                        | Computation of net income per share.   |
| 27.                        | Financial schedules.   |

THE CHASE MANHATTAN BANK  
270 Park Avenue  
New York, NY 10017-2070

August 30, 1996

Mr. Kenneth J. Adams  
Senior Vice President and Chief Financial Officer  
Movado Group, Inc.  
125 Chubb Avenue - 4th Floor  
Lyndhurst, New Jersey 07071

Re: LINE OF CREDIT

Dear Ken:

Upon the terms outlined below, The Chase Manhattan Bank (the "Bank"), is prepared in its sole discretion to offer a line of credit (the "Line of Credit") of up to a maximum amount of Twelve Million Five Hundred Thousand Dollars (\$12,500,000) to Movado Group, Inc. (the "Company"), the proceeds of which are for working capital and to finance the seasonal increases in assets.

The advances, if any, under the Line of Credit will be for loans, stand-by and/or commercial letters of credit. The maximum amount of such advances under the Line of Credit cannot exceed the Line of Credit Availability (as hereinafter defined); PROVIDED HOWEVER, that the aggregate face amount of stand-by letters of credit will not at any time exceed U.S. \$500,000.

Loans shall be available in U.S. Dollars and Swiss Francs. In any determination of the aggregate outstanding amount of advances in U.S. Dollars under the Line of Credit, the U.S. Dollar equivalent of any loans denominated in Swiss Francs will be calculated using the spot rate at which the Bank at its principal office offers to exchange Swiss Francs for U.S. Dollars in New York City at 11:00 a.m. (New York City time) two business days prior to the date on which such equivalent is to be calculated.

For the purposes of this Line of Credit, the following terms have the following meanings:

"Line of Credit Availability" for any date means (a) U.S. \$12,500,000 LESS (b) the Excess Foreign Exchange Amount on such date.

"Excess Foreign Exchange Amount" for any date means (a) the cost to Chase in U.S. Dollars of replacing its foreign exchange contracts with the Company on such date in excess of (b) U.S. \$1,875,000.

**INTEREST RATE:** The loans will bear interest at the following rates as selected by the Company at the time of each borrowing request: (1) a fixed rate equal to the (a) one, two, three, or six month reserve adjusted London Interbank Offered Rate plus 100 basis points, (b) 30, 60, 90, or 180 day adjusted certificate of deposit rate plus 125 basis points, or (c) a rate offered by the Bank and accepted by the Borrower for borrowings of one to twenty-nine days; or (2) a variable rate equal to the Prime Rate. "Prime Rate:" shall mean that rate of interest from time to time announced by the Bank at its head office as its prime commercial lending rate.

**LETTER OF CREDIT FEES:** Fees relating to any letter of credit shall be determined by the Bank on the date of the issuance of such letter of credit.

**REPAYMENTS:** The terms relating to the repayment of any loan or reimbursement obligation relating to any letter of credit shall be set forth in the documentation (satisfactory in form and substance to the Bank) evidencing such loan or letter of credit.

**MANDATORY PREPAYMENT:** In the event that the U.S. Dollar equivalent of all advances under this Line of Credit shall exceed the Line of Credit Availability, the Company agrees to prepay promptly an amount of loans equal to such excess. If, after the repayment of all outstanding loans, the U.S. Dollar equivalent of all advances under this Line of Credit remains in excess of the Line of Credit Availability, the Company shall deliver to the Bank cash in amount equal to such excess and such cash shall be held as collateral security for the payment of obligations relating to letters of credit.

**MAINTENANCE OF INSURANCE:** The Company will maintain adequate insurance coverage in amounts acceptable to the Bank.

3  
LIMITATION ON  
DISTRIBUTIONS AND  
RESTRICTED  
INVESTMENTS:

The Company will not:

- (a) Declare or pay any dividends (other than dividends payable solely in common stock);
- (b) Make other distributions on any class of the Company's capital stock;
- (c) Acquire or permit the Company or any Subsidiary to acquire shares of the Company's capital stock; or
- (d) Make any Restricted Investment as defined in the Prudential Note Agreement;

if, after giving effect thereto, the sum of all payments listed in (a) through (d) above, since February 1, 1993, would exceed:

- (i) 50% of the Consolidated Net Income (as defined in the Prudential Note Agreement) less 100% of any Consolidated Net Loss since February 1, 1993 (calculated as of the end of each fiscal year), plus;
- (ii) \$3,600,000.

For the purposes hereof, "Prudential Note Agreement" means the Prudential Note Agreement dated November 9, 1993 between The Prudential Insurance Company of America ("Prudential") and the Company pursuant to which the Company issued \$40 million of 6.56% Senior Notes due 2005.

CLEAN-UP: No loan amounts may be outstanding under the Line of Credit during one thirty (30) consecutive day period between January 31, 1997 and March 31, 1997.

NEGATIVE PLEDGE: The Company shall not create, incur, assume or suffer to exist any liens on any of its accounts receivable or inventory, or pledge any of its common stock.

REPORTING REQUIREMENTS:

The Company will provide the following to the Bank:

1. Unaudited quarterly financial statements. As soon as available and in any event within seventy-five (75) days after the end of each of the first three quarters of each fiscal year of the Company, consolidated and consolidating balance sheets of the Company and its subsidiaries as of the end of such quarter, consolidated statements of changes in shareholder's equity and cash flows of the Company and its subsidiaries as of the end of such quarter and consolidated and consolidating statements of income and retained earnings of the Company and its subsidiaries for the period commencing at the end of

the respective consolidated figures for the corresponding date and period in the previous fiscal year and ending with the end of such quarter, stating in comparative form consistently applied and certified by the chief financial officer of the Company (subject to year end adjustments). Certification by the chief financial officer may take the form of a written statement to the effect that, "To the best of my knowledge these financial statements fairly present all assets and liabilities, both direct and contingent, and all sources of income and expense of the Company".

2. Annual financial statement. As soon as available and in any event within one hundred and twenty (120) days after the end of each fiscal year of the Company, consolidated and consolidating balance sheets of the Company and its subsidiaries as of the end of such fiscal year, consolidated statements of changes in shareholder's equity and cash flows of the Company and its subsidiaries as of the end of such fiscal year and consolidated and consolidating statements of income and retained earnings of the Company and its subsidiaries for such fiscal year, starting in comparative form the respective consolidated figures for the corresponding date and period in the prior fiscal year and all prepared in accordance with generally accepted accounting principles consistently applied and as to the consolidated statements accompanied by an opinion thereon acceptable to the Bank by an independent accountant selected by the Company and acceptable to the Bank.
3. Quarterly financial statements. As soon as available and in any event within seventy-five (75) days after the end of each fiscal quarter, evidence of compliance (in form and substance satisfactory to the Bank) with the Prudential Note Agreement Financial Covenants. The Company will provide prompt notification of any violation or modification of such covenant.
4. Weekly financial statements. As soon as available and in any event within two (2) days after the end of each week, a marked to market position report (in form and substance satisfactory to the Bank) on all outstanding foreign exchange contracts.
5. Annual projections. As soon as available, and in any event, within ninety (90) days after the end of each fiscal year of the Company, annual projections of the Company for the next fiscal year in a form acceptable to the Bank.
6. Any documents or notifications related to the Prudential Note Agreement.
7. Other financial information as requested by the Bank.

The Bank will continue to offer the Line of Credit until October 31, 1997, unless earlier terminated by the Bank or the Company. If the Bank should terminate this Line of Credit, it will notify the Company orally and confirm the same in writing. Although no further advances will then be available under this Line of Credit, outstanding loans will only mature according to the terms of the notes evidencing the loans.

7 This letter does not constitute a commitment or in any way obligate the Bank to lend whether or not the conditions stated herein are satisfied, and is issued subject to the Bank, in its sole discretion, continuing to be satisfied with the financial condition and economic prospects of the Company and the maintenance of a satisfactory relationship with the Bank.





[FLEET LETTERHEAD]

FLEET BANK  
1133 Avenue of the Americas  
New York, NY 10036

August 9, 1996

North American Watch Company,  
a division of Movado Group, Inc.,  
125 Chubb Avenue  
Lyndhurst, New Jersey 07071

Re: Letter Agreement dated May 31, 1995 (as amended, the "Letter Agreement"; capitalized terms are used herein as defined therein) between Fleet Bank, N. A. (formerly NatWest Bank N.A.) (the "Bank") and North American Watch Company (now a division of Movado Group, Inc.) (the "Company")

Ladies and Gentlemen:

We are please to confirm that we have extended the \$12,500,000 Advised Line and the \$15,000,000 FX Line for the Company on the same terms and conditions as set forth in the Letter Agreement; provided, however, that (i) availability under the Advised Line is hereby extended to August 8, 1997 (and all Loans and Acceptances shall mature on and all letters of Credit shall expire no later than that date) and (ii) availability under the FX Line is hereby extended to August 8, 1997.

This extension shall be effective upon our receipt of the enclosed copy of this letter signed by the Company and receipt of the enclosed Endorsement No. 1 to the promissory note dated as of May 31, 1995, as amended, duly executed by the Company.

Very truly yours,

FLEET BANK, N.A.  
(formerly NatWest Bank N.A.)

By: /s/ Signature Illegible  
-----  
Title: Vice President  
-----

ACCEPTED AND AGREED:

NORTH AMERICAN WATCH COMPANY,  
a division of MOVADO GROUP, INC.

By: /s/ Signature Illegible  
-----  
Title: Chief Operating Officer  
-----

ENDORSEMENT NO. 1

The undersigned, NORTH AMERICAN WATCH COMPANY, a division of MOVADO GROUP, INC. (the "Borrower") and FLEET BANK, N.A. (formerly NatWest Bank N.A.) (the "Bank") hereby agree that the \$12,500,000 Promissory Note of the Borrower in favor of the Bank dated as of May 31, 1995, as amended (the "Note"), to which this Endorsement is attached is hereby amended as follows:

The maturity of the Note is extended to August 8, 1997 and accordingly the reference to the Maturity Date on the first line of the Note is modified to read August 8, 1997.

All references to "NatWest Bank N.A." or "NatWest" or "NatWest Bank" are, effective as of May 1, 1996 deemed to refer to "Fleet Bank, N.A.".

Except as expressly amended by this Endorsement all the terms and conditions of the Note to which this Endorsement is attached shall continue in full force and effect.

This Endorsement shall be effective as of August 8, 1996.

NORTH AMERICAN WATCH COMPANY,  
a division of MOVADO GROUP, INC.

By: /s/ Signature Illegible  
-----  
Title: Chief Operating Officer  
-----

FLEET BANK, N.A.  
(formerly NatWest Bank N.A.)

By: /s/ Signature Illegible  
-----  
Title: Vice President  
-----

November 13, 1996

Howard Regenbogen  
Treasurer  
The Movado Group Inc.  
125 Chubb Avenue  
Lyndhurst, NJ 07071

Dear Mr. Regenbogen:

I am pleased to inform you that Marine Midland Bank ("The Bank") is willing to make available to The Movado Group Inc. ("The Company") the following credit facilities:

- 1) A line of credit for direct borrowings to a maximum of \$10,000,000. The interest rate on these borrowings will be at LIBOR plus 1.0% or a money market based rate to be determined at the time of each borrowing. The maturity of each borrowing will be as mutually agreed upon.

A sublimit under this facility will allow for the issuance of Documentary and Standby Letter of Credit, to a maximum of \$1,500,000. The company will be required to maintain a 30 consecutive day out of debt period once annually, applicable only to the direct loans under this facility.

- 2) A line of credit for the purchase of spot and forward foreign exchange contracts up to one year, to a maximum of \$75,000,000 (US). This facility will have a daily settlement limit of \$8,000,000 (US). In addition, a sublimit of this facility will allow for the purchase of forward foreign exchange contracts up to two years to a maximum of \$20,000,000 (US).
- 3) A \$1,000,000 line of credit for standby letters of credit only; with the granting and maturity of each drawdown to be mutually agreed upon.

The granting of these facilities is subject to the execution of loan documentation satisfactory to the Bank.

Outstandings under these facilities will be cross defaulted to the conditions of all Note Agreements between the company and The Prudential Insurance Company of America.

Advances under the direct borrowing line will be made at our discretion from time to time and all advances are repayable under the terms of the note executed at the time of each advance. It is understood that the lines of credit are uncommitted facilities and that availability under the lines of credit are uncommitted facilities and that availability under the lines shall remain subject to our evaluation of The Movado Group Inc. as an acceptable credit risk. In the event of termination by either party, your obligations under the notes and forward contracts shall remain in force.

We will fully review the credit basis for these non-contractual lines at least annually. The lines are scheduled to be reviewed by October 31, 1997.

This letter replaces the letter sent to you dated 11/7/96.

If these terms are acceptable to you, please acknowledge and forward the enclosed copy of this letter to me. We look forward to strengthening our relationship in the year ahead.

Sincerely,

MARINE MIDLAND BANK

/s/ John S. Wamboldt

John S. Wamboldt  
Vice President

Acknowledged:

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_

cc: Kenneth J. Adams, Chief Financial Officer  
The Movado Group Inc.

MOVADO GROUP, INC.  
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

MOVADO GROUP, INC.  
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

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MOVADO GROUP, INC.  
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

Movado Group, Inc., a New York corporation, and Swiss-Am, Inc., a New Jersey corporation, hereby amends, restates and adopts this Movado Group, Inc. Deferred Compensation Plan for Executives this 15th day of June, 1996.

ARTICLE I

Definitions

1.1 Account. The bookkeeping account established for each Participant as provided in Section 5.1 hereof.

1.2 Administrator. The committee appointed pursuant to ARTICLE X.

1.3 Base Salary.

(a) The amount payable to a Participant by the Employers as base salary attributable to services performed in a Plan Year. Base Salary shall only include regularly scheduled salary payable throughout the year, as determined by the Employers, and shall not include bonuses or irregular remuneration.

(b) Notwithstanding subsection (a), for those Employees classified by an Employer as sales executives, the term Base Salary shall only include commissions and bonuses.

1.4 Class Year Account. The bookkeeping sub-accounts established for each Participant as provided in section 5.1 hereof.

1.5 Code. The Internal Revenue Code of 1986, as amended.

1.6 Company. Movado Group, Inc., a New York corporation.

1.7 Company Stock. Common stock of the Company.

1.8 Compensation. The Participant's Base Salary, bonuses and other remuneration from the Employer.

1.9 Effective Date. February 1, 1996.

1.10 Eligible Employee. An Employee of an Employer who is a management or highly compensated Employee within the meaning of sections 201(2), 301(a) (3) and 401(a) (1) of the Employee Retirement Income Security Act of 1974, as amended.

1.11 Employee. Any person employed by an Employer.

1.12 Employers. Movado Group, Inc., a New York corporation; and Swiss-Am, Inc., a New Jersey corporation.

1.13 Employer Contribution. A discretionary contribution made by the Employers to the Trust that is credited to one or more Participant's Accounts in accordance with the terms of Section 3.4 hereof.

1.14 ERISA. The Employee Retirement Income Security Act of 1974, as amended.

1.15 Exchange Act. The Securities Exchange Act of 1934, as amended.

1.16 Group I Employee. An Employee who is designated as a Group I Employee by an Employer in Schedule A attached hereto, as such schedule may be amended by the Employer from time to time.

1.17 Group II Employee. An Employee who is designated as a Group II Employee by an Employer in Schedule A attached hereto, as such schedule may be amended by the Employer from time to time.

1.18 Matching Contribution. A contribution made by the Employers to the Trust that is credited to one or more Participant's Accounts in accordance with the terms of Section 3.2 hereof.

1.19 Participant. An Eligible Employee who has become a Participant as provided in Section 2.1 and whose Account has not been fully distributed.

1.20 Plan. The Movado Group, Inc. Deferred Compensation Plan for Executives.

1.21 Plan Year. Effective June 1, 1995, the twelve (12) month period ending January 31.

1.22 Salary Deferrals. The portion of Compensation that a Participant elects to defer in accordance with Section 3.1 hereof.

1.23 Salary Deferral Election. The separate written agreement, submitted to the Administrator, by which an Eligible Employee agrees to participate in this Plan and make Salary Deferrals hereunder.

1.24 Total and Permanent Disability. Any medically determinable physical or mental disorder that renders a Participant incapable of continuing in the employment of an Employer and is expected to continue for the remainder of a Participant's life, as determined by the Administrator in its sole discretion.

1.25 Trust. The Trust under the Movado Group, Inc. Deferred Compensation Plan for Executives.

1.26 Trustee. The trustee under the Trust and any successor Trustee appointed pursuant to the Trust.

1.27 Year of Service. A Participant's twelve (12) month period of employment with an Employer beginning on the Participant's first day of employment with the Employer. Periods of employment of less than twelve (12) full months shall not constitute a Year of Service.

ARTICLE II  
Participation

2.1 Eligibility for Participation.

(a) The Employers shall determine which Eligible Employees shall become Participants and the category of benefits, under Section 2.3, to which they will be entitled. The Employers' determination under this Section 2.1 and under Section 2.3 shall be set forth in Schedule A, attached hereto.

(b) An Employer may determine that a Participant shall cease being a Participant as of any date specified by it; provided, however, that the Employer may not reduce the Account of such Participant as of the date such determination is made. Such determination shall be specified in Schedule B.

2.2 Commencement of Participation.

(a) Each Eligible Employee selected to become a Participant (pursuant to Section 2.1) shall become a Participant as of the date specified by an Employer, as set forth in Schedule A.

(b) Notwithstanding subsection (a), a Salary Deferral Election with respect to a Plan Year shall not be effective except to the extent it complies with Section 3.1.

2.3 Benefits. The Employers shall determine, from time to time, whether a Participant is to be treated as a Group I or Group II Employee. An Employer may change the

classification of any Participant as of any date specified by it; provided, however, that the Account of such Participant shall not be reduced by such change of classification. The classification of any Participant shall be set forth in Schedule A. Participants shall cease to contribute hereunder after they cease to be employed by any of the Employers.

### ARTICLE III

#### Contributions

##### 3.1 Salary Deferrals.

(a) The Employers shall credit to the Account of a Participant an amount equal to the amount designated in the Participant's Salary Deferral Election for each Plan Year. Such amounts shall not be made available to such Participant, except as provided in ARTICLE VI, and shall reduce such Participant's Compensation from an Employer in accordance with the provisions of the applicable Salary Deferral Election; provided, however, that all such amounts shall be subject to the rights of the general creditors of each of the Employers as provided in ARTICLE VIII.

(b) Each Participant shall deliver a Salary Deferral Election to his or her Employer before any Salary Deferrals become effective. Such Salary Deferral Election shall be void with respect to any Salary Deferral unless submitted before the beginning of the calendar year during which the amount to be deferred will be earned; provided, however, that in the year in which this Plan is first adopted or an Employee is first eligible to participate, such Salary Deferral Election may be filed within thirty (30) days of the date on which this Plan is adopted or the date on which an

Employee is first eligible to participate, respectively, with respect to Compensation earned during the remainder of the calendar year; provided further, however, that such Salary Deferral Election of a Participant who is subject to section 16 of the Exchange Act may be filed, in the form of an irrevocable election to participate in the Plan, six (6) or more months before any Salary Deferral becomes effective.

(c) The Salary Deferral Election shall designate the amount of Compensation deferred by each Participant and such other items as the Administrator may prescribe. Such designations shall remain effective unless amended as provided in subsection (d), below. The maximum salary Deferrals permitted for each Participant shall not exceed the amount of Base Salary that may be matched under Section 3.2 for that Participant.

(d) Except as otherwise provided herein, a Participant may amend his or her Salary Deferral Election from time to time; provided, however, that any amendment to the amount of a Participant's Salary Deferrals shall comply with the provisions of subsection (b), above.

### 3.2 Matching Contributions.

(a) Each Employer shall also credit to the Account of each Participant who is its Employee, who is a Group I Employee and who makes Salary Deferrals a Matching Contribution in an amount equal to one hundred percent (100%) of the Salary Deferrals contributed by such Participant up to a maximum of ten percent (10%) of such Participant's Base Salary.



(b) Each Employer shall also credit to the Account of each Participant who is its Employee, who is a Group II Employee and who makes Salary Deferrals a Matching Contribution in an amount equal to one hundred percent (100%) of the Salary Deferrals contributed by such Participant up to a maximum of five percent (5%) of such Participant's Base Salary.

(c) Matching Contributions for a Plan Year will be credited to the Account of a Participant under this Section 3.2 only if such Participant is an Employee on the last day of such Plan Year. The requirement set forth in the preceding portion of this Section 3.2(c) shall be waived in the event of: (i) the death of a Participant during such Plan Year, (ii) the termination of the Participant's employment after having incurred a Total and Permanent Disability during such Plan Year, or (iii) the termination of the Participant's employment during such Plan Year after having reached the age of sixty-five (65).

(d) (1) Matching Contributions for Participants for each Plan Year shall be made in rights to Company Stock up to a limit equal to the lesser of:

(A) twenty percent (20%) of the Matching Contributions for that Plan Year; and

(B) one percent (1%) of the Company Stock outstanding on the December 31 immediately preceding the Plan Year for which the Matching Contributions are being made.

(2) In determining the Matching Contribution that will be made in rights to Company Stock, the rights to Company Stock shall be valued on either the last day of the month preceding the date the Matching Contribution is made or the date of the investment (under ARTICLE V) of the Participant's Salary Deferral that is being matched, as determined in the sole discretion of the Administrator.

### 3.3 Company Stock.

(a) Matching Contributions for a Participant in the form of rights to Company Stock shall consist of bookkeeping credits to the Accounts and Class Year Accounts for such Participant. Such credits will initially be determined by crediting to such Participant's Accounts and Class Year Accounts the number of shares (including fractional shares) of Company Stock that such Matching Contribution could purchase based upon the value of the Company Stock determined in accordance with Section 3.2(d)(2). All determinations of the value of Company Stock will be made by the Treasurer of the Company in his or her sole discretion.

(b) Dividends declared on Company Stock shall be credited to the Accounts and Class Year Accounts of each Participant based on the dividends that would have been paid if the Company Stock rights credited consisted instead of issued and outstanding Company Stock. Dividends shall be credited in the form of bookkeeping credits only and shall not be transferred to the Trust. Dividend credits shall not receive interest or other gains.

(c) When a Participant or Beneficiary is entitled to a distribution pursuant to ARTICLE VI with respect to his or her rights to Company Stock, the Company shall issue to the Participant or Beneficiary the number of shares of Company Stock that equal the number of full shares then credited in such Participant's Accounts. The Company shall pay the credited dividend amounts and any fractional shares in cash. If payment to the Participant or Beneficiary is being made in installments, the Administrator, in its sole discretion, shall determine whether such Company Stock shall be paid in like installments, as a lump-sum in connection with such installments or in any other manner consistent with such installment payments.

3.4 Employer Contributions. The Employers reserve the right to make discretionary contributions to Participants' Accounts in such amount and in such manner as may be determined by the Employers. Notwithstanding anything to the contrary contained herein, in no event will any Employer Contributions vest for the benefit of any Participant who is subject to Section 16 of the Exchange Act earlier than six (6) months after the date of grant.

### 3.5 Time of Contributions.

(a) Salary Deferrals shall be transferred to the Trust as soon as administratively feasible following each payroll period. Matching Contributions (other than Company Stock or the rights to Company Stock) shall be transferred to the Trust no later than thirty (30) days following the last day of the Plan Year. The Employers shall also transmit at

the same time any necessary instructions regarding the allocation of such amounts among the Accounts of Participants.

(b) Employer Contributions shall be transferred to the Trust at such time as the Employers shall determine. The Employers shall also transmit at that time any necessary instructions regarding the allocation of such amounts among the Accounts of Participants.

3.6 Form of Contributions. All Salary Deferrals, Matching Contributions and Employer Contributions to the Trust shall be made in the form of cash or cash equivalents of United States currency, except as otherwise provided herein.

#### ARTICLE IV

##### Vesting

###### 4.1 Vesting.

(a) Except as otherwise provided herein, a Participant shall have a nonforfeitable right to the vested portion of his or her Class Year Accounts; provided, however, that all such amounts shall be subject to the rights of the general creditors of the Employers as provided in ARTICLE VII.

(b) Each Class Year Account of a Participant will vest twenty percent (20%) if the Participant is still an Employee on the last day of the Plan Year of such Class Year Account. Thereafter, such Class Year Account shall vest an additional twenty percent (20%) on the last day of each Plan

Year as long as the Participant is still an Employee and therefore shall be fully vested on the last day of the fifth Plan Year following the Plan Year of such Class Year Account if the Participant is still an Employee. No further increases in vesting shall occur after a Participant is no longer an Employee.

(c) The portion of a Participant's Class Year Accounts attributable to Salary Deferrals, and earnings thereon, shall be fully vested.

(d) A Participant who attains the age of sixty-five (65) shall be fully vested in the amounts credited to all of his or her Accounts.

(e) A Participant who has a termination of employment due to Total and Permanent Disability shall be fully vested in the amounts credited to all of his or her Class Year Accounts.

(f) Any amounts credited to a Participant's Class Year Accounts that are not vested at the time of his or her termination of employment with an Employer shall be forfeited. The Administrator shall determine the extent to which such forfeiture shall consist of rights to Company Stock.

ARTICLE V  
Accounts

5.1 Accounts.

(a) (1) The Administrator shall establish and maintain a bookkeeping account in the name of each Participant. Unless otherwise directed by the Employers, the Trustee shall also maintain and invest separate omnibus accounts that correspond to each Participant's Account.

(2) The Administrator may also establish any subaccounts that it feels may be appropriate. The Administrator shall also establish and maintain subaccounts in each Participant's Account that shall be denominated as Class Year Accounts. The Administrator shall also establish and maintain subaccounts in each Participant's Account for rights to Company Stock and dividends thereon.

(b) (1) Each Participant's Account shall be credited with Salary Deferrals (as specified in the Participant's Salary Deferral Election), any Matching Contributions allocable thereto, any Employer Contributions and any earnings or losses on the foregoing. Each Participant's Account shall be reduced by any distributions made plus any federal and state tax withholding and any social security withholding tax as may be required by law.

(2) Separate Class Year Accounts for a Participant shall consist of each Participant's Salary Deferrals, Matching Contributions and Employer Contributions that are made with respect to a given Plan Year and any earnings or losses on such amounts. Class Year Accounts

shall be separately maintained for a Participant for each Plan Year until such Class Year Accounts are fully vested (as provided in ARTICLE IV), at which time such fully vested Class Year Accounts shall be merged.

#### 5.2 Investments, Gains and Losses.

(a) (1) By written investment directions to the Administrator, each Participant shall direct the investment of his or her Account (other than the subaccount for rights to Company Stock) among the investment funds available under this Plan. The Administrator may require separate investment directions with respect to each Class Year Account of a Participant. In the absence of timely instructions, a Participant's Account shall be invested in a money market fund as selected by the Administrator. In accordance with rules established by the Administrator, each Participant shall be allowed to modify his or her investment directions (or the initial investment made in the absence of directions from the Participant) with respect to all or any portion of his or her Account, effective as of the first day of the next calendar quarter following the date of modification (or such other time specified by the Administrator). A Participant's change of investment directions shall apply to the existing balance in his or her Account and to future amounts to be credited thereto, as the Participant may elect.

(2) Notwithstanding subsection (a)(1), neither the Administrator nor the Trustee are obligated to follow any investment instruction received by a Participant pursuant to subsection (a)(1).

(3) The Employers, or the Trustee if an Employer so directs, shall, from time to time, establish the investment funds available under the Plan.

(b) The Administrator shall adjust the amounts credited to each Participant's Account to reflect Salary Deferrals, Matching Contributions, Employer Contributions, investment experience, distributions and any other appropriate adjustments. Such adjustments shall be made as frequently as is administratively feasible.

5.3 Forfeitures. Any forfeitures from a Participant's Account shall continue to be held in the Trust, shall be separately invested and shall be used to reduce succeeding Matching Contributions and Employer Contributions until such forfeitures have been entirely so applied. If no further Matching Contributions or Employee Contributions will be made, then such forfeitures shall be returned to the Employer that made such contribution.

#### ARTICLE VI

##### Distributions

###### 6.1 Payment.

(a) Benefits shall be paid in roughly equal annual installments over a period of ten (10) years payable in January of each year.

(b) Notwithstanding subsection (a), the Administrator, in its sole discretion, may pay any payments due to a Participant in a lump-sum.



## 6.2 Commencement of Payment.

(a) Except as otherwise provided herein, payments to a Participant shall commence in the January immediately after the calendar year in which the Participant has had a termination of employment with an Employer.

(b) The Administrator may permit an early distribution of part or all of any deferred amounts; provided, however, that such distribution shall be made only if the Administrator, in its sole discretion, determines that the Participant has experienced an unforeseen emergency that is caused by an event beyond the control of the Participant and that would result in severe financial hardship to the Participant if early distribution were not permitted. Any distribution pursuant to this subsection is limited to the amount necessary to meet the hardship.

(c) Upon the death of a Participant, all amounts credited to his or her Account shall be fully vested and shall be paid to his or her beneficiary or beneficiaries, as determined under ARTICLE VII hereof.

(d) A Participant who has experienced a hardship, as determined by the Administrator, in its sole discretion, shall be permitted to receive, in a lump-sum payment, a distribution of up to fifty percent (50%) of the vested portion of his or her Account exclusive of the subaccount for Company Stock; provided, however, that five percent (5%) of the amount otherwise designated for distribution shall be treated as a forfeiture under Section 5.3.

ARTICLE VII  
Beneficiaries

7.1 Beneficiaries. Each Participant may from time to time designate one or more persons (who may be any one or more members of such Participant's family or other persons, administrators, trusts, foundations or other entities) as his or her beneficiary under this Plan. Such designation shall be made on a form prescribed by the Administrator. Each Participant may at any time and from time to time, change any previous beneficiary designation, without notice to or consent of any previously designated beneficiary, by amending his or her previous designation on a form prescribed by the Administrator. If the beneficiary does not survive the Participant (or is otherwise unavailable to receive payment) or if no beneficiary is validly designated, then the amounts payable under this Plan shall be paid to the Participant's surviving spouse, if any, and, if none, to the Participant's estate and such person shall be deemed to be a beneficiary hereunder. If more than one person is the beneficiary of a deceased Participant, each such person shall receive a pro rata share of any death benefit payable unless otherwise designated on the applicable form. If a beneficiary who is receiving benefits dies, all benefits that were payable to such beneficiary shall then be payable to the estate of that beneficiary.

7.2 Lost Beneficiary.

(a) All Participants and beneficiaries shall have the obligation to keep the Administrator informed of their current address until such time as all benefits due have been paid.

(b) If a Participant or beneficiary cannot be located by the Administrator exercising due diligence, then, in its sole discretion, the Administrator may presume that the Participant or beneficiary is deceased for purposes of this Plan and all unpaid amounts (net of due diligence expenses) owed to the Participant or beneficiary shall be paid accordingly or, if a beneficiary cannot be so located, then such amounts may be forfeited. Any such presumption of death shall be final, conclusive and binding on all parties.

#### ARTICLE VIII

##### Funding

8.1 Prohibition Against Funding. Should any investment be acquired in connection with the liabilities assumed under this Plan, it is expressly understood and agreed that the Participants and beneficiaries shall not have any right with respect to, or claim against, such assets nor shall any such purchase be construed to create a trust of any kind or a fiduciary relationship between the Employers and the Participants, their beneficiaries or any other person. Any such assets (including any amounts deferred by a Participant or contributed by the Employers pursuant to ARTICLE III hereof) shall be and remain a part of the general, unpledged, unrestricted assets of the Employers, subject to the claims of its general creditors. It is the express intention of the parties hereto that this arrangement shall be unfunded for tax purposes and for purposes of Title I of ERISA. Each Participant and beneficiary shall be required to look to the provisions of this Plan and to the Employers themselves for enforcement of any and all benefits due under this Plan, and to the extent any such person acquires a right to receive payment under this Plan, such

right shall be no greater than the right of any unsecured general creditor of the Employers. The Employers or the Trust shall be designated the owner and beneficiary of any investment acquired in connection with its obligation under this Plan.

8.2 Deposits in Trust. Notwithstanding Section 8.1, or any other provision of this Plan to the contrary, the Employers may deposit into the Trust any amounts they deem appropriate to pay the benefits under this Plan. The amounts so deposited may include all contributions made pursuant to a Salary Deferral Election by a Participant, any Employer Contributions and any Matching Contributions.

8.3 Indemnification of Trustee.

(a) The Trustee shall not be liable for the making, retention, or sale of any investment or reinvestment made by it, as herein provided, nor for any loss to, or diminution of, the Trust assets, unless due to its own negligence, willful misconduct or lack of good faith.

(b) Such Trustee shall be indemnified and saved harmless by the Employers from and against all personal liability to which it may be subject by reason of any act done or omitted to be done in its official capacity as Trustee in good faith in the administration of this Plan and the Trust, including all expenses reasonably incurred in its defense in the event an Employer fails to provide such defense upon the request of the Trustee. The Trustee is relieved of all responsibility in connection with its duties hereunder to the fullest extent permitted by law, short of breach of duty to the beneficiaries.

8.4 Withholding of Employee Contributions. The Administrator is authorized to make any and all necessary arrangements with the Employers in order to withhold the Participant's Salary Deferrals under Section 3.1 hereof from his or her pay. The Administrator shall determine the amount and timing of such withholding.

#### ARTICLE IX

##### Claims Procedure

9.1 General. In the event that a Participant or his or her beneficiary does not receive any Plan benefit that is claimed, such Participant or beneficiary shall be entitled to consideration and review as provided in this ARTICLE IX. Such consideration and review shall be conducted in a manner designed to comply with section 503 of ERISA.

9.2 Claim Review. Upon receipt of any written claim for benefits, the Administrator shall be notified and shall give due consideration to the claim presented. If the claim is denied to any extent by the Administrator, the Administrator shall furnish the claimant with a written notice setting forth (in a manner calculated to be understood by the claimant):

- (a) the specific reason or reasons for denial of the claim;
- (b) a specific reference to this Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the

claim and an explanation of why such material or information is necessary; and

(d) an explanation of the provisions of this

ARTICLE IX.

9.3 Right of Appeal. A claimant who has a claim denied under Section 9.2 may appeal to the Administrator for reconsideration of that claim. A request for reconsideration under this Section 9.3 must be filed by written notice within sixty (60) days after receipt by the claimant of the notice of denial under Section 9.2.

9.4 Review of Appeal. Upon receipt of an appeal, the Administrator shall promptly take action to give due consideration to the appeal. Such consideration may include a hearing of the parties involved, if the Administrator feels such a hearing is necessary. In preparing for the appeal, the claimant shall be given the right to review pertinent documents and the right to submit in writing a statement of issues and comments. After consideration of the merits of the appeal, the Administrator shall issue a written decision which shall be binding on all parties. The decision shall be written in a manner calculated to be understood by the claimant and shall specifically state its reasons and pertinent Plan provisions on which it relies. The Administrator's decision shall be issued within sixty (60) days after the appeal is filed, except that if a hearing is held the decision may be issued within one hundred twenty (120) days after the appeal is filed.

9.5 Designation. The Administrator may designate one or more of its members or any other person of its

choosing to make any determination otherwise required under this ARTICLE IX.

#### ARTICLE X

##### Administration of the Plan

10.1 Committee as Administrator. The committee designated in this Section 10.1 shall be the Administrator. The name of the committee shall be the Deferred Compensation Committee and shall consist of such individuals, corporations or other entities as the Employers shall from time to time appoint. Until otherwise designated by the Employers, the members of the Deferred Compensation Committee shall be those persons holding the following positions (or their nearest equivalent) at the Company: Chief Financial Officer; Treasurer; President and Chief Operating Officer; and Vice President, Human Resources.

10.2 Actions Taken by the Committee. All resolutions or other actions taken by the Deferred Compensation Committee at a meeting shall be by the affirmative vote of a majority of those present at the meeting. More than half of the members must be present to constitute a quorum for a meeting. Any member of the Deferred Compensation Committee may sign any document or instrument requiring the signature of the Deferred Compensation Committee or otherwise act on behalf of the Deferred Compensation Committee, unless otherwise directed by the Deferred Compensation Committee. The Deferred Compensation Committee may adopt such additional rules of procedures and conduct as it deems appropriate.

10.3 Bond and Compensation. The members of the Deferred Compensation Committee shall serve without bond,

except as otherwise required by law, and without remuneration for their services as such.

10.4 Duties of the Committee. The Deferred Compensation Committee shall undertake all duties assigned to it under the Plan and Trust and shall undertake all actions, express or implied, necessary for the proper administration of the Plan. All actions and decisions of the Deferred Compensation Committee shall be made in its sole discretion, unless expressly otherwise provided in the Plan. The Deferred Compensation Committee's duties and responsibilities include, but are not limited to, the following:

(a) adopting and enforcing such rules and regulations that it deems necessary or appropriate for the administration of the Plan in accordance with applicable law;

(b) interpreting the Plan, in its sole discretion, with its good faith interpretation thereof to be final and conclusive on any Employee, former Employee, Participant, former Participant, beneficiary or other party;

(c) deciding all questions concerning the Plan, including the eligibility of any person to participate in the Plan in accordance with the Plan provisions;

(d) computing the amounts to be distributed to any Participant, former Participant or beneficiary in accordance with the provisions of the Plan, determining the person or persons to whom such amounts will be distributed and determining when such amounts will be distributed;

(e) authorizing the payment of distributions;



(f) keeping such records and submitting such filings, elections, applications, returns or other documents or forms as may be required under the Code and applicable regulations, or under other federal, state or local law and regulations; and

(g) appointing such agents, counsel, accountants and consultants as may be required to assist in administering the Plan.

10.5 Employers to Furnish Information. To enable the Deferred Compensation Committee to perform its functions, the Employers shall supply full and timely information to the Deferred Compensation Committee on all matters relating to the remuneration of all Participants, their retirement, death or other cause of separation from service, and such other pertinent facts as the Deferred Compensation Committee may require.

10.6 Expenses. All expenses of Plan administration and operation, including the fees of any agents or counsel employed and including any expenses attributable to a termination of the Plan, shall be paid by the Employers. To the extent that the Employers may be liable for social security or other withholding tax, the Administrator, in its sole discretion, may charge such expenses to the benefits due to the applicable Participant or Beneficiary.

10.7 Indemnification. The Employers hereby agree to indemnify each and every member of the Deferred Compensation Committee or Employee acting on behalf of the Deferred Compensation Committee for any expenses or liabilities (other than those due to willful misconduct) actually incurred in or

arising out of the performance of their duties under the Plan, including, but not limited to, litigation expenses and attorneys fees.

ARTICLE XI  
General Provisions

11.1 No Assignment. Benefits or payments under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's beneficiary, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber, attach or garnish the same shall not be valid, nor shall any such benefit or payment be in any way liable for or subject to the debts, contracts, liabilities, engagement or torts of any Participant or beneficiary, or any other person entitled to such benefit or payment pursuant to the terms of this Plan, except to such extent as may be required by law. If any Participant or beneficiary or any other person entitled to a benefit or payment pursuant to the terms of this Plan becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach or garnish any benefit or payment under this Plan, in whole or in part, or if any attempt is made to subject any such benefit or payment, in whole or in part, to the debts, contracts, liabilities, engagements or torts of the Participant or beneficiary or any other person entitled to any such benefit or payment pursuant to the terms of this Plan, then such benefit or payment, in the discretion of the Administrator, shall cease and terminate with respect to such Participant or beneficiary, or any other such person.

11.2 No Employment Rights. Participation in this Plan shall not be construed to confer upon any Participant the legal right to be retained in the employ of the Employers, or give a Participant or beneficiary, or any other person, any right to any payment whatsoever, except to the extent of the benefits provided for hereunder. Each Participant shall remain subject to discharge to the same extent as if this Plan had never been adopted.

11.3 Incompetence. If the Administrator determines that any person to whom a benefit is payable under this Plan is incompetent by reason of physical or mental disability, the Administrator shall have the power to cause the payments becoming due to such person to be made to another for his or her benefit without responsibility of the Administrator or the Employers to see to the application of such payments. Any payment made pursuant to such power shall, as to such payment, operate as a complete discharge of the Employers, the Administrator and the Trustee.

11.4 Identity. If, at any time, any doubt exists as to the identity of any person entitled to any payment hereunder or the amount or time of such payment, the Administrator shall be entitled to hold such sum until such identity or amount or time is determined or until an order of a court of competent jurisdiction is obtained. The Administrator shall also be entitled to pay such sum into court in accordance with the appropriate rules of law. Any expenses incurred by the Employers, Administrator, and Trust incident to such proceeding or litigation shall be charged against the Account of the affected Participant.

11.5 Other Benefits. The benefits of each Participant or beneficiary hereunder shall be in addition to any benefits paid or payable to or on account of the Participant or beneficiary under any other pension, disability, annuity or retirement plan or policy whatsoever.

11.6 No Liability. No liability shall attach to or be incurred by any employee, officer, director or manager of an Employer, Trustee or any Administrator under or by reason of the terms, conditions and provisions contained in this Plan, or for the acts or decisions taken or made hereunder or in connection herewith; and as a condition precedent to the establishment of this Plan or the receipt of benefits thereunder, or both, such liability, if any, is expressly waived and released by each Participant and by any and all persons claiming under or through any Participant or any other person. Such waiver and release shall be conclusively evidenced by any act or participation in or the acceptance of benefits or the making of any election under this Plan.

11.7 Insolvency. Should an Employer be considered insolvent (as defined by the Trust), such Employer, through its board of directors and chief executive officer, shall give immediate written notice of such to the Administrator of this Plan and the Trustee. Upon receipt of such notice, the Administrator or Trustee shall cease to make any payments to Participants who were Employees of the Employer or their beneficiaries and shall hold any and all assets attributable to such Employer for the benefit of the general creditors of that Employer.

#### 11.8 Amendment and Termination.

(a) Except as otherwise provided in this Section 11.8, the Employers shall have the sole authority to modify, amend or terminate this Plan; provided, however, that any modification or termination of this Plan shall not reduce, alter or impair, without the consent of a Participant, a Participant's right to any amounts already credited to his or her Account on the day before the effective date of such modification or termination. Following such termination, payment of such credited amounts may be made in a single-sum payment if the Employers so designate. Any such decision to pay in a single sum shall apply to all Participants.

(b) Any funds remaining in the Trust after termination of this Plan and satisfaction of all liabilities to Participants and others, shall be returned to the Employers.

11.9 Employer Determinations. Any determinations, actions or decisions of the Employers (including but not limited to, Plan amendments and Plan termination) shall be made by the board of directors of the Employers in accordance with their established procedures or by such other individuals, groups or organizations that have been properly delegated by the board of directors to make such determination or decision.

11.10 Construction. All questions of interpretation, construction or application arising under or concerning the terms of this Plan shall be decided by the Administrator,

in its sole and final discretion, whose decision shall be final, binding and conclusive upon all persons.

11.11 Governing Law. This Plan shall be governed by, construed and administered in accordance with the applicable provisions of ERISA, and any other applicable federal law, provided, however, that to the extent not preempted by federal law this Plan shall be governed by, construed and administered under the laws of the State of New York, other than its laws respecting choice of law.

11.12 Severability. If any provision of this Plan is held invalid or unenforceable, its invalidity or unenforceability shall not affect any other provision of this Plan and this Plan shall be construed and enforced as if such provision had not been included therein. If the inclusion of any Employee (or Employees) as a Participant under this Plan would cause this Plan to fail to comply with the requirements of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, then this Plan shall be severed with respect to such Employee or Employees, who shall be considered to be participating in a separate arrangement.

11.13 Headings. The headings contained herein are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge or describe the scope or intent of this Plan nor in any way shall they affect this Plan or the construction of any provision thereof.

11.14 Terms. Capitalized terms shall have meanings as defined herein. Singular nouns shall be read as plural, masculine pronouns shall be read as feminine, and vice versa, as appropriate.

11.15 Approval of IRS. If an Employer seek a private letter ruling from the Internal Revenue Service and the Internal Revenue Service does not issue a ruling acceptable to the Employers regarding this Plan, then this Plan (and the Trust), at the election of the Employers, shall be void ab initio and all Salary Deferrals shall be returned to the Employees who made such contributions and all Employer Contributions and Matching Contributions shall be returned to the Employer that made such contributions.

11.16 Effective Date. Except as otherwise expressly provided herein, the Plan, as amended and restated, shall be effective on and after the Effective Date.

ARTICLE XII

Adoption

12.1 Execution. To record the adoption of this amended and restated Plan by the Employers, the Employers have caused this instrument to be executed this \_\_\_\_\_ day of \_\_\_\_\_, 1996.

Attest: MOVADO GROUP, INC.

\_\_\_\_\_  
Secretary By: \_\_\_\_\_  
President

Attest: SWISS-AM, INC.

\_\_\_\_\_  
Secretary By: \_\_\_\_\_  
President

MOVADO GROUP, INC.  
1996 STOCK INCENTIVE PLAN

1. Purpose.

(a) The purpose of this Stock Incentive Plan (the "Plan") is to provide for certain officers, directors and key employees of the Movado Group, Inc. (the "Company") and certain of its affiliates an incentive to maintain and enhance the performance and profitability of the Company.

(b) The Plan is an amendment and restatement of the North American Watch Corporation's 1993 Employee Stock Option Plan (the "1993 Plan"); however all options granted under the 1993 Plan will continue to be governed by the terms of the 1993 Plan and the Award Agreements thereunder.

2. Administration.

(a) The Plan shall be administered by a committee (the "Committee") appointed by the Board of Directors of the Company (the "Board"), which Committee shall consist of two or more directors, at least two of whom shall be "outside directors" as defined in Section 162(m) of the Code and the regulations promulgated thereunder, and, to the extent necessary to comply with Rule 16b-3 of the Securities Exchange Act of 1934 (the "Act") or any successor rule thereto, each of whom shall be a "disinterested person" within the meaning of the Act. The members of the Committee may be changed at any time and from time to time in the discretion of, the Board.

(b) The Committee shall have the authority (i) to exercise all of the powers granted to it under the Plan, (ii) to construe, interpret and implement the Plan and any Award Agreements executed pursuant to the Plan, (iii) to prescribe, amend and rescind rules relating to the Plan, (iv) to make any determination necessary or advisable in administering the Plan and (v) to correct any defect, supply any omission and reconcile any inconsistency in the Plan.

(c) The determination of the Committee on all matters relating to the Plan or any Award Agreement shall be conclusive.

(d) No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted hereunder.



(e) Notwithstanding anything to the contrary contained herein: (i) until the Board shall appoint the members of the Committee, the Plan shall be administered by the Board and (ii) the Board may, in its sole discretion, at any time and from time to time, resolve to administer the Plan. In either of the foregoing events, the term Committee as used herein shall mean the Board.

3. Eligibility.

Awards under the Plan may be granted to such officers, directors and executive, managerial or professional employees of the Company or its Affiliates as the Committee shall from time to time in its sole discretion select; provided, that directors who are not employees of either the Company or an affiliate shall not be eligible to receive an Award under the Plan.

4. Shares of Stock Subject to the Plan.

(a) Subject to Section 13 (relating to adjustments upon changes in capitalization), the aggregate number of shares of Stock upon which Awards may be based shall not exceed 800,000 shares. The number of shares delivered in full or partial payment of any Option Price (if permitted under Section 5.5(b)(iii)) shall be deducted from the number of shares delivered to the grantee pursuant to such Option for purposes of determining the number of shares acquired pursuant to the Plan. Without limiting the generality of the foregoing, shares of Stock covered by Options, which Options expire, terminate or are canceled for any reason (other than an Option or part thereof, which is canceled as a result of the exercise of a related Stock Appreciation Right) shall again become available for award under the Plan.

(b) Subject to Section 13 (relating to adjustments upon changes in capitalization), the total number of shares of Stock available for grants to any one participant of (a) Awards under the Plan shall not exceed 250,000.

(c) Shares of Stock that shall be subject to issuance pursuant to the Plan shall be authorized and unissued or treasury shares of Stock.

(d) Without limiting the generality of the foregoing, the Committee may, with the grantee's consent, cancel any Award under the Plan and issue a new Award in substitution therefor upon such terms as the Committee may in its sole discretion determine, provided that the substituted Award shall satisfy all applicable Plan requirements as of the date such new Award is granted.

5. Stock Options.

5.1 Grant of Stock Options.

The Committee may grant Options to purchase shares of Stock in such amounts and subject to such terms and conditions as the Committee shall from time to time in its sole discretion determine, subject to the terms of the Plan.

5.2 Types of Options Under Plan.

(a) Options granted under the Plan may be either (i) Non-ISOs, or (ii) ISOs.

(b) All Options when granted are intended to be NonISOs, unless the applicable Award Agreement explicitly states that the Option is intended to be an ISO. If an Option is intended to be an ISO, and if for any reason such Option (or any portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion) shall be regarded as a Non-ISO appropriately granted under the Plan, provided that such Option (or portion) otherwise meets the Plan's requirements relating to Non-ISOs.

5.3 Option Price.

Except as provided in Section 5.7 of the Plan, the Option Price shall be no less than the Fair Market Value of a share of Stock on the date the Option is granted.

5.4 Period of Exercise.

The Committee shall determine the dates after which Options may be exercised in whole or in part; provided, however, that an Option shall not be exercised prior to the effective date of the Plan nor later than the Option's Termination Date and, provided, further, that no Option shall be exercisable more than 10 years after the date of grant. The Committee may amend an Option to accelerate the date after which such Option may be exercised in whole or in part. An Option which has not been exercised on or prior to its Termination Date shall be cancelled.

5.5 Notice of Exercise; Exercise Date.

(i) An Option shall be exercisable by the filing of a written notice of exercise with the Company, on such form and in such manner as the Committee shall in its sole discretion prescribe, and by payment in accordance with Section 5.6.

(ii) For purposes of the Plan, the "Option Exercise Date" shall be deemed to be the business day on which the written notice of exercise is received by the Company.

#### 5.6 Payment of Option Price.

(a) Tender Due Upon Notice of Exercise. Unless the applicable Award Agreement otherwise provides or the Committee in its sole discretion otherwise determines, (i) any written notice of exercise of an Option shall be accompanied by payment of the full purchase price for the shares being purchased and (ii) the grantee shall have no right to receive shares of Stock with respect to an Option exercise prior to the Option Exercise Date.

(b) Manner of Payment. Payment of the Option Price shall be made in any combination of the following:

(i) by certified or official bank check payable to the Company (or the equivalent thereof acceptable to the Committee);

(ii) with the consent of the Committee in its sole discretion, by personal check (subject to collection);

(iii) if and to the extent provided in the applicable Award Agreement, by delivery of previously acquired shares of Stock owned by the grantee having a Fair Market Value (determined as of the Option Exercise Date) equal to the portion of the Option Price being paid thereby;

(iv) if authorized by the Committee, by delivery of a properly executed exercise notice together with irrevocable instructions to a securities broker (or, in the case of pledges, lender) approved by the Company to, (a) sell shares of Stock subject to the option and to deliver promptly to the Company a portion of the proceeds of such sale transaction on behalf of the exercising participant to pay the Option Price, or (b) pledge shares of Stock subject to the Option to a margin account maintained with such broker or lender, as security for a loan, and such broker or lender, pursuant to irrevocable instructions, delivers to the Company the loan proceeds, at the time of exercise to pay the Option Price; and

(v) by other means the Committee deems appropriate.

#### 5.7 Special ISO Requirements.

In order for a grantee to receive special tax treatment with respect to stock acquired under an Option intended to be an ISO, the grantee of such Option must be, at all times during the period beginning on the date of grant and ending on the day three months before the date of exercise of such Option, an employee of the Company or any of the Company's parent or subsidiary corporations (within the meaning of section 424 of the Code), or of a corporation or a parent or subsidiary corporation of such corporation issuing or assuming a stock option in a transaction to which section 424(a) of the Code applies. If an

Option granted under the Plan is intended to be an ISO and if the grantee, at the time of grant, owns stock possessing 10% or more of the total combined voting power of all classes of stock of the grantee's employer corporation or of its parent or subsidiary corporation, then (a) the Option Price per share shall in no event be less than 110% of the Fair Market Value of the Stock on the date of such grant and (b) such Option shall not be exercisable after the expiration of five years after the date such Option is granted.

6. Stock Appreciation Rights

(a) Grant of Stock Appreciation Rights. A Stock Appreciation Right may be granted (a) independent of an Option or (b) in conjunction with an Option, or portion thereof. A Stock Appreciation Right granted pursuant to clause (b) of the preceding sentence may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option.

(b) Exercise Price. The exercise price per share of a Stock Appreciation Right shall be an amount determined by the Committee but in no event shall such amount be less than the Fair Market Value of a share of Stock on the date the Stock Appreciation Right is granted or, in the case of a Stock Appreciation Right granted in conjunction with an Option, or portion thereof, the Option Price of the related Option.

(c) Period of Exercise. The Committee shall determine the dates after which Stock Appreciation Rights may be exercised in whole or in part; provided, however, that a Stock Appreciation Right shall not be exercised prior to the effective date of the Plan nor later than the Termination Date of the Stock Appreciation Right. The Committee may amend a Stock Appreciation Right to accelerate the date after which it may be exercised in whole or in part. A Stock Appreciation Right which has not been exercised on or prior to its Termination Date shall be cancelled. A Stock Appreciation Right granted in conjunction with an Option, or portion thereof, shall not be exercised unless such Option, or portion thereof, is otherwise exercisable, and such a Stock Appreciation Right shall be cancelled to the extent the Option to which it relates has been exercised, or has expired, been terminated or been cancelled for any reason.

(d) Exercise of Stock Appreciation Rights. A Stock Appreciation Right, or portion thereof, shall be exercised in accordance with such procedures as may be established by the Committee. Upon the exercise of a Stock Appreciation Right, the participant or his or her legal representative shall be entitled to receive from the Company with respect to each share of Stock to which such Stock Appreciation Right relates an amount equal to the excess of (a) the Fair Market Value of a share of Common Stock on the date of exercise over (b) the exercise price of the Stock Appreciation Right. Such amount shall be paid in cash.

and/or shares of Stock at the discretion of the Committee. The number of shares of Stock, if any, issued as a result of the exercise of a Stock Appreciation Right shall be based on the Fair Market Value of such share of Stock on the date of exercise. Upon the exercise of a Stock Appreciation Right, or portion thereof, granted in conjunction with an Option, or portion thereof, the Option, or portion thereof, to which such Stock Appreciation Right relates shall be deemed in the case of a cash payment to have been cancelled and in the case of a payment of shares of Stock to have been exercised.

7. Other Share-Based Awards

Other Awards of Stock and Awards that are valued in whole or in part by reference to, or are otherwise based on the Fair Market Value of, shares of Stock may be granted under the Plan in the discretion of the Committee. Such Awards shall be in such form, and dependent on such conditions, as the Committee shall determine, including, without limitation, the right to receive one or more shares of Stock, or the equivalent cash value of such Stock, upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Such Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Committee shall determine to whom and when such Awards will be made, the number of shares of Stock to be awarded under (or otherwise related to) such Awards, whether such Awards shall be settled in cash, Stock or a combination of cash and Stock, and all other terms and conditions of such Awards. Notwithstanding the foregoing, certain Awards granted under this Section 7 of the Plan may be granted in a manner which is deductible by the Company under Section 162(m) of the Code. Such Awards (the "Performance-Based Awards") shall be based upon stock price, market share, sales, earnings per share, return on equity or costs.

8. Definitions of Certain Terms.

(a) The term "1993 Plan" as used herein means the North American Watch Corporation 1993 Employee Stock Option Plan.

(b) The term "Act" as used herein means the Securities Exchange Act of 1934.

(c) The term "Affiliate" as used herein means any person or entity, which, at the time of reference, directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

(d) The term "Award" as used herein means an Option, Stock Appreciation Right or other award granted under the Plan.

(e) The term "Award Agreement" as used herein has the meaning ascribed to it in Section 21(a).

(f) The term "Board" as used herein means the Board of Directors of the Company.

(g) The term "Change in Control" as used herein has the meaning ascribed to it in Section 19(c).

(h) The term "Code" as used herein means the United States Internal Revenue Code of 1986, as amended.

(i) The term "Committee" as used herein means the committee appointed by the Board to administer the Plan.

(j) The term "Company" as used herein means the Movado Group, Inc.

(k) The term "Consent" as used herein has the meaning ascribed to it in Section 10(b).

(l) The term "Election Contest" as used herein has the meaning ascribed to it in Section 19(c).

(m) Except as otherwise determined by the Committee in its sole discretion, the "Fair Market Value" as of any date and in respect of any share of Stock shall be the mean between the high and low prices of a share of Stock as reported on NASDAQ -- National Market System if shares of Stock are then trading in such system, or if not, then the mean between the high and low prices of a share of Stock on the principal United States national securities exchange on which shares of Stock are principally trading. In no event shall the Fair Market Value of any share be less than its par value.

(n) The term "ISO" as used herein means an incentive stock option with the meaning of Section 422 of the Code.

(o) The term "Non-Control Acquisition" as used herein has the meaning ascribed to it in Section 19(c).

(p) The term "Non-Control Transaction" as used herein has the meaning ascribed to it in Section 19(c).

(q) The term "Non-ISO" as used herein means a stock option that is not an ISO.

(r) The term "Option" as used herein means a stock option granted under the Plan.

(s) The term "Option Exercise Date" as used herein has the meaning ascribed to it in Section 5.5.

(t) The term "Option Price" as used herein means the purchase price of one share of Stock under an Option.

(u) The term "Plan" as used herein means the Movado Group, Inc. 1996 Stock Incentive Plan.

(v) The term "Plan Action" as used herein has the meaning ascribed to it in Section 10(a).

(w) The term "Stock" as used herein means common stock, par value \$.01 per share, of the Company as constituted on the effective date of the Plan, and any other shares into which such common stock shall thereafter be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like.

(x) The term "Stock Appreciation Right" as used herein means a stock appreciation right granted under the Plan.

(y) The term "Termination Date" as used herein means, with respect to each Award, a date fixed by the Committee.

(z) The term "Voting Securities" as used herein has the meaning ascribed to it in Section 19(c).

#### 9. Amendment of the Plan; Modification of Options.

(a) Plan Amendments. The Board may, without shareholder approval, at any time and from time to time, suspend, discontinue or amend the Plan in any respect whatsoever, except that no such amendment shall impair any rights under any Award theretofore granted under the Plan without the consent of the grantee of such Award. Furthermore, except as and to the extent otherwise permitted by Section 13 or 19 hereof, no such amendment shall, without shareholder approval:

(i) materially increase, beyond the amounts set forth in Section 4, the number of shares of Stock in respect of which Awards may be issued under the Plan;

(ii) materially modify the designation in Section 3 of the class of persons eligible to receive Awards under the Plan;

(iii) provide for the grant of Awards having an Option Price less than 100% of the Fair Market Value of a share of Stock on the date of grant;

(iv) permit an Option to be exercisable more than 10 years after the date of grant; or

(v) extend the term of the Plan beyond the period set forth in Section 23.

10. Restrictions.

(a) Consent Requirements. If the Committee shall at any time determine that any Consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any Award under the Plan, the acquisition, issuance or purchase of shares or other rights hereunder or the taking of any other action hereunder (each such action being hereinafter referred to as a "Plan Action"), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Committee. Without limiting the generality of the foregoing, if (i) the Company may make any payment under the Plan in cash, Stock or both and (ii) the Committee determines that Consent is necessary or desirable as a condition of, or in connection with, payment in any one or more of such forms, then the Committee shall be entitled to determine not to make any payment whatsoever until such Consent has been obtained. Certificates representing shares of Stock may bear such legends as the Committee shall deem advisable to reflect restrictions which may be imposed by laws, including without limitation, the Securities Act of 1933.

(b) Consent Defined. The term "Consent" as used herein with respect to any Plan Action means (i) any and all listings, registrations or qualifications in respect thereof upon any securities exchange or other self-regulatory organization or under any federal, state or local law, rule or regulation, (ii) the expiration, elimination or satisfaction of any prohibitions, restrictions or limitations under any federal, state or local law, rule or regulation or the rules of any securities exchange or other self-regulatory organization, (iii) any and all written agreements and representations by the grantee with respect to the disposition of shares, or with respect to any other matter, which the Committee shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made and (iv) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory bodies or any parties to any loan agreements or other contractual obligations of the Company or any Affiliate.

11. Nontransferability.

No Award granted to any grantee shall be assignable or transferable by the grantee other than by will or by the laws of descent and distribution. During the lifetime of the grantee, all rights with respect to any Award granted to the grantee shall be exercisable only by the grantee. This Section 11 (or any part thereof) may be altered by the Committee to the extent that it is no longer required under the rules promulgated under Section 16 of the Act or any other law, rule or regulation applicable to the Company.



12. Withholding Taxes.

(a) Whenever, under the Plan, shares of Stock are to be delivered pursuant to an Award, the Committee may require as a condition of delivery that the grantee remit an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto. Whenever cash is to be paid under the Plan, the Company may, as a condition of its payment, deduct therefrom, or from any salary or other payments due to the grantee, an amount sufficient to satisfy all federal, state and other governmental withholding tax requirements related thereto or to the delivery of any shares of Stock under the Plan.

(b) Without limiting the generality of the foregoing, (i) a grantee may elect to satisfy all or part of the foregoing withholding requirements by delivery of unrestricted shares of Stock owned by the grantee having a Fair Market Value (determined as of the date of such delivery by the grantee) equal to all or part of the amount to be so withheld, and (ii) the Committee may permit any such delivery to be made by withholding shares of Stock from the shares otherwise issuable pursuant to the Award giving rise to the tax withholding obligation (in which event the date of delivery, for an Option, shall be deemed the date such Option was exercised).

13. Adjustments Upon Changes in Capitalization.

If (and to the extent) specified by the Committee, the number of shares of Stock that may be issued pursuant to Awards under the Plan, the number of shares of Stock subject to Awards, the exercise price of Options theretofore granted under the Plan and the amount payable by a grantee in respect of an Option shall be appropriately adjusted (as the Committee may determine) for any change in the number of issued shares of Stock resulting from the subdivision or combination of shares of Stock or other capital adjustments, or the payment of a stock dividend after the effective date of the Plan, or other change in such shares of Stock effected without receipt of consideration by the Company; provided that any Awards covering fractional shares of Stock resulting from any such adjustment shall be eliminated and provided further that each ISO granted under the Plan shall not be adjusted in a manner that causes such Option to fail to continue to qualify as an ISO within the meaning of section 422 of the Code. Adjustments under this Section shall be made by the Committee, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

14. Right of Discharge Reserved.

Nothing in the Plan or in any Award Agreement shall confer upon any person the right to continue in the employment of the Company or an Affiliate or affect any right which the Company

or an Affiliate may have to terminate the employment of such person.

15. No Rights as a Shareholder.

No grantee or other person shall have any of the rights of a shareholder of the Company with respect to shares of Stock subject to an Option until the issuance of a stock certificate to such-grantee for such shares of Stock. Except as otherwise provided in Section 13, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) for which the record date is prior to the date such stock certificate is issued.

16. Nature of Payments.

(a) All Awards granted hereunder shall be granted, issued, delivered or paid, as the case may be, in consideration of services performed for the Company or for its Affiliates by the grantee.

(b) No Award shall be considered special incentive payments to the grantee or, unless otherwise determined by the Committee, be taken into account in computing the grantee's salary or compensation for the purposes of determining any benefits under (i) any pension, retirement, life insurance or other benefit plan of the Company or any Affiliate or (ii) any agreement between the Company or any Affiliate and the grantee.

(c) By accepting an Award under the Plan, the grantee thereby waives any claim to continued exercise of an Option or vesting of an Award or to damages or severance entitlement related to non-continuation of the Award beyond the period provided herein or in the applicable Award Agreement, notwithstanding any contrary provision in any written employment contract with the grantee, whether any such contract is executed before or after the grant date of the Award.

17. Non-Uniform Determinations.

The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Award Agreements, as to (a) the persons to receive Awards under the Plan, and (b) the terms and provisions of Awards under the Plan.

18. Other Payments or Options.

Nothing contained in the Plan shall be deemed in any way to limit or restrict the Company, any Affiliate or the Committee from making any option, award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

19. Reorganization.

(a) In the event that the Company is merged or consolidated with another corporation and, whether or not the Company shall be the surviving corporation, there shall be any change in the shares of Stock by reason of such merger or consolidation, or in the event that all or substantially all of the assets of the Company are acquired by another person, or in the event of a Change of Control (as defined in Section 19(c) below) after the date of the adoption of this Plan or in the event of a reorganization or liquidation of the Company (each such event being hereinafter referred to as a "Reorganization Event") or in the event that the Board shall propose that the Company enter into a Reorganization Event, then the Committee may in its discretion, by written notice to a grantee, provide that such grantee's Options will be terminated unless exercised within 30 days (or such longer period as the Committee shall determine in its sole discretion) after the date of such notice; provided that if the Committee takes such action, the Committee also shall accelerate the dates upon which all outstanding Options of such grantee shall be exercisable. The Committee also may in its discretion by written notice to a grantee provide that all or some of the restrictions on any of his Awards may lapse in the event of a Reorganization Event upon such terms and conditions as the Committee may determine.

(b) Whenever deemed appropriate by the Committee, the actions referred to in Section 19(a) may be made conditional upon the consummation of the applicable Reorganization Event.

(c) The term Change of Control means the occurrence during the term of the Plan of:

(i) The commencement (within the meaning of Rule 14d-2 under the Act) of a tender offer for more than 20% of the Company's outstanding shares of capital stock having ordinary voting power in the election of directors (the "Voting Securities").

(ii) An acquisition (other than directly from the Company) of any voting securities of the Company by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Act) immediately after which such Person has "Beneficial Ownership" (within, the meaning of Rule 13d-3 promulgated under the Act) of twenty percent (20%) or more of the combined voting power of the Company's

then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof or a trustee thereof acting solely in its capacity as trustee) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company (for purposes of this definition, a "Subsidiary"), (ii) the Company or its Subsidiaries, or (iii) any Person who files in connection with such acquisition a Schedule 13D which expressly disclaims any intention to seek control of the Company and does not expressly reserve the right to seek such control; provided, however, that any amendment to such statement of intent which either indicates an intention or reserves the right to seek control shall be deemed an "acquisition" of the securities of the Company reported in such filing as beneficially owned by such Person for purposes of this paragraph (b).

(iii) The individuals who, as of June 14, 1996, are members of the Board (the "Incumbent Board"), ceasing for any reason to constitute at least two-thirds of the members of the Board; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the 1934 Act or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(iv) Approval by stockholders of the Company of:

(A) merger, consolidation or reorganization involving the Company, unless such merger, consolidation or reorganization is a "Non-Control Transaction"; i.e., meets each of the requirements described in (A), (B), and (C) below:

a) the stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such

merger, consolidation or reorganization, at least seventy percent (70%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

b) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation immediately following the consummation of such merger, consolidation or reorganization; and

c) no Person other than the Company, any Subsidiary, any employee benefit plan (or any trust forming a part thereof or a trustee thereof acting solely in its capacity as trustee) maintained by the Company, the Surviving Corporation, or any Subsidiary, or any Person who, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of thirty percent (30%) or more of the then outstanding Voting Securities has Beneficial Ownership of thirty percent (30%) or more of the combined voting power of the Surviving Corporation's then outstanding voting securities immediately following the consummation of such merger, consolidation or reorganization.

(B) A complete liquidation or dissolution of the Company; or

(C) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to an affiliate).

20. Governing Law.

The Plan shall be governed by the laws of the State of New York applicable to agreements made and to be performed entirely within such state.

21. Award Agreements.

(a) Awards granted under the Plan shall be evidenced by written agreements, which shall (i) contain such provisions not inconsistent with the terms of the Plan as the Committee may in its sole discretion deem necessary or desirable and (ii) be referred to herein as "Award Agreements."

(b) With respect to Options, each Award Agreement shall set forth the number of shares of Stock subject to the Option granted thereby and the Option Price. The Option Price per share shall not be less than the Fair Market Value of a share of Stock on the date the Option is granted.

22. Section Headings.

The section headings contained herein are for convenience only and are not intended to define or limit the contents of said sections.

23. Effective Date.

(a) The Plan, as amended and restated herein, shall be deemed adopted and become effective upon the approval thereof by the Board or such other date as the Board shall determine; provided that, notwithstanding any other provision of the Plan, no Option granted under the amended and restated Plan shall be exercisable unless the Plan, is approved, directly or indirectly, by the express consent of shareholders holding at least a majority of the Company's voting stock voting in person or by proxy at a duly held shareholders' meeting within 12 months before or after the date the Plan is adopted.

(b) No further Awards shall be granted under the Plan on or after the tenth anniversary of the earlier of the date on which it is (1) adopted or (2) approved by shareholders. All Awards granted under the Plan prior to such tenth anniversary date shall remain in effect until such Options have been exercised or have terminated in accordance with the terms and provisions of the Plan and the applicable Award Agreement.

ANNUAL INCENTIVE COMPENSATION PLAN

FISCAL YEAR 1997

## PLAN OBJECTIVES:

- - Motivate key managers to achieve Company objectives
- - Financially reward managers in fair proportion to their contribution towards Company objectives.
- - Ensure that financial awards are competitive with industry practices.

## ELIGIBILITY:

Eligibility is granted to managers who occupy positions that can significantly influence the attainment of Business Unit and/or Corporate objectives.

## PLAN CONCEPT:

1. Performance Period: The performance period of the short-term incentive plan will begin on the first day of the fiscal year (February 1) and will end on the last day of the fiscal year (January 31).
2. Award Values: Participants in this plan shall have a target bonus as a percentage of salary or a percentage of sales and their bonus level will be based upon their management level and ability to influence company performance. The actual awards paid will be based on business unit and/or Corporate performance first and individual performance second.
3. Business Units: For purposes of this plan, there are the following business units: Corporate, U.S. Wholesale, Swiss Am (Retail Division), Switzerland (includes NA Trading, Grand Jean, Swiss Corporate, Concord SA and Movado SA manufacturing), International Sales and Marketing (includes Movado SA, and Concord SA sales and Montres Bienne), the Far East (Hong Kong and Singapore), Germany and Canada.



4. Bonus Pool Funding: The actual awards are based first upon the business unit and/or Corporate performance and then on individual performance after the pool has been funded.
5. Business Unit Performance: Awards for Company performance will be based on Pre-Tax Profit goals and Operating Cash Flow (in local currency).
6. Individual Performance: Participants will establish annual objectives at the start of each fiscal year which will be reviewed by two levels of management. These objectives should cover key results expected, both those designed to support annual Company and department performance and those expected to benefit longer term performance. Performance on these objectives will be judged and rated as part of overall performance in the annual review.
7. A number of managers may have goals attached to both business unit and Corporate performance. Their bonus pool will therefore have both a corporate and business unit component.

## BONUS PAYMENTS

After the pool is funded, the actual bonus amount paid will be dependent upon overall performance against objectives which will be reviewed in conjunction with the performance evaluation program as follows:

If a participant's overall evaluation is at the "1" level (denoting a marginal or dissatisfactory level of performance), then no bonus will be paid. If performance is at the "2" or satisfactory level but where some improvement is indicated, then the bonus will be paid at 50%. At the "3" or fully competent level, 100% of the bonus will be paid. Finally, if an individual meets and often exceeds performance targets which is the "4" level of performance, 120% of the bonus target may be paid. When judging an individual's overall evaluation level, performance against agreed upon objectives will be an important factor in determining the final score.

Once the Business Unit achieves at least a threshold level of performance, the bonus pool will be funded at the minimum level. Actual individual awards will be determined by individual performance against agreed upon objectives.

For senior managers who have the ability to influence overall corporate goals, a portion of their pool will be based on Corporate performance and in order to receive the Corporate portion of their bonus pool, the Corporation must meet at least the threshold level of performance. Therefore, the business unit and/or Corporation must meet the threshold level of performance for the pool to be funded. If the threshold level is not achieved, the pool will not be funded and bonus payments will be strictly discretionary.

## BONUS POOL FUNDING

The bonus pool will be funded according to Pre-tax Profit goals and Pre-tax Operating Cash flow as follows:

## BONUS POOL FUNDING

| % GOAL<br>ACHIEVED | EARNINGS<br>FUNDING | CASH FLOW<br>FUNDING |
|--------------------|---------------------|----------------------|
| 120%               | 150%                | 150%                 |
| 110%               | 115%                | 115%                 |
| 100%               | 100%                | 100%                 |
| 90%                | 75%                 | 75%                  |
| 80%                | 50%                 | 50%                  |

According to the above table, if the pre-tax profits (Goal A) and pre-tax operating cash flow (Goal B) were 120% of the budgeted number, the pool would be funded at 150% or at the maximum bonus level. If the targets of pre-tax profit (Goal A) and operating cash flow (Goal B) were reached, the pool would be funded at 100%, and if the pre-tax profits and operating cash flow were at 80% of the goal, then the pool would be funded at 50%. If results are below 80% of the pre-tax profit goal but the goal of operating cash flow is above 80%, then the pool would be funded at 40%. If the pre-tax profit goal is 80% or above but the operating cash flow goal is below 80%, then the pool will be funded at 40%. If pre-tax profits and operating cash flow are below 80% of the goal, then the pool will not be funded and any bonuses granted would be strictly discretionary.

All individuals will have a portion of their Business Unit goals tied to the Worldwide Corporate goals.

## ADMINISTRATIVE GUIDELINES

- - Employees hired or transferred into a bonus eligible position prior to August 1st are eligible to participate in this plan and to receive a prorated bonus award based upon their performance against those objectives mutually agreed to at the start of employment.
- - Employees hired or transferred into a bonus eligible position in the second six months of the fiscal year do not become eligible for participation in this plan until February 1 of the following fiscal year. However, they are eligible to receive a discretionary bonus for performance during the second half of the year.
- - Participants whose employment is terminated by the Company or who resign voluntarily prior to the date bonuses are paid, will not be eligible to receive a bonus payment.
- - Participants who are terminated because of a reorganization, who retire from active employment, who become disabled or who die, will be eligible to receive a discretionary payment for their period of active employment.
- - The calculation of all awards shall be based upon average salary for the entire performance period with all adjustments for promotion, merit, etc., included proportionately.
- - The calculation of Worldwide Corporate and Business Unit performance will be verified by the Chief Financial Officer. Individual awards will be recommended by each participant's supervisor and approved by the top department manager. Final approval of bonus awards will be made by the President. Awards for Corporate Officers will also be approved by the Compensation Committee of the Board of Directors of North American Watch Corporation.

## MISCELLANEOUS

1. The Company reserves the unilateral right with or without notice, at any time and from time to time, in its sole and absolute discretion to (i) amend or modify in whole or in part any of the provisions of the plan in any respect whatsoever, (ii) to likewise suspend or cancel the Plan and (iii) to make exceptions to any or all of the provisions of the Plan on a case by case basis.
2. THIS PLAN DOES NOT CONSTITUTE A CONTRACT OF EMPLOYMENT AND THE COMPANY SPECIFICALLY RESERVES THE RIGHT TO TERMINATE A PARTICIPANT'S EMPLOYMENT AT ANY TIME WITH OR WITHOUT CAUSE AND WITH OR WITHOUT NOTICE OR ASSIGNING A REASON.
3. At all times, payment under this plan is subject to the Company's discretion. Payment will be made to individual participants not only based upon Corporate and Individual achievement against goals but also will be based upon overall individual performance.
4. Notwithstanding anything to the contrary contained herein, the amount of the bonus payment, if any, will at all times be ultimately determined by the Company in its sole and absolute discretion and the Company expressly reserves the right to pay any amount (including zero) which is less than or more than the amount otherwise determined by reference to Corporate Performance and Individual Performance.
5. The Company reserves the right to adjust Worldwide Corporate or Business Unit performance for extraordinary events.

## MOVADO GROUP, INC.

COMPUTATION OF NET INCOME PER SHARE  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

|  | NINE MONTHS ENDED<br>OCTOBER 31, 1996 | THREE MONTHS ENDED<br>OCTOBER 31, 1996 |
|--|---------------------------------------|--|
|  | -----                                 | -----                                  |
| PRIMARY  |                                       |  |
| Net income   | \$8,560                               | \$7,350                                |
|  | =====                                 | =====                                  |
| Weighted average number of common shares outstanding   | 6,009                                 | 6,011                                  |
| Add common equivalent shares<br>(determined using the "Treasury Stock" Method) representing<br>shares issuable upon exercise of employee stock options | 90                                    | 120                                    |
|  | -----                                 | -----                                  |
| Weighted average number of shares used in primary net income<br>per share  | 6,099                                 | 6,131                                  |
|  | =====                                 | =====                                  |
| Primary net income per share   | \$1.40                                | \$1.20                                 |
|  | =====                                 | =====                                  |
| FULLY DILUTED  |                                       |  |
| Net income   | \$8,560                               | \$7,350                                |
|  | =====                                 | =====                                  |
| Weighted average number of common shares outstanding   | 6,009                                 | 6,011                                  |
| Add common equivalent shares<br>(determined using the "Treasury Stock" Method) representing<br>shares issuable upon exercise of employee stock options | 171                                   | 171                                    |
|  | -----                                 | -----                                  |
| Weighted average number of shares used in fully diluted net<br>income per share  | 6,180                                 | 6,182                                  |
|  | =====                                 | =====                                  |
| Fully diluted net income   | \$1.39                                | \$1.19                                 |
|  | =====                                 | =====                                  |

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENT FOR THE 3 MONTHS ENDED OCTOBER 31, 1996.

1,000

|         |             |         |
|---------|-------------|---------|
| 3-MOS   | JAN-31-1997 |         |
|         | AUG-01-1996 |         |
|         | OCT-31-1996 | 4,040   |
|         |             | 0       |
|         | 112,701     | 0       |
|         |             | 102,894 |
|         | 230,607     | 14,312  |
|         |             | 0       |
|         | 253,257     | 40,000  |
| 90,681  |             | 0       |
|         |             | 60      |
|         | 110,087     |         |
| 253,257 |             | 76,864  |
|         | 76,864      | 33,897  |
|         |             | 31,439  |
|         |             | 0       |
|         |             | 0       |
|         | 1,367       |         |
|         | 10,161      |         |
|         |             | 2,811   |
| 7,350   |             | 0       |
|         |             | 0       |
|         |             | 0       |
|         | 7,350       |         |
|         | 1.20        |         |
|         | 1.19        |         |