

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR FISCAL YEAR ENDED JANUARY 31, 1997

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

FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 0-22378

MOVADO GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW YORK
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

13-2595932
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

125 CHUBB AVENUE, LYNDHURST, NEW JERSEY
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

07071
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (201) 460-4800

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
NAME OF EACH EXCHANGE ON WHICH REGISTERED: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, \$.01 PAR VALUE
(TITLE OF CLASS)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Based on the closing sales price of the Common Stock as of April 15, 1997, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$91,526,194. For purposes of this computation, each share of Class A Common Stock is assumed to have the same market value as one share of Common Stock into which it is convertible and only shares of stock held by directors, officers and principal shareholders were excluded.

The number of shares outstanding of the registrant's Common Stock and Class A Common Stock as of April 15, 1997 were 3,450,616 and 2,586,368, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to Registrant's 1997 annual meeting of shareholders (the "Proxy Statement") are incorporated by reference in Part III hereof.

Item 1. Business

CORPORATE ORGANIZATION

The registrant, Movado Group, Inc., is a designer, manufacturer and distributor of quality watches with prominent brands sold in almost every price category comprising the watch industry. It was incorporated in New York in 1967 to acquire Piaget Watch Corporation and Corum Watch Corporation, which had been, respectively, the exclusive importers and distributors of Piaget and Corum watches in the United States since the 1950's. The registrant and its subsidiaries are referred to herein as "Movado Group, Inc." or the "Company" unless the context otherwise requires.

In 1970, the Company acquired the Swiss manufacturer of Concord watches, which had been manufacturing Concord watches since 1908, and in 1983, the Company acquired the U.S. distributor of and substantially all the assets related to the Movado watch brand from the Swiss manufacturer of Movado watches.

On October 7, 1993, the Company completed a public offering of 2,666,667 shares of common stock, par value \$.01 per share (the "Common Stock"). In connection with the public offering, each share of old Class A Common Stock was reclassified into 10.46 shares of Class A Common Stock, par value \$.01 per share (the "Class A Common Stock"). Each share of Common Stock is entitled to one vote per share and each share of Class A Common Stock is entitled to 10 votes per share on all matters submitted to a vote of the shareholders. Each holder of shares of Class A Common Stock is entitled to convert, at any time, any and all such shares into the same number of shares of Common Stock. Each share of Class A Common Stock is converted automatically into Common Stock in the event that the beneficial or record ownership of such share of Class A Common Stock is transferred to any person, except to certain family members or affiliated persons deemed "permitted transferees" pursuant to the Company's Amended Restated Certificate of Incorporation. The Common Stock is quoted on the Nasdaq National Market under the trading symbol "MOVA".

With executive offices in Lyndhurst, New Jersey, the Company operates wholly-owned subsidiaries in Canada, Hong Kong, Japan, Singapore, Switzerland and the United States.

INDUSTRY OVERVIEW

The Company believes that the watch market can be categorized into five principal price categories as set forth in the following table:

PRICE CATEGORY -----	APPROXIMATE SUGGESTED RETAIL PRICE RANGE -----
Luxury	\$5,000 and over
Expensive	\$1,000 to \$4,999
Medium-priced	\$400 to \$999
Moderately-priced	\$80 to \$399
Mass-market	less than \$80

Luxury Watches

Luxury watches are usually made of precious metals, including 18 karat gold or platinum, and may be set with precious gems, including diamonds, emeralds, rubies and sapphires. These watches are primarily mechanical or quartz-analog watches. Mechanical watches keep time with intricate mechanical movements consisting of an arrangement of wheels, jewels and winding and regulating mechanisms. Quartz-analog watches have quartz

movements in which time is precisely calibrated to the regular frequency of the vibration of quartz crystal. Luxury watches are manufactured almost exclusively in Switzerland. In addition to the Company's Piaget and Corum watches and certain Movado and Concord watches, well-known brand names of luxury watches include Audemars Piguet, Cartier, Patek Philippe, Rolex and Vacheron & Constantin.

Expensive Watches

Most expensive watches are quartz-analog watches, although certain expensive watches are mechanical watches. These watches are made with either 14 or 18 karat gold, stainless steel or a combination of gold and stainless steel and are occasionally set with precious gems. Expensive watches are primarily manufactured in Switzerland. In addition to a majority of the Company's Concord watches and certain Movado watches, well-known brand names of expensive watches include Baume & Mercier, Breitling, Cartier, Ebel, Omega and Rolex.

Medium-Priced Watches

The majority of medium-priced watches are quartz-analog watches. These watches are made with either gold finish, stainless steel or a combination of gold finish and stainless steel. Medium-priced watches are manufactured primarily in Switzerland, as well as in the Far East. In addition to a majority of the Company's Movado watches and certain Concord watches, well-known brand names of medium-priced watches include Gucci, Raymond Weil and TAG-Heuer.

Moderately-Priced Watches

Most moderately-priced watches are quartz-analog watches. The Company believes that the moderately-priced segment of the watch market includes two distinct types of watches: (i) watches with more classical styles and features and (ii) watches with less traditional designs that attempt to reflect fashion trends. Moderately-priced watches are manufactured primarily in the Far East, as well as in Switzerland. In addition to the Company's ESQ line and certain Movado watches, well-known brand names of watches with more classical styles and features in the moderately-priced segment include Bulova, Citizen and Seiko. Although certain fashion watches compete in the mass-market segment, fashion watches are generally priced at the lower end of the moderately-priced segment of the watch market. Well-known brand names of fashion watches in the moderately-priced segment include Anne Klein, Fossil, Gucci and Guess.

Mass-Market Watches

Mass-market watches consist of digital and quartz-analog watches that are made with either stainless steel, brass or plastic. Digital watches, unlike quartz-analog watches, have no moving parts. Instead, time is kept by electronic microchips and is displayed as discrete arabic digits illuminated on the watch face by light emitting diodes (LEDs) or liquid crystal displays (LCDs). Mass-market watches are manufactured primarily in the Far East. Movado Group, Inc. does not manufacture or distribute mass-market watches. Well-known brands of mass-market watches include Casio, Citizen, Fossil, Seiko, Swatch and Timex.

PRODUCTS

The Company markets five distinctive brands of watches: Movado, Concord, ESQ, Piaget and Corum. The Company designs and manufactures Movado and Concord watches primarily in Switzerland, as well as in the United States, for sale throughout the world. ESQ watches are manufactured to the Company's specifications by independent contractors located in the Far East and are presently sold in the United States, Canada and the Caribbean Islands. In addition, Movado Group, Inc. is the exclusive distributor of Swiss-manufactured Piaget

and Corum watches in the United States, Canada, Central America and the Caribbean Islands. Piaget and Corum watches are manufactured in Switzerland by S.A. Ancienne Fabrique Georges Piaget et Cie. ("Piaget Swiss"), and Corum Ries, Bannwart et Cie. ("Corum Swiss"), respectively.

Beginning in late fiscal 1998 or early fiscal 1999 the Company plans to introduce Coach watches as a new sixth brand which will be manufactured on behalf of and distributed by the Company in the United States and internationally under a license agreement signed with Sara Lee Corporation.

Movado

Founded in 1881 in La Chaux-de-Fonds, Switzerland, the Movado brand today includes a line of watches based on the design of the world famous Movado Museum watch and a number of other watch collections, most with more traditional designs. Distinguished by a solitary dot at the 12 o'clock position on a numberless dial, the design for the Movado Museum watch was the first watch design chosen by the Museum of Modern Art for its permanent collection. It has since been honored by 10 other museums throughout the world. Other Movado collections include: Movado Gold, Movado 1881 Suisse and Gentry. Movado Gold consists of classical gold bracelet and strap watches. Watch designs of Movado 1881 Suisse are based on designs found in Movado's watch archives and the Company's collection of antique Movado watches. Gentry includes more traditional looking strap watches, which are designed and priced to appeal to younger consumers. During fiscal 1997, the Company introduced a new line within the Movado brand called Vizio. Vizio is a contemporary styled watch line composed primarily of all steel bracelet and leather strap designs.

All Movado watches are made with 14 or 18 karat gold, 18 karat gold finish, stainless steel or a combination of 18 karat gold finish and stainless steel. The majority of Movado watches have suggested retail prices of between approximately \$195 and \$4,000.

The Company has also periodically offered special limited edition watches as part of its Artists Series in order to enhance the image of artistry and style associated with the Movado brand. A number of internationally recognized artists have created watch designs for this series.

Concord

Three principal collections of watches, Saratoga, Delirium and Royal Gold, comprise the Concord line. Saratoga consists primarily of sport watches that employ both quartz and mechanical movements. The Company uses ultra-thin quartz movements in its Delirium watches, which are based on technology the Company developed when it manufactured the world's thinnest watch in 1979. Royal Gold includes both highly fashionable and classic lines of gold watches. Concord watches are made with 14 or 18 karat gold, stainless steel or a combination of 18 karat gold and stainless steel, except for Royal Gold watches, which are made with only 14 or 18 karat gold. In 1997, the Company introduced the Veneto line of 18 karat gold watches which have a classic design. The majority of Concord watches have suggested retail prices of between approximately \$1,000 and \$15,000.

ESQ

Introduced in the second half of fiscal 1993, the ESQ brand consists of watches with suggested retail prices from approximately \$125 to \$495 with features and styles comparable to those found in more expensive watches. The ESQ line currently includes two principal collections: Sport and Fashion. The Sport collection includes the 9500 SLX, Submersible, Freedom, Rally and Aquasport lines, all of which are water resistant to at least 330 feet. Fashion includes

contemporary style bracelet watches, many of which include genuine mother-of-pearl dials. All ESQ watches contain Swiss movements and are made with stainless steel, gold finish or a combination of stainless steel and gold finish, with leather straps, stainless steel bracelets or gold finish bracelets.

Piaget

Piaget watches are manufactured by Piaget Swiss in La Cotes-aux-Fees, Switzerland. The Company believes that Piaget watches are among the most expensive watches in the world. Tanagra, Piaget's flagship collection, consists predominately of rounded link bracelet watches. Piaget Polo principally consists of sportier watches, while Dancer watches are generally thinner, dressier watches. Gouverneur watches are very traditional watches with mechanical movements and leather straps. All Piaget watches are made of 18 karat gold and most Piaget watches include either precious or semi-precious gems. In addition, the Company distributes certain limited-edition high jewelry watches, including the Aura and Galaxy series. Aura and Galaxy watches are typically made of 18 karat gold and set with precious gems, including diamonds, emeralds, rubies and sapphires. The majority of Piaget watches have suggested retail prices of between approximately \$4,000 and \$30,000.

Corum

Corum Swiss is a family owned company founded in 1955 in La Chaux-de-Fonds, Switzerland. The Company's four principal Corum watch collections include: Gold Coin, Symbiose, Quadratus and Admiral's Cup. Gold Coin features watches in which the case and dial are manufactured from a genuine gold coin. The coin watches, the most popular of which is the \$20 American Eagle watch, are manufactured by slicing a gold coin in half and inserting the watch movement between the halves. Symbiose and Quadratus include larger art deco-styled watches with self-winding mechanical movements. Admiral's Cup consists of stainless steel and 18 karat gold watches with nautical themes on the watch dials. The majority of Corum watches have suggested retail prices of between approximately \$3,000 and \$30,000.

Other Products and Services

During fiscal 1997, sales of other products and services totaled approximately \$23.8 million, or approximately 11.1% of net sales. These sales include revenues from the Company's service and watch repair operations, which historically have represented a source of consistent revenues with profit margins comparable to those generated from sales of the Company's watches. Other products and services include sales derived from the Company's Movado Design Store, Piaget Boutique and Movado Company Stores.

WARRANTY AND REPAIR

The Company has service facilities in each of its stores and offices around the world in addition to four Company-owned regional service facilities and approximately 100 authorized independent service centers. The Company conducts training sessions for, and distributes technical information and updates to, repair personnel in order to maintain consistency and quality at its service facilities and authorized independent service centers. The Company's products are covered by limited warranties against defects in materials and workmanship for periods ranging from one to three years from the date of purchase for movements and up to five years for Movado watch casings and bracelets. Products that are returned under warranty to the Company are generally serviced by the Company's employees at its service facilities.

ADVERTISING

Advertising is important to the successful marketing of the Company's watches. Movado Group, Inc. has maintained its own in-house advertising department since 1972 and devotes significant resources to advertising. Advertising expenditures totaled approximately 18.0%, 17.8% and 15.1% of net sales in fiscal 1997, 1996 and 1995, respectively. Advertising is developed individually for each of the Company's watch brands and is directed primarily to the ultimate consumer rather than to trade customers. The Company also participates in cooperative advertising programs with its trade customers. The Company develops the advertising for each of its brands by targeting consumers with particular demographic characteristics appropriate to the image and price range of the brand. Advertisements are placed predominantly in magazines and other print media, but are also created for television campaigns, catalogues and promotional materials.

SALES AND DISTRIBUTION

General

The Company sells Movado and Concord watches throughout the world; ESQ watches presently in the United States, Canada and the Caribbean Islands; and Piaget and Corum watches in the United States, Canada, Central America and the Caribbean Islands. All five brands are sold to trade customers by the Company's sales personnel, who typically specialize in one particular brand. The Company also sells Movado and Concord watches outside the United States, Canada, Central America and the Caribbean Islands through independent international distributors. In fiscal 1997 no single trade customer or international distributor accounted for 10% or more of the Company's sales. The Company does not believe it would be materially adversely affected by the loss of any single trade customer or independent distributor. In addition to its sales to trade customers and independent distributors, a portion of the Company's total sales are made directly to consumers in the United States through the Movado Design Store, Piaget Boutique and Movado Company Stores.

The Company divides its business into two major geographic markets; the "domestic" market which includes the Company's United States and Canadian operations, and the "international" market which includes the balance of the Company's operations.

Domestic

The Company operates in the United States through its North American Watch Company division and in Canada through its Canadian subsidiary. It sells its products in the domestic market primarily through department stores, such as Macy's, Neiman-Marcus and Saks Fifth Avenue, jewelry store chains, such as Zales, Mayor's and Sterling, and independent jewelers. The Movado, Concord and ESQ brands are sold through each of these retail channels; and the Piaget and Corum brands are sold primarily to independent jewelers. Sales to trade customers in the United States and Canada are made directly by the Company's sales force consisting of approximately 82 employees. A majority of the sales force is compensated solely on the basis of commissions, which are determined as a percentage of sales.

International

The Company sells Movado and Concord watches internationally through its own sales force of approximately 37 employees operating from the Company's sales and distribution offices in Hong Kong, Singapore and Switzerland, and also through a network of approximately 35 independent distributors operating in numerous countries around the world. A majority of the Company's arrangements with its international distributors are long-term, generally require certain minimum purchases and restrict the distributor from selling competitive products.

Alternative Methods of Distribution

In addition to its sales to trade customers and independent distributors, Movado Group, Inc. sells Movado watches directly to consumers in its Company-operated Movado Design Store on Fifth Avenue in New York City. The Company also sells Piaget watches and jewelry directly to consumers in its Company-operated Piaget Boutique on Fifth Avenue in New York City. The Company established the Piaget Boutique pursuant to an agreement with Piaget Swiss entered into in fiscal 1997. The Company also operates thirteen Movado Company Stores, in Cabazon, California; St. Helena, California; Solvang, California; Destin, Florida; Tuscola, Illinois; Freeport, Maine; Lancaster, Pennsylvania; Hilton Head, South Carolina; Myrtle Beach, South Carolina; San Marcos, Texas; Manchester, Vermont; Dawsonville, Georgia and Williamsburg, Virginia. These Movado Company Stores sell discontinued and sample merchandise and factory seconds of all five brands, providing the Company with an organized and efficient method of reducing its inventory without competing directly with trade customers.

BACKLOG

At March 31, 1997, the Company had unfilled customer orders of approximately \$19.2 million, compared to approximately \$16.9 million at March 31, 1996 (based on currency exchange rates in effect on March 31, 1997). The Company believes that substantially all such orders are firm and will be filled during the Company's current fiscal year. The Company's backlog is affected by a variety of factors, including seasonality and the scheduling of the manufacture and shipment of products. Accordingly, a period-to-period comparison of backlog is not necessarily meaningful and may not be indicative of eventual shipments.

SOURCES AND AVAILABILITY OF SUPPLIES

Movado and Concord watches are generally assembled at the Company's manufacturing facility in Bienne, Switzerland with some off-site assembly performed principally by independent Swiss watch makers. Every Movado and Concord watch is assembled using Swiss movements and other components obtained from third-party suppliers. A number of cases and bracelets used in these watches are also manufactured by the Company. The Movado Gold and Concord Royal Gold collections are assembled by the Company at its facilities in Lyndhurst, New Jersey using Swiss movements as well as bracelets and cases obtained from third-party suppliers.

ESQ watches are manufactured by independent contractors in the Far East using Swiss movements and other components purchased from third-party suppliers principally located in the Far East.

Many of the watch movements used in the manufacture of Movado, Concord and ESQ watches are purchased from ETA, the largest single supplier of Swiss movements in the Swiss watch industry. ETA, a subsidiary of SMH (a principal competitor of Movado Group, Inc.), has supplied the Company with watch movements for over 20 years. The Company obtains other watch components for all of its manufactured brands including movements, cases, crystals, dials, bracelets and straps, from a number of other suppliers. The Company believes that comparable Swiss movements and other watch components are available from other suppliers on comparable terms and does not believe that its business is materially dependent on any one supplier. There can be no assurance, however, that the establishment of additional or replacement suppliers would not result in a temporary interruption in the manufacturing and assembly of the Company's products. Precious stones used in the Company's watches are purchased from various suppliers and are set in the United States, Canada and Switzerland. The Company believes that these stones are readily available from alternative sources. Movado Group, Inc. does not have long-term supply contracts with any of its component parts suppliers.

The Company purchases Piaget and Corum watches from Piaget Swiss and Corum Swiss, respectively under long term distribution agreements expiring December 31, 2009. Pursuant to the Piaget distribution agreements, Piaget Swiss undertakes, through its distribution affiliate Piaget (International) S.A., to sell watches and jewelry to the Company on request, based on a formula that allows for the most favorable prices and delivery

terms at which the watches and jewelry are then being offered for sale to wholesale distributors unrelated to Piaget Swiss. Under the terms of the Corum distribution agreement, Corum Swiss undertakes to sell watches to the Company at the lowest prices at which the watches are then being offered for sale to others, and to use reasonable efforts to comply with all delivery dates specified by the Company. Although Movado Group, Inc. has long-term distribution agreements with Piaget Swiss and Corum Swiss for the supply of these watches, an interruption in supply could have a material adverse effect on the Company's results of operations.

COMPETITION

The markets for each of the Company's watch brands are highly competitive. With the exception of SMH, a large Swiss-based competitor, no single company competes with the Company across all of its brands. Certain companies, however, compete with Movado Group, Inc. with respect to one or more of its watch brands. Certain of these companies have, and other companies that may enter the Company's markets in the future may have, substantially greater financial, distribution, marketing and advertising resources than the Company. The Company's future success will depend, to a significant degree, upon its ability to compete effectively with regard to, among other things, the style, quality, price, advertising, marketing and distribution of its watch brands.

TRADEMARKS AND LICENSING AGREEMENTS

Movado Group, Inc. owns the trademarks MOVADO(R), CONCORD(R), VIZIO(R) and related trademarks for watches in the United States and in numerous other countries. The Company license the trademarks ESQUIRE(R), ESQ(R) and related trademarks for use in connection with the sale and advertisement of watches pursuant to a license agreement with The Hearst Corporation ("Hearst"). Pursuant to earlier agreements with Hearst dating from 1988, the Company previously used the ESQ name for one of its Movado watch collections. The current term of the Hearst license agreement expires on December 31, 1997, and the agreement is renewable at the Company's option through December 31, 2018.

The Company owns the trademark PIAGET(R) for watches and jewelry and a number of related trademarks for watches in the United States. Pursuant to distribution agreements and a trademark agreement entered into with Piaget Swiss in February 1992, the Company is required to assign the PIAGET(R) and related trademarks to Piaget Swiss upon the expiration of those agreements on December 31, 2009.

The Company also owns the trademark CORUM(R) and a number of related trademarks for watches in the United States. Pursuant to the Corum distribution agreement, Movado Group, Inc. is required to assign these trademarks to Corum Swiss on December 31, 2009, upon the expiration of the Company's distribution rights, unless earlier terminated by either party as of December 30, 2002.

The Company actively seeks to protect and enforce its trademarks by working with anti-counterfeiting organizations and law enforcement authorities, monitoring the enforcement of certain exclusion orders received from U.S. Customs and, when necessary, instituting legal action against infringers of its trademarks. As the owner of the PIAGET(R) trademark for watches in the United States, the Company has received an exclusion order, pursuant to U.S. Customs regulations, which prohibits the importation of both counterfeit and gray-market PIAGET(R) watches into the United States. A "gray-market" good is a foreign manufactured good that bears a valid United States trademark and is imported without the consent of the United States trademark owner. U.S. Customs enforces the exclusion order by seizing any such goods at their point of entry into the United States. The Company also has exclusion orders covering the trademark CORUM(R) and the Admiral's Cup dial design trademark. With respect to the trademarks MOVADO(R) and CONCORD(R), the Company has received exclusion orders that prohibit the importation of counterfeit goods or goods bearing confusingly similar trademarks into the United States. In accordance with U.S. Customs regulations, these exclusion orders, however, do not cover the importation of gray-market MOVADO(R) or CONCORD(R) watches because the Company is the manufacturer of such watches. All of the Company's exclusion orders are renewable.

EMPLOYEES

As of January 31, 1997, the Company had 718 full-time employees in its domestic and international operations. No employee of the Company is represented by a labor union or is subject to a collective bargaining agreement.

The Company has never experienced a work stoppage due to labor difficulties and believes that its employee relations are good.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS AND SEASONALITY

The Company operates in one industry segment: the design, manufacture and distribution of quality watches. The Company's sales in the United States and Canada are traditionally greater during the Christmas and holiday season and are significantly more seasonal than its international sales. Consequently, the Company's net sales historically have been higher during the second half of its fiscal year. The second half of each year accounted for approximately 62.0%, 61.2% and 62.6% of the Company's net sales for the fiscal years ending January 31, 1997, 1996 and 1995, respectively. The amount of net sales and operating income generated during the second half of each fiscal year depends upon the general level of retail sales during the Christmas and holiday season, as well as economic conditions and other factors beyond the Company's control. The Company does not expect any significant change in the seasonality of its domestic business in the foreseeable future. International sales tend to be less seasonal, particularly those derived from the Middle and Far Eastern markets.

FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS

See Note 13 to the Consolidated Financial Statements for information pertaining to the Company's operations in different geographic areas.

Item 2. Properties

The Company leases various facilities in the United States, Canada, Switzerland and the Far East for its corporate, manufacturing, distribution and sales operations. The Company believes that it will be able to renew its leases for its facilities or obtain alternative space for such facilities upon the expiration of such leases. The Company believes that its facilities are adequate for the Company's current operations and to handle reasonably foreseeable sales growth. The Company's leased facilities are as follows:

LOCATION -----	FUNCTION -----	SQUARE FOOTAGE -----	LEASE EXPIRATION -----
Lyndhurst, New Jersey	Executive offices, watch assembly, watch repair, distribution	75,100	May 2002
Bienne, Switzerland	Corporate functions, watch sales, distribution, watch assembly, watch repair	52,000	January 2007
Hackensack, New Jersey	Warehouse	6,600	July 1999
Toronto, Canada	Watch sales, distribution, watch repair	5,300	May 1998
Hong Kong	Watch sales, distribution, watch repair, ESQ quality control	3,400	January 1999
Willowdale, Canada	Distribution	3,300	January 2000
Los Angeles, California	Watch repair	3,000	December 1997
Miami, Florida	Watch repair	2,600	October 2001
Grenchen, Switzerland	Watch sales	2,600	January 1998
New York, New York	Watch repair	2,200	November 2005
Japan	Watch sales	750	May 1998
Singapore	Watch sales, distribution, watch repair	474	August 1998

The Company leases retail space with average square footage of approximately 1,500 square feet. for the operation of its New York City Movado Design Store, Piaget Boutique and thirteen Movado Company Stores under leases expiring from February 1998 to July 2004. The Company also leases approximately 3,700 square feet of space at 730 Fifth Avenue in New York City under a lease expiring May 31, 2006. The Company operates this location as a retail store devoted exclusively to the sale of Piaget watches and jewelry.

Movado Group, Inc. owns 1.2 acres and the buildings located thereon in La Chaux-de-Fonds, Switzerland, which the Company uses for watch component manufacturing. The Company also owns approximately 2,400 square feet of office space in Hanau, Germany, which it has used for sales, distribution and watch repair functions.

Item 3. Legal Proceedings

The Company is involved in certain legal proceedings arising in the normal course of its business. The Company believes that none of these proceedings, either individually or in the aggregate, will have a material adverse effect on the Company's business or its consolidated financial position.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of shareholders of the Company in the fourth quarter of fiscal 1997.

Item 5. Market for Registrant's Common Stock and Related Shareholder Matters

As of February 28, 1997, there were 72 holders of record of the Class A Common Stock and, the Company estimates, approximately 1,110 beneficial owners of the Common Stock represented by 475 holders of record. The Common Stock is traded on the Nasdaq National Market under the symbol "MOVA". The shares of Common Stock were issued pursuant to a public offering in fiscal 1994 and trading commenced September 30, 1993. The quarterly high and low closing prices for the fiscal years ended January 31, 1997 and 1996 were as follows:

QUARTER ENDED	1997		1996	
	LOW	HIGH	LOW	HIGH
April 30	17	19 1/8	13 3/4	14 3/8
July 31	17	22 1/2	13 1/8	14 3/4
October 31	17 1/4	26 3/4	13 3/4	18 1/4
January 31	22 1/4	28 1/2	18 1/8	19 3/4

The Class A Common Stock is not publicly traded and is subject to certain restrictions on transfer as provided under the Company's Amended Restated Certificate of Incorporation and consequently there is currently no established public trading market for these shares.

During the fiscal year ended January 31, 1997, the Board of Directors approved four \$0.03 per share quarterly cash dividends to shareholders of record of the Common Stock and Class A Common Stock. The declaration and payment of future dividends, if any, will be at the sole discretion of the Board of Directors and will depend upon the Company's profitability, financial condition, capital and surplus requirements, future prospects, terms of indebtedness and other factors deemed relevant by the Board of Directors. See Note 4 to the consolidated financial statements regarding contractual restrictions on the Company's ability to pay dividends.

Item 6. Selected Financial Data

The selected financial data presented below have been derived from the Consolidated Financial Statements. This information should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements included elsewhere in this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 7 of this report (in thousands except per share amounts).

	FISCAL YEAR ENDED JANUARY 31,				
	1997	1996	1995	1994	1993
Statement of operations data:					
Net sales	\$ 215,107	\$ 185,867	\$ 160,853	\$ 142,237	\$ 134,153
Cost of sales	95,031	83,502	75,871	70,973	68,294
Selling, general and administrative (1)	99,657	84,315	69,243	56,993	53,331
Total expenses	194,688	167,817	145,114	127,966	121,625
Operating income	20,419	18,050	15,739	14,271	12,528
Net interest expense	4,874	4,450	4,307	7,570	8,996
Income from continuing operations before income taxes	15,545	13,600	11,432	6,701	3,532
Provision for (benefit from) income taxes	3,853	3,876	(2,512)	(106)	207
Income from continuing operations	\$ 11,692	\$ 9,724	\$ 13,944	\$ 6,807	\$ 3,325
Net income (2)	\$ 11,692	\$ 9,724	\$ 13,944	\$ 3,579	\$ 3,325
Income from continuing operations per share	\$ 1.94	\$ 1.62	\$ 2.32	\$ 1.61	\$ 1.00
Net income per common share	\$ 1.94	\$ 1.62	\$ 2.32	\$ 0.85	\$ 1.00
Weighted average common shares outstanding	6,012	6,007	6,000	4,223	3,334
Cash dividends declared per common share	\$ 0.12	\$ 0.10	\$ 0.08	\$ 0.048	--
Balance sheet data (end of period):					
Working capital	\$ 126,690	\$ 132,679	\$ 121,357	\$ 108,612	\$ 97,958
Total assets	208,443	200,380	186,949	156,954	144,075
Long-term debt	40,000	40,000	40,000	40,000	64,494
Shareholders' equity	103,870	104,841	92,930	72,458	35,776

(1) Includes in fiscal 1997 the effect of a one-time, pretax charge of approximately \$450,000 in connection with restructuring the Company's German operations.

(2) Included in fiscal 1994 is an extraordinary charge of \$3.2 million from the early redemption of \$45 million aggregate stated principal amount of the Company's 12% subordinated Debentures.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

Statements included under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in this annual report on Form 10-K, as well as statements in future filings by the Company with the Securities and Exchange Commission ("SEC"), in the Company's press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, "FORWARD LOOKING STATEMENTS" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934. The Company cautions readers that FORWARD LOOKING STATEMENTS, include without limitation, those relating to the Company's future business prospects, revenues, working capital, liquidity, capital needs, plans for future operations, effective tax rates, margins, interest costs, and income, as well as assumptions relating to the foregoing. FORWARD LOOKING STATEMENTS are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the FORWARD LOOKING STATEMENTS, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers, competitive products and pricing, ability to enforce intellectual property rights, and success of hedging strategies in respect of currency exchange rate fluctuations.

GENERAL

Net Sales. Among the more significant factors which influence annual sales are general economic conditions in the Company's domestic and international markets, new product introductions, the level of advertising expenditures, the effectiveness of marketing and distribution programs and product pricing decisions.

Reported sales are also affected by foreign exchange rates, primarily the U.S. dollar/Swiss franc rate, because significant portions of the Company's international sales are billed in Swiss francs and translated to U.S. dollars at average exchange rates for financial reporting purposes.

The Company's business is very seasonal. There are two major selling seasons in most of the Company's markets: the spring season which includes graduations and several holidays and, most importantly, the Christmas and holiday season. Major selling seasons in certain international markets center around significant local holidays that occur in late winter or early spring; however, because these markets are a less significant portion of the Company's business, their impact is far less than that of the selling seasons in North America.

The Company is continuing its efforts, begun in fiscal 1995, to expand sales in key international markets. These efforts have included the recruitment of a number of key personnel with management level sales and marketing responsibilities, the addition and replacement of selected independent distributors, an increase in the number of sales representatives, retargeted and increased advertising and coordinated marketing programs designed to build brand awareness and consumer demand for the Company's watches at point of sale.

Gross Margins. The Company's overall gross margins are primarily affected by four major factors: sales mix, product pricing strategy, component and labor costs and the U.S. dollar/Swiss franc exchange rate. The Company's gross margins on its manufactured brands are higher than those on its distributed brands and, therefore, any shift in overall sales mix toward the Company's manufactured brands will generally have a favorable impact on margins. In addition, margins on sales of a particular brand vary from model to model and, therefore, changes in the model sales mix within a brand will impact margins.

All of the Company's brands compete with a number of other brands on the basis of not only styling but also wholesale and retail price. The Company's ability to improve margins through price increases is, therefore, to some extent constrained by competitor actions. The overall level of liquidation sales of discontinued models in a particular fiscal year can also impact the Company's gross margins.

Manufacturing costs of the Company's Movado and Concord brands consist primarily of component costs, Company and subcontract assembly costs and unit overhead costs.

The Company seeks to control and reduce component and subcontract labor costs through a combination of negotiation with existing suppliers and alternative sourcing. Overall wage and salary costs at the Company's manufacturing operations in Switzerland are a function of production levels and local inflation. These costs have remained fairly stable over the three previous fiscal years.

Since a substantial amount of the Company's product costs are incurred in Swiss francs, fluctuations in the U.S. dollar/Swiss franc exchange rate can impact the Company's production costs and therefore its gross margins. The Company, therefore, hedges its Swiss franc purchases using a combination of forward contracts, purchased currency options and spot purchases. The Company's hedging program has, in the recent past, been reasonably successful in stabilizing product costs despite exchange rate fluctuations.

Operating Expenses. The Company's operating expenses consist primarily of advertising, selling, distribution and general and administrative expenses. Annual advertising expenditures are based principally on overall strategic considerations relative to maintaining or increasing market share in markets that management considers to be crucial to the Company's continued success as well as on general economic conditions in the various marketplaces around the world in which the Company sells its products.

Selling expenses consist primarily of sales commissions, salesforce travel costs and operating costs incurred in connection with the Company's retail business. Sales commissions vary proportionally with overall sales levels. Retail operating expenses consist primarily of salaries and store rent.

Distribution expenses consist primarily of salaries of distribution staff, the cost of part-time help to meet seasonal needs, and shipping costs and supplies.

General and administrative expenses consist primarily of salaries, employee benefit plan costs, office rent, management information systems costs and various other corporate expenses such as insurance, legal, internal audit and credit and collection costs.

Operating expenses over the last three fiscal years reflect the effect of the implementation of the Company's growth strategy. The more significant expenses associated with this strategy include advertising and marketing expenses designed to increase market share for the Piaget, Corum, Concord and Movado brands, advertising and marketing costs for the continuing expansion of the Company's ESQ line which was introduced in 1993, additions to the Company's domestic salesforce, salaries and rents associated with additional outlet stores and the addition of staff to support distribution and inventory management requirements coincident with growth of the Company's domestic business.

Income taxes. The Company's income tax provision for both fiscal 1997 and 1996 amounted to \$3.9 million or 24.8% and 28.5% of pretax income, respectively. A portion of the Company's consolidated operations are located in non-U.S. jurisdictions and therefore the Company's effective rate differs from U.S. statutory rates. The majority of the Company's non-U.S. operations are located in jurisdictions with statutory rates below U.S. rates. The Company believes that the future effective tax rate will range from 24% to 30%; 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 the Company's ability to utilize carryforward net operating losses in certain jurisdictions.

RESULTS OF OPERATIONS

Net Sales. Comparative net sales by product class are as follows (in thousands):

	1997	1996	1995
	-----	-----	-----
Piaget and Corum	\$ 22,386	\$ 25,963	\$ 22,296
Concord and Movado			
Domestic	109,314	91,105	83,342
International	30,185	28,504	27,437
ESQ	29,496	19,350	11,293
Other	23,726	20,945	16,485
	-----	-----	-----
	\$215,107	\$185,867	\$160,853
	=====	=====	=====

Net sales increased 15.7% in fiscal 1997. The increase resulted primarily from growth in unit sales in the U.S.

and, to a lesser extent, unit sales gains in the Company's international business.

Increases in unit sales in the U.S. were attributable primarily to the Concord, Movado and ESQ brands offset somewhat by a decline in unit sales of Piaget. The increase in international unit sales was offset somewhat by the negative impact of a change in translation rates.

Net sales increased 15.6% in fiscal 1996. The increase resulted primarily from growth in unit sales volumes in the U.S., Canada, the Caribbean and certain Far East markets offset somewhat by decreased unit sales in the Company's other international markets. Increases in unit sales in North America were attributable primarily to the Movado and ESQ brands and, to a lesser extent, increases in unit sales of Piaget in the United States, Canada and the Caribbean.

The increase in net sales in fiscal 1996 also includes the effect of price increases which were implemented in response to a significant decline in the value of the dollar against the Swiss franc which increases the Company's product costs. Net sales were also favorably impacted by changes in average translation rates.

Gross Margins. The Company's gross margins increased from 55.1% to 55.8% in fiscal 1997. Fiscal 1997 margins were favorably impacted by sales mix, particularly an increase in the proportion of Concord, Movado and ESQ sales to total sales as well as reduced per unit overhead costs due to higher unit production levels in Switzerland. The Company's margin was also benefited by increases in the U.S. dollar against the Swiss franc which occurred late in the fiscal year.

The Company's gross margins increased from 52.8% to 55.1% in fiscal 1996. The Company continued to experience a shift in its overall sales mix toward its higher margin Concord, Movado and ESQ brands. Margins also benefited from reduced levels of lower margin liquidation sales due to the success of the Company's outlet stores and improved production planning. The Company was able to offset the otherwise negative impact on gross margins of a significant decline in the U.S. dollar against the Swiss franc with price increases on all of its lines implemented at various points throughout the year.

Operating Expenses. Operating expenses in fiscal 1997 increased 18.2% to 46.3% of sales from 45.4% of sales in 1996. The increase in fiscal 1997 operating expenses occurred primarily in the advertising and selling, general and administrative expense categories. Although increasing slightly in absolute terms, product distribution costs declined as a percentage of sales.

The increase in advertising and marketing expenditures occurred primarily in the U.S. This increase was planned and relates to the Company's ongoing efforts to build identity and image for its brands. Fiscal 1997 advertising and marketing costs were affected by higher levels of media spending for Concord, Movado and, in particular, ESQ in the U.S., production costs for a new advertising campaign for Concord and increased marketing and promotional activities in the U.S. for all of the Company's brands including the introduction of the new Vizio line.

The growth in consolidated advertising costs also included increased media spending in certain international markets, primarily the Far East and Middle East.

Selling expenses included an increase in sales commissions commensurate with sales growth as well as the costs associated with an increase in the number of employees involved in the Company's domestic sales function, particularly in the ESQ brand and the growth of its retail division.

Fiscal 1997 general and administrative expenses included the cost of management additions and increased employee benefit costs. Fiscal 1997 operating expenses also included a non-recurring charge of \$450,000 in connection with restructuring the Company's German business.

Operating expenses increased 21.8% in fiscal 1996 to 45.4% of net sales as compared to 43.0% of net sales in the prior year. The increase in overall operating expenses was attributable primarily to a planned 36% increase in advertising costs, and increases in variable selling and distribution expenses.

The increase in fiscal 1996 advertising expenses related to domestic media costs primarily for Movado and ESQ, targeted international campaigns, cooperative advertising programs and domestic and international advertising production costs. Fiscal 1996 advertising expenses also include a one time \$600,000 charge in connection with a change in the accounting standards for advertising production costs. Non-advertising operating expenses as a percentage of sales were consistent with the prior year.

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 \$4.9 million, \$4.5 million and \$4.3 million for fiscal 1997, 1996 and 1995, respectively. The effect of higher average outstanding borrowings against working capital lines in 1997 and 1996 was offset somewhat by lower average interest rates on these borrowings.

Income Taxes. The Company's income tax provision for both fiscal 1997 and 1996 amounted to \$3.9 million or 24.8% and 28.5% of pretax income, respectively. A portion of the Company's consolidated operations are located in non-U.S. jurisdictions and therefore the Company's effective rate differs from U.S. statutory rates. The majority of the Company's non-U.S. operations are located in jurisdictions with statutory rates below U.S. rates. The Company believes that the future effective tax rate will range from 24% to 30%; however, there can be no assurance of this as it is dependent on a number of factors including: mix of foreign to domestic earnings, possible charges in local statutory tax rates and utilization of net operating losses.

In fiscal 1995, the Company recorded a tax benefit of \$2.5 million. The benefit resulted primarily from the reversal of valuation allowances on domestic deferred tax assets related to net operating loss carryforwards, cumulative temporary differences and alternative minimum tax credits.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs historically have been 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 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. (See Note 3 to the Consolidated Financial Statements for details of the Company's borrowing arrangements with its banks).

The Company expects that its future requirements for capital will relate not only to working capital requirements for the expected continued growth of its existing brands, but also funding new lines of business including the Spring 1998 launch of the Company's new Coach watch line and possible product line extensions and retail boutiques for the Movado brand. In addition, the Company is required to make a \$5 million sinking fund payment on February 2, 1998 in connection with its \$40 million 6.56% senior notes. The Company's existing bank credit lines and planned operating cash flows will not be sufficient to fund the combined capital commitments associated with internal growth, new business and sinking fund requirements; however, management believes the Company's positive operating performance of recent years and current financial position will afford it sufficient access to capital to meet all existing financial commitments and fully implement its business plans.

At January 31, 1997, the Company's debt to total capitalization ratio had been increased to 33.7% from 31.8% at January 31, 1996. The major factor in this increase was a \$12.2 million decline in the Company's cumulative translation adjustment due to strengthening of the U.S. dollar. Excluding the cumulative translation adjustment, the Company's debt to total capitalization ratio declined from 34.0% to 33.3%.

The Company's working capital consisting primarily of trade receivables and inventories amounted to \$126.7 and \$132.7 million at January 31, 1997 and 1996, respectively. The decline in the Company's working capital in 1997 is primarily attributable to the reclassification of \$5.0 million of the Company's long-term senior debt which is payable on January 31, 1998.

Accounts receivable at January 31, 1997 were \$75.7 million compared to \$75.3 million at January 31, 1996. Most of this increase related to growth in domestic sales in the second half of fiscal 1997 as compared to the prior year period partially offset by the translation effect due to strengthening of the U.S. dollar. On a constant dollar basis the Company reduced its days sales outstanding from 137 at January 31, 1996 to 130 at January 31, 1997.

Inventories at January 31, 1997 and 1996 were \$87.2 million and \$89.1 million, respectively, a decrease of \$1.9 million or 2.2%. On a constant dollar basis, the Company's inventories increased approximately 5.0% in 1997; however, consolidated inventory turns increased from 1.0 to 1.1 times on a constant dollar basis.

The Company's capital expenditures amounted to \$6,626,000, \$2,025,000 and \$4,397,000 in fiscal 1997, 1996 and 1995, respectively. Fiscal 1997 expenditures are principally related to the Company's Piaget Boutique, upgrades of the Company's domestic distribution operations, the relocation of the Company's Swiss operations and computer hardware and software investments to automate the Company's domestic salesforce. Fiscal 1996 and 1995 expenditures were primarily related to improvements in the Company's management information systems, expansion and upgrades of the Company's domestic distribution operations and leasehold improvements related to the expansion of the Company's Movado Company Store network.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	SCHEDULE NUMBER -----	PAGE NUMBER -----
Report of Independent Accountants		F-1
Consolidated Statements of Income for the fiscal years ended January 31, 1997, 1996 and 1995		F-2
Consolidated Balance Sheets at January 31, 1997 and 1996		F-3
Consolidated Statements of Cash Flows for the fiscal years ended January 31, 1997, 1996 and 1995		F-4
Consolidated Statements of Changes in Shareholders' Equity for the fiscal years ended January 31, 1997, 1996 and 1995		F-5
Notes to Consolidated Financial Statements		F-6 to F-17
Valuation and Qualifying Accounts and Reserves	VIII	S-1
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure		
None.		

Item 10. Directors and Executive Officers of the Registrant

The information required by this item is included in the Company's Proxy Statement for the 1997 annual meeting of shareholders and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item is included in the Company's Proxy Statement for the 1997 annual meeting of shareholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is included in the Company's Proxy Statement for the 1997 annual meeting of shareholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information required by this item is included in the Company's Proxy Statement for the 1997 annual meeting of shareholders and is incorporated herein by reference.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report

1. Financial Statements:

See Financial Statements Index on page 18 included in Item 8 of part II of this report.

2. Financial Statements Schedules:

Schedule VIII	Valuation and Qualifying Accounts and Reserves
---------------	---

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits:

Incorporated herein by reference is a list of the Exhibits contained in the Exhibit Index on pages 40 through 43 of this report.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOVADO GROUP, INC.
(Registrant)

Dated: April 18, 1997

By: /s/ Gedalio Grinberg
Gedalio Grinberg
Chief Executive Officer and
Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Dated: April 18, 1997

/s/ Gedalio Grinberg
Gedalio Grinberg
Chief Executive Officer and
Chairman of the Board of Directors
(Principal Executive Officer)

Dated: April 18, 1997

/s/ Efraim Grinberg
Efraim Grinberg
President

Dated: April 18, 1997

/s/ Michael J. Bush
Michael J. Bush
Executive Vice President and Chief Operating Officer

Dated: April 18, 1997

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

Dated: April 18, 1997

/s/ John J. Rooney
John J. Rooney
Corporate Controller
(Principal Accounting Officer)

Dated: April 18, 1997

/s/ Margaret Hayes Adame
Margaret Hayes Adame
Director

Dated: April 18, 1997

/s/ Donald Oresman
Donald Oresman
Director

Dated: April 18, 1997

/s/ Leonard L. Silverstein
Leonard L. Silverstein
Director

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Shareholders of Movado Group, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) and (2) on page 20 present fairly, in all material respects, the financial position of Movado Group, Inc. and its subsidiaries at January 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP
New York, New York
March 24, 1997, except as to Note 16, which is as of April 3, 1997.

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FISCAL YEAR ENDED JANUARY 31,		
	1997	1996	1995
Net sales	\$ 215,107	\$ 185,867	\$ 160,853
Costs and expenses:			
Cost of sales	95,031	83,502	75,871
Selling, general and administrative	99,657	84,315	69,243
	-----	-----	-----
	194,688	167,817	145,114
	-----	-----	-----
Operating income	20,419	18,050	15,739
Net interest expense	4,874	4,450	4,307
	-----	-----	-----
Income before income taxes	15,545	13,600	11,432
Provision for (benefit from) income taxes	3,853	3,876	(2,512)
	-----	-----	-----
Net income	\$ 11,692	\$ 9,724	\$ 13,944
	=====	=====	=====
Earnings per share	\$ 1.94	\$ 1.62	\$ 2.32
	=====	=====	=====
Shares used in per share computations	6,012	6,007	6,000
	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MOVADO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	JANUARY 31,	
	1997	1996
ASSETS		
Current assets:		
Cash	\$ 4,885	\$ 3,829
Trade receivables, net	75,688	75,335
Inventories	87,177	89,101
Other	16,914	12,521
Total current assets	184,664	180,786
Plant, property and equipment, net	15,066	11,794
Other assets	8,713	7,800
	-----	-----
	\$ 208,443	\$ 200,380
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Loans payable to banks	\$ 7,778	\$ 8,782
Current portion of long-term debt	5,000	--
Accounts payable	25,297	22,042
Accrued liabilities	13,188	9,289
Deferred and current taxes payable	6,711	7,994
Total current liabilities	57,974	48,107
	-----	-----
Long-term debt	40,000	40,000
Deferred and noncurrent foreign income taxes	3,477	3,860
Other liabilities	3,122	3,572
Shareholders' equity		
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; no shares issued	--	--
Common Stock, \$0.01 par value, 20,000,000 shares authorized; 3,445,206 and 3,426,610 shares issued, respectively	34	34
Class A Common Stock, \$0.01 par value, shares authorized; 2,585,322 and 2,588,891 shares issued and outstanding, respectively	26	26
Capital in excess of par value	34,503	34,252
Retained earnings	71,291	60,319
Cumulative translation adjustment	(1,856)	10,338
Treasury stock, 9,201 shares, at cost	(128)	(128)
	-----	-----
	103,870	104,841
	-----	-----
Commitments and contingencies (Note 11)		
	-----	-----
	\$ 208,443	\$ 200,380
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FISCAL YEAR ENDED JANUARY 31,		
	1997	1996	1995
Cash flows from operating activities:			
Net income	\$ 11,692	\$ 9,724	\$ 13,944
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,946	2,949	3,109
Deferred and noncurrent foreign income taxes	221	(373)	(4,831)
Provision for losses on accounts receivable	1,917	1,115	867
Changes in current assets and liabilities:			
Trade receivables	(4,096)	(10,607)	(9,982)
Inventories	(3,828)	(2,836)	(4,450)
Other current assets	(14,163)	(453)	(4,484)
Accounts payable	5,174	1,318	10,392
Accrued liabilities	4,301	481	(601)
Deferred and current taxes payable	(377)	2,299	4,174
Increase in other noncurrent assets	(1,285)	(153)	(1,337)
Increase in other noncurrent liabilities	253	414	23
Net cash provided by operating activities	3,755	3,878	6,824
Cash flows from investing activities:			
Capital expenditures	(6,626)	(2,025)	(4,397)
Goodwill, trademarks and other intangibles	(294)	(278)	(717)
Net cash used in investing activities	(6,920)	(2,303)	(5,114)
Cash flows from financing activities:			
Net proceeds from (payment of) current borrowings under lines of credit	5,335	(1,194)	1,235
Principal payments under capital leases	(389)	(996)	(869)
Exercise of stock options	212	214	--
Dividends paid	(720)	(599)	(480)
Purchase of treasury stock	--	(128)	--
Net cash provided by (used in) financing activities	4,438	(2,703)	(114)
Effect of exchange rate changes on cash	(217)	61	147
Net increase (decrease) in cash	1,056	(1,067)	1,743
Cash at beginning of year	3,829	4,896	3,153
Cash at end of year	\$ 4,885	\$ 3,829	\$ 4,896
	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MOVADO GROUP, INC.
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	PREFERRED STOCK -----	COMMON STOCK -----	CLASS A COMMON STOCK -----	CAPITAL IN EXCESS OF PAR VALUE -----	RETAINED EARNINGS -----	CUMULATIVE TRANSLATION ADJUSTMENT -----	TREASURY STOCK -----
Balance, January 31, 1994	\$ --	\$ 32	\$ 28	\$ 34,009	\$ 37,730	\$ 659	\$ --
Net income					13,944		
Dividends (\$0.08 per share)					(480)		
Translation adjustment						7,008	
Issuance of Common Stock							
Conversion of 239,196 shares of Class A Common Stock to 239,187 shares of Common Stock		2	(2)				
Balance, January 31, 1995	--	34	26	34,009	51,194	7,667	--
Net income					9,724		
Dividends (\$0.10 per share)					(599)		
Stock options exercised				214			
Tax benefit from employees exercising stock options				29			
Purchase of Treasury stock							(128)
Translation adjustment						2,671	
Balance, January 31, 1996	--	34	26	34,252	60,319	10,338	(128)
Net income					11,692		
Dividends (\$0.12 per share)					(720)		
Stock options exercised				212			
Tax benefit from employees exercising stock options				39			
Translation adjustment						(12,194)	
Balance, January 31, 1997	\$ --	\$ 34	\$ 26	\$ 34,503	\$ 71,291	\$ (1,856)	\$ (128)
	=====	=====	=====	=====	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Movado Group, Inc. (the "Company"), is a designer, manufacturer and distributor of quality watches with prominent brands in almost every price category comprising the watch industry. The Company markets five distinctive brands of watches: Movado, Concord, ESQ, Piaget and Corum, which compete in most segments of the watch market.

The Company designs and manufactures Concord and Movado watches primarily through its subsidiaries in Switzerland and the United States. ESQ watches are manufactured to the Company's specifications using Swiss movements by independent contractors located in the Far East. The Company is also the exclusive distributor of Swiss-manufactured Piaget and Corum watches in the United States, Canada, Central America and the Caribbean Islands. The Company distributes its watch brands through its United States operations as well as through sales subsidiaries in Canada, Hong Kong, Singapore and Switzerland and through a number of independent distributors located in various countries throughout the world.

In addition to its sales to trade customers and independent distributors, Movado Group, Inc. sells Movado watches and Piaget products directly to consumers in its Company-operated Movado Design Store and its Piaget Boutique, respectively, both of which are located on Fifth Avenue in New York City. Movado Group, Inc. also operates a number of Movado Company Stores throughout the United States, through which the Company sells discontinued and sample merchandise.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated.

Translation of foreign currency financial statements and foreign currency transactions

The financial statements of the Company's international subsidiaries have been translated into United States dollars by translating balance sheet accounts at year end exchange rates and statement of operations accounts at average exchange rates for the year. Foreign currency transaction gains and losses are charged or credited to income as incurred. Foreign currency translation gains and losses are reflected in the equity section of the Company's consolidated balance sheet as cumulative translation adjustments.

Sales and trade receivables

The Company's trade customers include department stores, jewelry store chains and independent jewelers. Movado and Concord watches are also marketed through a network of independent distributors. Sales are recognized upon shipment of products to trade customers. Accounts receivable are stated net of allowances for doubtful accounts of \$3,876,000 and \$3,323,000 at January 31, 1997 and 1996, respectively. No individual trade customer, including trade customers under common control, or international distributor accounts for 10% or more of the Company's consolidated net sales.

The Company's concentrations of credit risk arise primarily from accounts receivable related to trade customers during the peak selling seasons. The Company has significant accounts receivable balances due from major department store chains. The Company's results of operations could be materially adversely affected in the event any of these customers or a group of these customers defaulted on all or a significant portion of their obligation to the Company as a result of financial difficulties.

Inventories

Inventories are valued at the lower of cost or market. The cost of domestic finished goods inventories is determined using the first-in, first-out (FIFO) method. The costs of finished goods inventories held by overseas subsidiaries and all component parts inventories are determined using average cost.

Plant, property and equipment

Plant, property and equipment at January 31, at cost, consists of the following (in thousands):

	1997	1996
	-----	-----
Furniture and equipment	\$ 26,288	\$ 23,195
Leasehold improvements	8,662	6,306
	-----	-----
	34,950	29,501
Less: accumulated depreciation and amortization	(19,884)	(17,707)
	=====	=====
	\$ 15,066	\$ 11,794
	=====	=====

Depreciation of furniture and equipment is provided using the straight-line method based on the estimated useful lives of assets which range from three to ten years. Leasehold improvements are amortized using the straight-line method over the lesser of the term of the lease or the estimated useful life of the leasehold improvement.

Goodwill and other intangibles

Other intangible assets consist primarily of trademarks and are recorded at cost. Trademarks are amortized over ten years, except in the case of costs associated with the Piaget and Corum trademarks, which are amortized over the remaining terms of the Piaget and Corum distribution agreements. Goodwill is amortized over 40 years. At January 31, 1997 and 1996, goodwill and other intangible assets at cost were \$5,065,000 and \$5,043,000, respectively, and related accumulated amortization of goodwill and other intangibles were \$2,385,000 and \$2,188,000, respectively.

Advertising production costs

In fiscal 1996, the Company adopted a newly prescribed accounting guideline which requires that production costs of an advertising campaign be expensed at the commencement date of the advertising campaign. As a result of adopting this new accounting pronouncement, the Company recorded at February 1, 1995 a one time pre-tax charge of approximately \$600,000 (\$0.07 per share after tax) which is included in selling, general and administrative expenses. Advertising expenses for fiscal 1997, 1996 and 1995, amounted to \$38.7 million, \$33.0 million and \$24.4 million, respectively.

Income taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. Foreign income taxes have been provided based on the applicable tax rates in each of the foreign countries in which the Company operates. Certain Swiss income taxes are payable over several years; the portion of these taxes not payable within one year is classified as noncurrent. Noncurrent foreign income taxes included in the consolidated balance sheets at January 31, 1997 and 1996 were \$724,000 and \$637,000, respectively.

Earnings per share

Earnings per share are based on the weighted average total number of shares of Common Stock and Class A Common Stock outstanding during the periods presented.

Stock-based compensation

Stock-based compensation is recognized using the intrinsic value method. For disclosure purposes, pro forma net income and earnings per share are provided as if the fair value method had been applied.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVENTORIES

Inventories consist of the following (in thousands):

	JANUARY 31,	
	----- 1997 -----	1996 -----
Finished goods	\$53,497	\$51,034
Work-in-process and component parts	33,680	38,067
	----- \$87,177 =====	----- \$89,101 =====

NOTE 3 - BANK CREDIT ARRANGEMENTS AND LINES OF CREDIT

In fiscal 1997, the Company entered into revised agreements with certain domestic banks providing for \$35,000,000 of unsecured demand borrowings, to be used primarily for seasonal working capital requirements. Borrowings under these lines bear interest at the prime commercial lending rate or LIBOR plus 1% or the certificate of deposit rate plus 1.25%. Borrowings may be made in either U.S. dollars or Swiss francs. These lines expire in the third quarter of fiscal 1998.

The Company's Swiss subsidiaries maintain secured and unsecured lines of credit with Swiss banks, a majority of which have an unspecified duration. Available credit under these lines totaled 20,500,000 Swiss francs, with dollar equivalents of approximately \$14,437,000 and \$16,635,000 at January 31, 1997 and 1996, respectively. The Swiss franc credit lines included a line of 1,500,000 Swiss francs for the purchase of gold, borrowings which are secured by gold inventory. As of January 31, 1997 and 1996, gold inventory valued at \$0 and \$827,000, respectively, was pledged as collateral for borrowings under this line of credit. One subsidiary's credit line contains a covenant requiring maintenance of retained earnings above a specified minimum level. This subsidiary was in compliance with this covenant at January 31, 1997 and 1996. There are no other restrictions on transfers in the form of dividends, loans or advances to the Company by its foreign subsidiaries.

Outstanding borrowings against the Company's aggregate demand lines of credit were \$7,746,000 and \$8,782,000 at January 31, 1997 and 1996, respectively. Aggregate maximum and average monthly outstanding borrowings against the Company's lines of credit and

related weighted average interest rates during fiscal 1997, 1996 and 1995 were as follows (in thousands):

	FISCAL YEAR ENDED JANUARY 31,		
	1997	1996	1995
Maximum borrowings	\$56,143	\$41,032	\$31,300
Average monthly borrowings	\$34,302	\$28,940	\$22,139
Weighted average interest rate	5.9%	6.0%	6.2%

Weighted average interest rates were computed based on average month-end outstanding borrowings and applicable average month-end interest rates.

On January 31, 1996, the Company entered into a three year revolving credit agreement with its domestic banks which provides the Company with a \$20.0 million unsecured revolving line of credit. The agreement provides for various rate options including the federal funds rate plus a fixed rate, the prime rate or a fixed rate plus the LIBOR rate. The Company pays a facility fee on the unused portion of the credit facility. The agreement also contains certain financial covenants based on fixed coverage ratios, leverage ratios and restrictions which limit the Company on the sale, transfer or distribution of corporate assets, including dividends. The Company was in compliance with these restrictions and covenants at January 31, 1997. The amount of \$5.0 million outstanding at January 31, 1997 is included in long-term debt. There were no amounts outstanding at January 31, 1996.

NOTE 4 - LONG-TERM DEBT

Long-term senior debt outstanding at January 31, 1997 and 1996 consisted of \$35,000,000 and \$40,000,000, respectively, of Senior Notes due January 31, 2005 (the "Senior Notes") which were issued in a private placement completed in fiscal 1994. The Senior Notes bear interest at 6.56% per annum, payable semiannually on July 31 and January 31, and are subject to mandatory annual prepayments of \$5,000,000 commencing January 31, 1998 and accordingly such amount has been classified as a current liability in fiscal 1997. The Company has the option to prepay amounts due to holders of the Senior Notes at 100% of the principal plus a "make-whole" premium and accrued interest. The Senior Note agreement contains certain restrictions and covenants which generally require the maintenance of a minimum net worth, limit the amount of additional secured debt the Company can incur and limit the sale, transfer or distribution of corporate assets including dividends. The Company was in compliance with these restrictions and covenants at January 31, 1997.

Included in long-term debt at January 31, 1997 was \$5.0 million related to the Company's revolving credit agreement as described in Note 3.

NOTE 5 - FOREIGN CURRENCY MANAGEMENT

A substantial portion of the Company's watches and watch components are sourced from affiliated and nonaffiliated suppliers in Switzerland. A significant strengthening of the Swiss franc against currencies of other countries in which the Company conducts sales activities increases the Company's product cost. This may adversely impact gross margins to the extent the Company is unsuccessful in hedging against changes in the currency exchange rates or higher product costs cannot be recovered through price increases in local markets. Significant fluctuations in the Swiss franc - U.S. dollar exchange rate can also have a material impact on the U.S. dollar value of the net assets of the Company's wholly-owned Swiss subsidiaries.

The Company hedges against foreign currency exposure using only forward exchange contracts, purchased foreign currency options and open market purchases to cover identifiable inventory purchase commitments and equity invested in its international subsidiaries. Due to production lead times, the Company hedges identified inventory purchase commitments generally over a period of up to eighteen months.

The Company has established strict counterparty credit guidelines and only enters into foreign currency transactions with financial institutions of investment grade or better. At January 31, 1997 and 1996, the

Company had foreign currency trading lines totaling \$200,000,000 with various banks. To minimize the concentration of credit risk, the Company enters into hedging transactions with each of these banks. As a result, the Company considers the risk of counterparty default to be minimal.

The following table presents the aggregate contract amounts and fair values, based on dealer quoted prices, of the Company's financial instruments outstanding at January 31, 1997 and 1996. All financial instruments included below mature within one year and were held for hedging purposes only. Foreign currency forward amounts (in thousands) consist primarily of U.S. dollar - Swiss franc contracts.

	AS OF JANUARY 31,			
	1997		1996	
	CONTRACT AMOUNTS	FAIR VALUES	CONTRACT AMOUNTS	FAIR VALUES
Foreign Currency Forward Amounts	\$56,176	\$50,041	\$78,528	\$77,065
Purchased Options	\$ 7,450	\$ 0	\$40,751	\$ 310

The contract amounts of these foreign currency forward amounts and purchased options do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of the exposure of the Company through its use of these financial instruments. The amounts exchanged are calculated on the basis of the contract amounts and the other terms of the financial instruments, which relate to exchange rates. As of January 31, 1997 and 1996, the receivable from and payable to banks recorded in current assets and other current liabilities, respectively, associated with closed contract positions was \$247,000 and \$289,000, respectively.

The estimated fair values of these foreign currency forward amounts and purchased options used to hedge the Company's risks will fluctuate over time. These fair value amounts should not be viewed in isolation, but rather in relation to the fair values of the underlying hedged transactions and investments and the Company's overall exposure to fluctuations in foreign exchange rates.

Gains and losses from and premiums paid for forward or option transactions that hedge inventory purchase commitments are included in the carrying cost of inventory and are recognized in cost of sales upon sale of the inventory. Net deferred charges from hedging amounted to \$640,000 and \$403,000 at January 31, 1997 and 1996, respectively, and were included in other current assets on the accompanying balance sheet.

Gains and losses on financial instruments that are designated and effective as hedges of net investments in international operations are included in shareholders' equity in the cumulative translation adjustment account.

NOTE 6 - FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

The estimated fair value of the Company's Senior Notes at January 31, 1997 approximated the carrying value of the notes as the difference between market-based interest rates at the balance sheet date and the 6.56% fixed rate of the notes was minimal. The fair value of the Company's other monetary assets and liabilities approximate carrying value due to the relatively short-term nature of these items.

NOTE 7 - INCOME TAXES

The provision for (benefit from) income taxes for the fiscal years ended January 31, 1997, 1996 and 1995 consist of the following components (in thousands):

	1997 -----	1996 -----	1995 -----
Current:			
U.S. Federal	\$ 1,667	\$ 1,609	\$ 270
U.S. State and Local	477	460	195
Non-U.S	860	1,430	(601)
	-----	-----	-----
	3,004	3,499	(136)
	-----	-----	-----
Noncurrent:			
U.S. Federal	--	--	--
U.S. State and Local	--	--	--
Non-U.S	845	800	64
	-----	-----	-----
	845	800	64
	-----	-----	-----
Deferred:			
U.S. Federal	--	450	(2,400)
U.S. State and Local	--	(350)	--
Non-U.S	4	(523)	(40)
	-----	-----	-----
	4	(423)	(2,440)
	-----	-----	-----
Provision for (benefit from) income taxes	\$ 3,853 =====	\$ 3,876 =====	(\$2,512) =====

During fiscal 1997, there were no material changes in the Company's deferred tax asset and liability accounts. Taxes were provided for at a rate of 24.8% and 28.5% for fiscal 1997 and 1996, respectively. The reduction in the consolidated tax rate is predominantly due to higher earnings in lower tax jurisdictions.

The Company's deferred federal U.S. tax charge for the year ended January 31, 1996, principally resulted from the utilization of federal domestic net operating loss and Alternative Minimum Tax (AMT) credit carryforwards. The Company's state and local deferred tax benefit results from the realization of deferred state and local tax benefits. The Company's deferred U.S. federal tax benefit for the year ended January 31, 1995 principally results from the reversal of valuation allowances related to deferred tax assets for domestic net operating loss carryforwards, AMT credit carryforwards and future domestic income tax deductions. As required under Statement of Financial Accounting Standards No. 109, these allowances are to be reversed when the Company believes that the related tax benefits are more likely than not to be realized. The reversal of the valuation allowances coincided with the return of U.S. operations to profitability due not only to growth in the domestic business but also to a substantial reduction in interest expense as a result of the Company's refinancing completed in fiscal 1994. The Company's current benefit for foreign taxes in fiscal 1995 was primarily attributable to a favorable impact from Swiss Cantonal tax law changes.

The deferred U.S. federal tax benefit for the year ended January 31, 1995 represents a portion of the tax effect of U.S. net operating loss carryforwards and future tax deductions which mainly arose in prior years and for which a 100% valuation allowance had been recorded. The reduction in the valuation allowance was primarily due to the fiscal 1995 refinancing which management believed would result in the realization of at least a portion of its accumulated deferred tax benefits due to expected interest savings in the U.S.

Deferred income taxes reflect the tax effect of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Deferred income taxes have been

classified as current or noncurrent on the consolidated balance sheets based on the underlying temporary differences and the expected due dates of taxes payable upon reversal. Significant components of the Company's deferred income tax assets and liabilities for the fiscal year ended January 31, 1997 consist of the following (in thousands):

	DEFERRED TAX	
	ASSETS	LIABILITIES
Operating loss carryforwards	\$ 2,357	\$ --
Rent accrual	650	--
Inventory reserve	631	5,091
Receivable allowance	1,022	551
Depreciation/amortization	797	53
Other	523	308
	5,980	6,003
Valuation allowance	(2,580)	--
Total	\$ 3,400	\$ 6,003

As of January 31, 1997, the Company had foreign net operating loss carryforwards of approximately \$5,500,000 which are available to offset taxable income in future years. Additionally, the Company has domestic capital loss carryforwards of approximately \$260,000 which expire in fiscal 1998. As of January 31, 1997, the Company continued to maintain a 100% valuation allowance with respect to the tax benefit of foreign net operating loss carryforwards. The Company has not recorded a deferred tax asset related to its capital loss carryforwards due to uncertainty as to its realization. Management is continuing to evaluate the appropriate level of allowance based on future operating results and changes in circumstances.

The provision for (benefit from) income taxes differs from the amount determined by applying the U.S. federal statutory rate as follows (in thousands):

	FISCAL YEAR ENDED JANUARY 31,		
	1997	1996	1995
Provision for income taxes at the U.S. statutory rate	\$ 5,441	\$ 4,760	\$ 3,887
Realization of capital and operating loss carryforwards	--	(177)	(1,561)
Recognition of deferred tax asset	--	--	(2,400)
Lower effective foreign income tax rate	(2,369)	(1,215)	(3,003)
Tax provided on repatriated earnings of foreign subsidiaries	308	328	300
State and local taxes, net of federal benefit	315	73	195
Other	158	107	70
	\$ 3,853	\$ 3,876	(\$2,512)

No provision has been made for taxes on foreign subsidiaries' undistributed earnings of approximately \$84,000,000 at January 31, 1997, as those earnings are intended to be reinvested. As a result of various tax planning alternatives available to the Company, it is not practical to estimate the amount of tax, if any, that might be payable on the eventual remittance of such earnings. On remittance, certain withholding taxes would be imposed which might be available to offset a U.S. tax liability, if any. In the event all undistributed earnings as of January 31, 1997 were remitted, approximately \$4,170,000 of withholding taxes would be imposed.

NOTE 8 - OTHER ASSETS

In fiscal 1996, the Company entered into an agreement with a trust which owns an insurance policy issued on the lives of the Company's Chairman and Chief Executive Officer and his spouse. Under that agreement the trust has assigned the insurance policy to the Company as collateral to secure repayment by the trust of interest free loans to be made by the Company in amounts sufficient for the trust to pay the premiums on said insurance policy (\$740,000 per annum). Under the agreement, the trust will repay the loans from the proceeds of the policy. The Company had loaned approximately \$879,000 and \$199,000 under this agreement at January 31, 1997 and 1996, respectively.

NOTE 9 - OTHER LIABILITIES

Other liabilities include notes payable to employees of \$414,000 as of January 31, 1997 and 1996, respectively, issued in connection with redemption of all 4,664 outstanding shares of the Company's former Class B (Non-Voting) Common Stock. The redemption was effective July 31, 1993.

NOTE 10 - RESTRUCTURING CHARGE

During fiscal 1997, the Company signed a distribution agreement with Junghans Uhren GmbH to distribute Movado watches in Germany. As a result of this agreement, the Company closed its German sales office and recorded a charge of approximately \$450,000, included in selling, general and administrative expenses, to cover severance and other costs to close the operation. Most of these costs will be paid in the first quarter of fiscal 1998.

NOTE 11 - LEASES, COMMITMENTS AND CONTINGENCIES

Rent expense for equipment and distribution, factory and office facilities held under operating leases was approximately \$4,270,000, \$3,274,000 and \$3,384,000 in fiscal 1997, 1996 and 1995, respectively. Minimum annual rentals at January 31, 1997 under noncancelable operating leases which do not include escalations that will be based on increases in real estate taxes and operating costs are as follows:

Year ending January 31, (in thousands):	
1998	\$ 4,807
1999	4,610
2000	4,177
2001	4,065
2002	3,925
2003 and thereafter	9,259

	\$30,843
	=====

The Company has entered into capital leases to finance the cost of enhancing its management information systems in the United States and Switzerland. The gross value of computer equipment recorded under capital leases was \$3,848,000 and \$3,631,000 as of January 31, 1997 and 1996, respectively. Accumulated depreciation of computer equipment recorded under capital leases was \$2,421,000 and \$1,959,000 as of January 31, 1997 and 1996, respectively.

Future minimum lease payments for equipment under capital leases at January 31, 1997 are as follows:

Year ending January 31, (in thousands):		
1998		\$ 183
1999		230

Total minimum lease obligations		413
Less interest		(41)

Present value of minimum lease obligations		372
Less current portion		(156)

Net amount due after one year		\$ 216
		=====

Due to the nature of its business as a luxury consumer goods distributor, the Company is exposed to various commercial losses. The Company believes it is adequately insured against such losses.

NOTE 12 - EMPLOYEE BENEFIT PLANS

Prior to fiscal 1995, the Company maintained two primary benefit plans for its domestic employees; a noncontributory Profit Sharing Plan and an Employee Savings Plan under Section 401(k) of the Internal Revenue Code. Company contributions to the Profit Sharing Plan were at the discretion of the Board of Directors and no such contributions were made in fiscal 1997, 1996 and 1995. Company contributions and expenses of administering the Employee Savings Plan amounted to \$127,000, \$106,000 and \$84,000 in fiscal 1997, 1996 and 1995, respectively.

During fiscal 1995, the Company merged its Profit Sharing Plan with and into the Employee Savings Plan and transferred participants' assets accumulated under the Profit Sharing Plan to the Employee Savings Plan. The merged Plan retains the characteristics of the former Employee Savings Plan.

Effective June 1, 1995, the Company adopted a defined contribution supplemental executive retirement plan ("SERP"). The SERP provides eligible executives with supplemental pension benefits in addition to amounts received under the Company's other retirement plan. The Company makes a matching contribution which vests equally over five years. During fiscal 1997 and 1996, the Company recorded expenses related to the SERP of approximately \$138,000 and \$42,000, respectively.

On September 23, 1994, the Company entered into a Death and Disability Benefit Plan agreement with the Company's Chairman and Chief Executive Officer. Under the terms of the agreement, in the event of the Chairman's death or disability, the Company is required to make an annual benefit payment of approximately \$300,000 to his spouse for the lesser of ten years or her remaining lifetime. Neither the agreement nor the benefits payable thereunder are assignable and no benefits are payable to the estates or heirs of the Chairman or his spouse. Results of operations include an actuarially determined charge related to this plan of approximately \$85,000 and \$78,000 for fiscal 1997 and 1996, respectively.

Effective concurrently with the consummation of the Company's public offering in the fourth quarter of fiscal 1994, the Board of Directors and the shareholders of the Company approved the adoption of the Movado Group, Inc. 1993 Employee Stock Option Plan (the "Employee Stock Option Plan") for the benefit of certain officers, directors and key employees of the Company. The Employee Stock Option Plan was amended in fiscal 1997 and restated as the Movado Group, Inc. 1996 Stock Incentive Plan (the "Plan"). Under the Plan the Compensation Committee of the Board of Directors, which is comprised of the Company's three outside directors, has the authority to grant incentive stock options and nonqualified stock options to purchase, as well as stock appreciation rights and stock award, up to 800,000 shares of Common Stock. Options granted to participants under the Plan become exercisable in equal installments on the first through fifth anniversaries of the date of grant and remain exercisable until the tenth anniversary of the date of grant. The option price may

not be less than the fair market value of the stock at the time the options are granted.

Transactions in stock options under the Plan since fiscal 1995 are summarized as follows:

	OUTSTANDING OPTIONS	WEIGHTED AVERAGE PRICE PER SHARE	EXERCISABLE OPTIONS
January 31, 1994	266,000	\$14.00	
Options granted	15,000	12.79	
Options that became exercisable		14.00	41,100
Options terminated	(60,500)	14.00	
January 31, 1995	220,500	13.90	41,100
Options granted	107,000	13.99	
Options that became exercisable			36,000
Options exercised	(15,200)	14.00	
Options terminated	(4,000)	14.00	
January 31, 1996	308,300	13.93	77,100
Options granted	229,000	20.59	
Options that became exercisable			62,020
Options exercised	(19,600)	14.00	
Options terminated	(7,900)	14.00	
January 31, 1997	509,800	\$16.92	139,120

At January 31, 1997 and 1996, 273,798 and 176,500 options to purchase shares of Common Stock were available for additional grants, respectively. Options exercisable at January 31, 1997 had a weighted average price of \$13.95 per share.

The weighted-average fair value of each option grant estimated on the date of grant using the Black-Scholes option-pricing model is \$6.51 and \$4.71 per share in fiscal 1997 and 1996, respectively. The following weighted-average assumptions were used for grants in both 1997 and 1996: dividend yield of 2% for all years; expected volatility of 26%, risk-free interest rates of 5.6% and 6.3% for fiscal 1997 and 1996, respectively, and expected lives of 7 years.

The Company applies APB Opinion 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for the Plan.

Had compensation cost for the Company's fiscal 1997 and 1996 grants for stock-based compensation plans been determined based on the fair value at the grant dates and recognized ratably over the vesting period, the Company's net income and net income per common share for fiscal 1997 and 1996 would approximate the pro forma amounts below (in thousands except per share data):

	1997		1996	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
Net income	\$ 11,692	\$ 11,392	\$ 9,724	\$ 9,651
Net income per common share	\$ 1.94	\$ 1.89	\$ 1.62	\$ 1.61

The pro forma impact takes into account options granted since February 1, 1995 and is likely to increase in future years as additional options are granted and amortized ratably over the vesting period.

NOTE 13 - GEOGRAPHIC AREAS

The table below provides information pertaining to the Company's operations in different geographic areas. For purposes of discussion, the Company divides its business into two major geographic segments; "domestic", which includes the results of the Company's United States and Canadian operations and "international", which includes the results of all other Company operations. The Company's international operations are principally conducted in Europe. The Company's international assets are substantially located in Europe. Other international operations contributed less than 10% of consolidated net sales and constituted less than 10% of consolidated total assets for all periods presented (in thousands).

	DOMESTIC	INTERNATIONAL	ELIMINATIONS	CONSOLIDATED
FISCAL YEAR 1997:				
Revenue from sales to unaffiliated customers	\$175,404	\$ 39,703	\$ --	\$215,107
Intercompany sales	1,635	84,103	(85,738)	-----
Net sales	\$177,039	\$123,806	\$ (85,738)	\$215,107
	=====	=====	=====	=====
Income from continuing operations before income taxes	\$ 3,102	\$ 12,825	\$ (382)	\$ 15,545
	=====	=====	=====	=====
Identifiable assets	\$108,606	\$115,007	\$ (15,170)	\$208,443
	=====	=====	=====	=====
FISCAL YEAR 1996:				
Revenue from sales to unaffiliated customers	\$146,749	\$ 39,118	\$ --	\$185,867
Intercompany sales	2,830	71,656	(74,486)	-----
Net sales	\$149,579	\$110,774	\$ (74,486)	\$185,867
	=====	=====	=====	=====
Income from continuing operations before income taxes	\$ 5,103	\$ 9,244	\$ (747)	\$ 13,600
	=====	=====	=====	=====
Identifiable assets	\$104,770	\$121,246	\$ (25,636)	\$200,380
	=====	=====	=====	=====
FISCAL YEAR 1995:				
Revenue from sales to unaffiliated customers	\$125,639	\$ 35,214	\$ --	\$160,853
Intercompany sales	2,164	74,658	(76,822)	-----
Net sales	\$127,803	\$109,872	\$ (76,822)	\$160,853
	=====	=====	=====	=====
Income from continuing operations before income taxes	\$ 4,728	\$ 7,273	\$ (569)	\$ 11,432
	=====	=====	=====	=====
Identifiable assets	\$ 99,566	\$111,074	\$ (23,691)	\$186,949
	=====	=====	=====	=====

NOTE 14 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents unaudited selected interim operating results of the Company for fiscal 1997 and 1996 (in thousands, except per share amounts):

	QUARTER ENDED			
	APRIL 30	JULY 31	OCTOBER 31	JANUARY 31
1997				
Net sales	\$ 31,014	\$50,751	\$76,864	\$56,478
Gross profit	\$ 17,351	\$27,630	\$42,967	\$32,128
Net (loss) income	\$ (474)	\$ 1,684	\$ 7,350	\$ 3,132
Per share:				
Net (loss) income	\$ (0.08)	\$ 0.28	\$ 1.22	\$ 0.52
1996				
Net sales	\$ 28,204	\$43,986	\$68,079	\$45,598
Gross profit	\$ 14,917	\$23,311	\$36,132	\$28,005
Net (loss) income	\$ (1,058)	\$ 1,444	\$ 6,507	\$ 2,831
Per share:				
Net (loss) income	\$ (0.18)	\$ 0.24	\$ 1.08	\$ 0.47

Net income for the quarter ended January 31, 1997 includes the effect of a one-time, pre-tax charge of approximately \$450,000 in connection with restructuring the Company's German operation. (See Note 10 to Consolidated Financial Statements).

NOTE 15 - SUPPLEMENTAL CASH FLOW INFORMATION

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

	FISCAL YEAR ENDED JANUARY 31,		
	1997	1996	1995
Cash paid during the year for:			
Interest	\$5,141	\$4,887	\$4,464
Income taxes	\$4,321	\$2,395	\$1,217
Non-cash investing and financial activities:			
Equipment acquired under capital lease	\$ 217	\$ 422	\$ 51

NOTE 16 - SUBSEQUENT EVENT

On April 3, 1997 the Company's Board of Directors approved a five-for-four stock split of the Company's common stock. The stock split will become effective April 21, 1997. Financial information contained in this report has not been adjusted to reflect the impact of the common stock split.

SCHEDULE VIII

MOVADO GROUP, INC.

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	PROVISION CHARGED TO OPERATIONS	CURRENCY REVALUATION	NET WRITE-OFFS	BALANCE AT END OF YEAR
Year ended January 31, 1997:					
Allowance for doubtful accounts	\$3,323	\$1,917	\$(109)	\$(1,255)	\$3,876
Year ended January 31, 1996:					
Allowance for doubtful accounts	\$2,792	\$1,115	\$ 40	\$ (624)	\$3,323
Year ended January 31, 1995:					
Allowance for doubtful accounts	\$2,784	\$ 867	\$ 106	\$ (965)	\$2,792

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	PROVISION (BENEFIT) CHARGED	ADJUSTMENTS	BALANCE AT END OF YEAR
Year ended January 31, 1997:				
Deferred tax assets valuation allowance	\$2,439	\$ 141	\$ 0	\$2,580
Year ended January 31, 1996:				
Deferred tax assets valuation allowance	\$1,726	\$ 713	\$ 0	\$2,439
Year ended January 31, 1995:				
Deferred tax assets valuation allowance	\$4,310	\$(2,400)	\$(184)	\$1,726

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
3.1*	Restated By-Laws of the Registrant	
3.2	Restated Certificate of Incorporation of the Registrant as amended. Incorporated herein by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K filed for the year ended January 31, 1996.	
4.1	Specimen Common Stock Certificate.	
4.2	Note Agreement, dated as of November 9, 1993, by and between the Registrant and The Prudential Insurance Company of America. Incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1993.	
10.1*	Settlement Agreement, dated as of February 11, 1992, by and among S.A. Ancienne Fabrique Georges Piaget et Cie. ("Piaget Swiss"), PBM International Holding S.A., Piaget Watch Corporation, the Registrant and Gedalio Grinberg.	
10.2*	Distributorship Agreement among Piaget Watch Corporation, Piaget Swiss and Piaget (International) S.A., dated as of February 11, 1992.	
10.3*	Distributorship Agreement among North American Watch of Canada, Ltd., Piaget Swiss and Piaget (International) S.A., dated as of February 11, 1992.	
10.4*	Distributorship Agreement among the Registrant, Piaget Swiss and Piaget (International) S.A., dated as of February 11, 1992.	
10.5*	Trademark Agreement, dated as of February 11, 1992, by and among Piaget Swiss, Piaget Watch Corporation and the Registrant.	
10.6*	Franchise Agreement between Corum Watch Corporation and Corum, Ries, Bannwart & Co., dated February 27, 1969, as amended on April 16, 1979, February 22, 1980, April 20, 1982, January 1988 and February 19, 1993.	
10.7*	Assignment Agreement, dated February 22, 1980, between Corum, Ries, Bannwart & Co. and Corum Watch Corporation.	
10.8*	Agreement, dated January 1, 1992, between The Hearst Corporation and the Registrant, as amended on January 17, 1992.	
10.9	Letter Agreement between the Registrant and The Hearst Corporation dated October 24, 1994 executed October 25, 1995 amending License Agreement dated as of January 1, 1992, as amended. Incorporated herein by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1995.	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
10.10*	Lease Agreement between the Registrant and Meadowlands Associates, dated October 31, 1986, for office space in Lyndhurst, New Jersey, together with the Non-Disturbance and Attornment Agreement, dated March 11, 1987.	
10.11	Registrant's 1996 Stock Incentive Plan amending and restating the 1993 Employee Stock Option Plan. Incorporated herein by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996.**	
10.12	Line of Credit Letter Agreement dated August 30, 1996 between the Registrant and The Chase Manhattan Bank, N.A. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996.	
10.13	Line of Credit Letter Agreement dated August 9, 1996 amending line of credit letter agreement dated May 31, 1995 between the Registrant and Fleet Bank, N.A. Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996.	
10.14	Line of Credit Letter Agreement dated November 13, 1996 between the Registrant and Marine Midland Bank, N.A. Incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996.	
10.15*	Letter Agreement dated May 19, 1993 between Concord Watch Company, S.A. and Bern Cantonal Bank (English translation).	
10.16*	Letter Agreement dated August 23, 1989 between Grandjean, S.A. and Neuchatel Cantonal Bank, as amended by a Letter Agreement dated March 2, 1990 between Grandjean, S.A. and Neuchatel Cantonal Bank (English translation).	
10.17*	Letter Agreement dated June 18, 1992 between Grandjean, S.A. and Neuchatel Cantonal Bank (English translation).	
10.18*	Letter Agreement dated June 5, 1992 between Grandjean, S.A. and Popular Bank of Switzerland (English translation).	
10.19*	Letter Agreement dated November 25, 1992 between Concord Watch Company, S.A. and Swiss Bank Corporation (English translation).	
10.20*	Letter Agreement dated January 25, 1991 between Concord Watch Company, S.A. and Union Bank of Switzerland (English translation).	
10.21*	Letter Agreement dated May 15, 1991 between Grandjean, S.A. and Union Bank of Switzerland (English translation).	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
10.22	Lease dated August 10, 1994 between Rockefeller Center Properties, as landlord and SwissAm Inc., as tenant for space at 630 Fifth Avenue, New York, New York. Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1994.	
10.23	First Amendment of Lease dated May 31, 1994 between Meadowlands Associates, as landlord and the Registrant, as tenant for additional space at 125 Chubb Avenue, Lyndhurst, New Jersey. Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 1994.	
10.24	Death and Disability Benefit Plan Agreement dated September 23, 1994 between the Registrant and Gedalio Grinberg. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1994.**	
10.25	Registrant's amended and restated Deferred Compensation Plan for Executives dated June 15, 1996. Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 31, 1996.**	
10.26	Credit Agreement dated as of January 31, 1996 among the Registrant, Chase Manhattan Bank (National Association) ("Chase"), NatWest Bank N.A. ("NatWest"), Marine Midland Bank and Chase as Agent and NatWest as Co-Agent. Incorporated herein by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1996.	
10.27	Agreement dated February 27, 1996 by and between the Registrant and Piaget (International) S.A. Incorporated herein by reference to Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1996.	
10.28	Lease Agreement between the Registrant and Lexington Building Co., L.P. dated February 18, 1996 for premises at 730 Fifth Avenue, New York, New York. Incorporated herein by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1996.	
10.29	Letter Agreement dated August 25, 1995 between the Registrant and Michael Bush together with Promissory Note dated October 25, 1995. Incorporated herein by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1996.**	
10.30	Policy Collateral Assignment and Split Dollar Agreement dated December 5, 1995 by and between the Registrant and The Grinberg Family Trust together with Demand Note dated December 5, 1995. Incorporated herein by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended January 31, 1996.**	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
10.31	Lease dated April 15, 1996 between the Registrant and Belle Mead Corporation for premises at 1200 Wall Street West, Lyndhurst, New Jersey. Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1996.	
10.32***	License Agreement dated December 9, 1996 between the Registrant and Sara Lee Corporation.	
11	Computation of net income per share.	
21.1	Subsidiaries of the Registrant.	
23.1	Consent of Price Waterhouse LLP.	
27	Financial Data Schedule.	

* INCORPORATED HEREIN BY REFERENCE TO THE CORRESPONDING EXHIBIT NUMBER FILED WITH COMPANY'S REGISTRATION STATEMENT ON FORM S-1 (REGISTRATION NO. 33-66600).

** CONSTITUTES A COMPENSATORY PLAN OR ARRANGEMENT.

*** CONFIDENTIAL PORTIONS OF EXHIBIT 10.32 WERE OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934.

NUMBER		SHARES
MGC	[MOVADO LOGO]	
COMMON STOCK		SEE REVERSE FOR CERTAIN DEFINITIONS

MOVADO GROUP, INC.
 INCORPORATED UNDER THE LAWS OF THE STATE OF NEW YORK

CUSIP 624580 10 6

THIS
CERTIFIES
THAT

IS THE
OWNER
OF

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF THE
PAR VALUE OF \$.01 EACH OF

Movado Group, Inc., transferable on the books of the Corporation by the registered owner hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

/s/ Illegible
TREASURER

/s/ Illegible
CHIEF EXECUTIVE OFFICER

[SEAL]

COUNTERSIGNED AND REGISTERED:
THE BANK OF NEW YORK
NEW YORK
TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

[Official Seal]

The Corporation is authorized to issue more than one class or series of stock. The Corporation will furnish a copy of the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights to the holder of record of this certificate without charge upon written request to the Corporation at its principal place of business.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT -- Custodian

(Cust) (Minor)
under Uniform Gifts to Minors
Act

(State)

Additional abbreviations may also be used though not in the above list.

For Value Received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

Shares

of the capital stock represented by the within certificate, and do hereby irrevocably constitute and appoint

Attorney

to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

LICENSE AGREEMENT

This Agreement is entered into this 9th day of December, 1996, by and between Coach, a division of Sara Lee Corporation, a Maryland corporation having offices at 516 West 34th Street, New York, New York 10001 (hereinafter referred to as "Licensor") and Movado Group, Inc., a New York corporation with offices at 125 Chubb Avenue, Lyndhurst New Jersey 07071 (hereinafter referred to as "Licensee").

WHEREAS, Licensor is the owner of the trade name Coach (hereinafter referred to as "the Trade Name") and the trademarks COACH, COACH and Lozenge Design, and COACH and Tag Design (hereinafter collectively referred to as "the Licensed Marks"), which Licensed Marks are depicted in Schedule 1 attached hereto and made a part hereof, the Licensed Marks having been used in connection with a wide variety of leather goods and accessories and having been registered on the Principal Register of the United States Patent and Trademark Office and in numerous other countries throughout the world;

WHEREAS, Licensee manufactures, markets and sells watches and desires to use the Trade Name and Licensed Marks in connection with the manufacture, marketing and sale of watches; and

WHEREAS, Licensor is willing to grant Licensee the right to use the Trade Name and Licensed Marks under the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

(** CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED FROM PAGES 9, 12-18, 20-22, 26 AND SCHEDULE 4 AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") PURSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934 ("1934 Act")).

1. DEFINITIONS

As used herein the term(s):

1.1 "Licensed Products" shall mean watches and component parts thereof and only watches and component parts thereof marketed or sold under the Trade Name and/or the Licensed Marks, provided, however, that nothing in this Agreement shall be construed to allow Licensee to establish a separate business in watch components that bear the Trade Name and/or Licensed Marks.

1.2 "Licensor Channels" shall mean retail outlets controlled by Licensor, including without limitation Licensor's catalog, Licensor's stand alone retail stores, Licensor's factory outlet stores, Licensor Special Accounts (as hereinafter defined) and Licensor's retail stores that are situated within department stores located outside the United States.

1.3 "Non-Licensor Channels" shall mean retail outlets not controlled by Licensor, including without limitation department stores, jewelry store chains, Licensee's factory outlet stores and Licensee Special Accounts (as hereinafter defined).

1.4 "Market Roll-Out" shall mean Licensee's initial distribution of Licensed Products to Non-Licensor Channels.

1.5 "Contract Year" shall mean each twelve (12) month period following the Market Roll-Out of the Licensed Products.

1.6 "Wholesale Price" shall mean the regular published wholesale price charged by Licensee for Licensed Products.

1.7 "Authorized COACH Retailer" shall mean any retail outlet not controlled by Licensor but authorized by Licensor to sell products bearing the COACH, COACH and Lozenge Design or COACH and Tag Design trademarks.

1.8 "Licensee Special Accounts" shall mean those accounts identified in Schedule 2 and made a part hereof.

1.9 "Licensor Special Accounts" shall mean those accounts identified in Schedule 3 and made a part hereof.

1.10 "United States" shall mean the United States of America, its territories and possessions, including without limitation Puerto Rico.

2. GRANT OF LICENSE

2.1 Upon the terms and conditions hereinafter set forth, Licensor grants to Licensee a license to use the Trade Name and Licensed Marks on or in connection with the manufacture, packaging, sale, marketing and distribution of the Licensed Products. This license shall be exclusive to Licensee and shall extend to all countries where Licensor has the right to use the Licensed Marks, provided, however, that Licensor shall retain the right, and Licensee shall have no right, to use the Trade Name and Licensed Marks on or in connection with the sale, marketing and/or distribution of the Licensed Products to Licensor Special Accounts.

2.2 In the event Licensee shall notify Licensor that Licensee intends to make substantial preparations to market the Licensed Products in a country or countries where Licensor does not have exclusive rights to use the Licensed Marks as evidenced by one or more registrations for the Licensed Marks, Licensor will promptly, at its sole expense, file such applications or take such other actions as may be reasonably necessary to secure such rights; provided, however, that in the event Licensor is not able reasonably to secure such rights and Licensee does not sell the Licensed Products in such country or countries then the parties will mutually agree upon an appropriate reduction in the Minimum and Target Non-Licensor Channel Sales (non-U.S.).

3. OWNERSHIP OF LICENSED MARKS

3.1 Licensee hereby acknowledges that Licensor is the owner of all right, title, and interest in and to the Trade Name and Licensed Marks, and agrees that it will not, during the term of this Agreement or thereafter, challenge Licensor's rights in and to same. Licensee further agrees that it will not attack the validity of this License.

3.2 Licensee recognizes the great value of the goodwill associated with the Trade Name and Licensed Marks and acknowledges that the Trade Name and Licensed Marks and all rights therein, and goodwill pertaining thereto, belong exclusively to Licensor. Licensee further acknowledges that all use of the Trade Name and Licensed Marks by Licensee, shall insure to the benefit of Licensor.

4. RELATIONSHIP OF PARTIES

Licensee is a "related company" pursuant to 15 U.S.C. Sec. 1127. Neither party is an agent or employee of the other, nor shall either party in any event be liable for the other's acts or omissions. This Agreement does not, and shall not, be deemed to make any party hereto the agent, partner, joint venturer or legal representative of any other party for any purpose whatsoever. Neither Licensor nor Licensee shall have the right or authority to assume or create any obligations or responsibility whatsoever, express or implied, on behalf of, or in the name of, the other, or to bind the other in any respect whatsoever, except as may be herein provided.

5. USE OF THE LICENSED MARKS AND TRADE NAME

5.1 Licensee agrees to use the Licensed Marks only in the form approved by Licensor. All use of the Licensed Marks on the Licensed Products and on labels, packaging, in advertising

and otherwise must faithfully reproduce the form approved by Licensor. Approval of the form of use of the Licensed Marks, once given, shall be continuing until Licensee receives written notice to the contrary from Licensor. In the event Licensee receives such written notice, all uses of the Licensed Marks to which such notice applies shall cease not later than six (6) months after receipt of such notice provided, however, that for up to two (2) years following such notice Licensee shall have the right to sell and distribute Licensed Products in inventory at the time of such notice that bear Licensed Marks in a form which is no longer approved by Licensor.

5.2 Licensee shall comply with all notice and marking requirements of any law or regulation applicable or necessary for the protection of the Licensed Marks, including those which Licensor, in its legal judgment, may deem appropriate. Licensor shall use its best efforts to communicate such requirements to Licensee as soon as practicable. Licensee shall not, at any time, do or permit any third party within its control or with whom Licensee has a contractual relationship to do any act or thing that will, in any way, impair the rights of Licensor in and to the Licensed Marks or which will affect the validity thereof.

5.3 Any use of the Trade Name by Licensee shall be solely in connection with the manufacture, marketing, sale and/or distribution of the Licensed Products. Licensee shall not, at any time, do or permit any third party within its control or with whom Licensee has a contractual relationship to do any act or thing that will, in any way, impair the rights of Licensor in and to the Trade Name or which will affect the validity thereof.

6. QUALITY CONTROL

6.1 Licensee acknowledges that the Licensed Marks have established prestige and goodwill and are well recognized in the minds of the public, and that it is of great importance to each

party that in the manufacture and sale of the Licensed Products, the high standards and reputation that Licensor has established be maintained.

6.2 Licensor shall have the right to exercise quality control over Licensee's use of the Licensed Marks on and in connection with the Licensed Products to a degree reasonably necessary to maintain the validity thereof and to protect the goodwill associated therewith. Licensor is familiar with the quality of Licensee's watches sold under the trademark ESQ, and hereby affirms that that level of quality and workmanship generally conforms with the standards of quality and workmanship prescribed by Licensor. The parties acknowledge that Licensor has examined the General Acceptance Requirements pertaining to the ESQ watches. Licensee agrees that the Licensed Products it will market and sell under the Trade Name and Licensed Marks will be of a quality at least as good as the ESQ watches and will be manufactured substantially in accordance with General Acceptance Requirements that meet or exceed the General Acceptance Requirements pertaining to the ESQ watches. Licensee shall develop General Acceptance Requirements specifically pertaining to the Licensed Products and provide said General Acceptance Requirements to Licensor. Said General Acceptance Requirements shall be followed during the term of this Agreement, unless modification thereof is approved by Licensor. Licensor will verify compliance with this paragraph by examining the Licensed Products, from time to time, as it receives them from Licensee for sale in Licensor's retail stores.

6.3 Licensor shall have the right to inspect Licensee's manufacturing facilities for the Licensed Products, including without limitation the facilities of third-party manufacturers with whom Licensee contracts, up to four times per Contract Year. Any such inspection will occur during business hours and only after giving Licensee at least five (5) days written notice of such inspection.

6.4 Licensee shall handle all customer inquiries and complaints relating to the Licensed Products in a manner consistent with the manner in which it handles customer inquiries and complaints relating to the products it sells under the ESQ trademark. Licensee shall provide the same service, warranties, and repair and replacement rights to wholesale purchasers and consumers of the Licensed Products as Licensee provides to purchasers of its ESQ watches. Licensee shall be solely responsible for all costs associated with (a) the handling of customer inquiries and complaints relating to the Licensed Products, and (b) the provision of service, warranties, repair and replacement relating to the Licensed Products.

7. PRODUCT DEVELOPMENT

7.1 Licensee shall prepare and submit to Licensor for approval all product designs for the Licensed Products. All product designs, prototypes, patterns, stylings and copyrightable material used on or as a part of the Licensed Products are and will be owned exclusively by Licensor. Licensor, however, shall not have exclusive rights to any designs, prototypes, patterns, stylings and/or copyrightable material that were previously used by Licensee or by any third party on or as a part of watches other than the Licensed Products; provided, however, that any newly developed product designs, prototypes, patterns, stylings or copyrightable material used on or as a part of the Licensed Products which are unique combinations of design elements and/or components, regardless of whether any independent or separate such design elements and/or components were previously used by Licensee or others, shall be owned exclusively by Licensor. Licensee shall not proceed with the manufacture of a new product design for any Licensed Product, nor shall Licensee discontinue an existing product design for any Licensed Product, without the written approval of Licensor, which approval shall not be unreasonably withheld or delayed.

Licensee, at its own cost and expense, is responsible for developing all prototypes relating to the Licensed Products and for the sourcing of all Licensed Products.

7.2 Licensee shall prepare and submit to Licensor for approval specific suggested retail prices for the Licensed Goods in both Licensor and Non-Licensor Channels. All initial suggested retail prices, and any subsequent changes thereto, must be approved, in writing, by Licensor, such approval not to be unreasonably withheld or delayed. Licensee acknowledges that in order to preserve the goodwill attached to the Licensed Marks, the Licensed Products are to be sold at prices and terms reflecting the prestigious nature of the Licensed Marks, it being understood, however, that Licensor is not empowered to fix or regulate the prices at which the Licensed Products are to be sold. Nothing contained in this Agreement is intended or will be construed as giving either party any right of approval with respect to any of the prices at which the other party sells or offers to sell any of the Licensed Products.

7.3 Licensee shall prepare and submit to Licensor for approval, specific, written plans for the Market Roll-Out of the Licensed Products, such approval not to be unreasonably withheld or delayed. The parties further agree to work together to develop specific, written plans for the roll-out of the Licensed Products to Licensor Channels.

8. PRODUCT SALES AND DISTRIBUTION

8.1 Licensee shall sell to Licensor Licensed Products to be sold through Licensor Channels in accordance with Licensee's standard terms and conditions of sale except to the extent any such terms and conditions conflict with any provision expressly contained herein. Licensee shall also sell Licensed Products through Non-Licensor Channels including, without limitation, Authorized COACH Retailers.

8.2 All Licensed Products for retail sale in Licensor Channels shall be sold to Licensor at a price equal to *
. Within thirty (30) days following the end of each Contract Year quarter, Licensor will deliver to Licensee a statement signed by an authorized officer of Licensor reporting Licensor's sales of Licensed Products made in the immediately preceding quarter through Licensor's factory outlet stores, breaking out such sales in dollar amounts and units sold by SKU designation.

8.3 Any liquidation by either Licensee or Licensor of any Licensed Products which are excess inventory, discontinued product or quality imperfect product, through either Licensor or Non-Licensor Channels, shall be done on such terms and conditions that the parties hereto will agree upon with the exception of any terms or conditions relating to price.

8.4 Subject to Paragraphs 8.6, 10.2 and 10.3, Licensee, working closely with Licensor, shall be responsible for the world-wide manufacture and distribution of Licensed Products, provided, however, that Licensee shall not, without prior written approval of Licensor, which approval shall not be unreasonably withheld or delayed, sell or distribute Licensed Products to any Non-Licensor Channels that are not Authorized COACH Retailers. The parties acknowledge that from time to time Licensor may approach Licensee to discuss whether particular approved retail outlets and/or Authorized COACH Retailers should remain as approved retail outlets and/or Authorized COACH Retailers.

8.5 Licensee shall use reasonable efforts to prevent and/or stop any diversion of Licensed Products from Licensor approved retail outlets or Authorized COACH Retailers to any retail outlet which is neither Licensor approved nor an Authorized COACH Retailer. Licensee acknowledges that its standard terms of sale shall be to require all retail outlets to whom it sells Licensed Products to agree to only sell such Licensed Products to the end-using consumer. Should

* (CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 Act.)

Licensor notify Licensee of any diversion of Licensed Products, or should Licensee become aware of any such diversion, Licensee shall take all reasonable steps necessary to end such diversion, including without limitation tracking down the source of the diverted Licensed Products and discontinuing all sales of Licensed Products to said source. Licensee shall keep Licensor apprised of any such efforts.

8.6 Licensor shall be responsible for order fulfillment relating to the sale of Licensed Products through Licensor's catalog. Licensor shall maintain sufficient inventories of Licensed Products in its factory outlet stores and retail stores and in connection with the fulfillment of its catalog sales and Licensor Special Accounts to adequately service its customers. Licensee shall maintain appropriate inventories of both finished Licensed Goods and components thereof as necessary to service Licensor's ongoing business.

8.7 Licensee shall have the sole right to sell to those accounts designated herein as Licensee Special Accounts. With respect to such Licensee Special Accounts, Licensor shall provide such marketing and other assistance as Licensee shall reasonably request, recognizing that Licensee has primary responsibility for serving each such Licensee Special Account, and Licensee shall pay Licensor a royalty "premium" on all sales of Licensed Products to such Licensee Special Accounts as set forth in Paragraphs 11.1 and 11.2. In the event that there is a material change in Licensor's ability to provide such marketing and other assistance as Licensee shall reasonably request in connection with Licensee Special Accounts, Licensor and Licensee will negotiate in good faith with respect to the royalty "premium" to reflect the changed circumstances.

8.8 Licensee and Licensor anticipate that the account lists designated as Licensee Special Accounts and Licensor Special Accounts (see Schedules 2 and 3) may be modified during the term of this Agreement. Any such modifications shall be agreed to by the parties, in a writing

signed by both parties, but in no event shall such modifications occur more than once per Contract Year.

8.9 Licensee shall take the lead, with active support of Licensor, to introduce the Licensed Products to Licensor's retail management and staff and, at Licensee's expense, will regularly train such persons on sales, display and security techniques related thereto according to a schedule to be mutually agreed upon by the parties.

8.10 Should this Agreement be terminated pursuant to either Paragraph 10.2 or 10.3, Licensor agrees that, to the extent it continues to offer for sale Licensed Products with the same or substantially identical designs as any Licensed Products at any time previously sold by Licensee to Licensor hereunder, Licensor will source all such Licensed Products exclusively from Licensee pursuant to terms and conditions of sale as are negotiated in good faith and without unreasonable delay by the parties at the time of such termination; in the event the parties cannot in good faith agree on such terms and conditions of sale, Licensor will source such Licensed Products pursuant to the same terms and conditions of sale as provided hereunder, subject to any cost based price increases implemented from time to time by Licensee. Notwithstanding the foregoing, Licensor shall have the right to source any such Licensed Products from any third party other than Licensee provided that Licensor first pays Licensee the present fair market value of Licensee's right to be the exclusive source for such Licensed Products for a period equal to ten (10) years from and after the date each design for such Licensed Products was first approved by Licensor hereunder. In the event Licensee elects not to supply such Licensed Products to Licensor, then Licensor's obligation to source such Licensed Products from Licensee shall cease. It is explicitly understood that this Paragraph 8.10 shall apply only if this Agreement is terminated pursuant to either Paragraph 10.2 or 10.3, and in no event shall Licensor's obligation to source Licensed Products from Licensee

pursuant to this paragraph continue for more than ten (10) years from and after the Market Roll-Out of the Licensed Products.

9. MARKET ROLL-OUT

It is the intention of the parties that the Market Roll-Out of the Licensed Products will commence on or about March 1, 1998. If by October 1, 1998 the Market Roll-Out has not occurred, and if such delay is not due to the act or acts of Licensor or Licensor's failure to act or if such delay is not due to reasons of force majeure, Licensee shall be in breach of this Agreement. If by October 1, 1998 Licensee has not begun distribution of Licensed Products to Licensor Channels, and if such failure to distribute is not due to the act or acts of Licensor or Licensor's failure to act or if such delay is not due to reasons of force majeure, Licensee shall be in breach of this Agreement.

10. SALES TARGETS AND MINIMUMS

10.1 The parties have established certain sales targets and minimums pertaining to Licensee's sale of Licensed Products to Non-Licensor Channels. These targets and minimums are set forth below:

*

* (CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24B-2 OF THE 1934 ACT.)

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* (CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24B-2 OF THE 1934 ACT.)

*

10.2 If Licensee's sales to Non-Licensor Channels in the United States during Contract Year 3 are not at least *

, Licensor shall have the right to terminate this Agreement, such termination to become effective upon the conclusion of Contract Year 4. Should Licensor choose to exercise this termination option, it must give written notice of such termination to Licensee within sixty (60) days following Licensor's receipt of the annual sales report Licensee is required to provide pursuant to Paragraph 13.2 below. Upon termination of this Agreement at the conclusion of Contract Year 4, Licensee's right to use the Licensed Marks pursuant to this Agreement shall immediately cease and any remaining inventory of Licensed Products shall be delivered to Licensor. The transfer of remaining inventory from Licensee to Licensor shall be done on terms and conditions that the parties hereto will agree upon; provided, however, that in the event the parties are unable to agree on such terms and conditions on or before sixty (60) days prior to the conclusion of Contract Year 4, then Licensee shall have the right to transfer all or any part of the remaining inventory to one or more third parties to whom any Licensed Product was at any time previously sold under Paragraph 8.3 hereof on such terms and conditions as Licensee in its sole and absolute discretion shall deem

* (CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24B-2 OF THE 1934 ACT.)

appropriate. If Licensee's sales to Non-Licensor Channels outside the United States during Contract Year 3 are not at least *
for Contract Year 3), Licensor shall have the right to itself distribute or appoint one or more third parties to distribute Licensed Products outside of the United States. Should Licensor choose to either itself distribute or to appoint one or more distributors outside of the United States it must give written notice of such to Licensee within sixty (60) days following Licensor's receipt of the annual sales report Licensee is required to provide pursuant to Paragraph 13.2 below. Upon such written notice, Licensee shall no longer sell or distribute Licensed Products outside the United States. Should Licensor choose to either itself distribute Licensed Products outside the United States or appoint one or more distributors outside the United States, Licensor or its appointed distributor(s) shall source Licensed Products from Licensee pursuant to the same terms and conditions, including without limitation price, applicable to the sale of Licensed Products to Licensor, as provided hereunder.

10.3 If Licensee's sales to Non-Licensor Channels in the United States during Contract Year 5 are not at least *
Year 5), both Licensor and Licensee shall each have the option to terminate this Agreement, such termination to become effective upon the conclusion of Contract Year 6. Should either party choose to exercise this termination option, the party so doing must give written notice to the other party within sixty (60) days following Licensor's receipt of the annual sales report Licensee is required to provide pursuant to Paragraph 13.2 below. Upon termination of this Agreement at the conclusion of Contract Year 6, Licensee's right to use the Licensed Marks pursuant to this Agreement shall immediately cease and any remaining inventory of Licensed Products shall be delivered to Licensor. The transfer of remaining inventory from Licensee to Licensor shall be done

* (CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24b-2 OF THE 1934 Act.)

on terms and conditions that the parties hereto will agree upon; provided, however, that in the event the parties are unable to agree on such terms and conditions on or before sixty (60) days prior to the conclusion of Contract Year 6, then Licensee shall have the right to transfer all or any part of the remaining inventory to one or more third parties to whom any Licensed Product was at any time previously sold under Paragraph 8.3 hereof on such terms and conditions as Licensee in its sole and absolute discretion shall deem appropriate. If Licensee's sales to Non-Licensor Channels outside the United States during the Contract Year 5 are not at least *

Channel Sales (non-U.S.) for Contract Year 5), Licensor shall have the same right to itself distribute or appoint one or more third parties to distribute the Licensed Products outside the United States as provided in Paragraph 10.2, upon the same notice and conditions set forth therein.

10.4 All sales figures and sales calculations referred to in this paragraph shall be based on Wholesale Price, and are represented in U.S. Dollar amounts.

11. ROYALTY

11.1 Licensee shall pay to Licensor a royalty based on Licensee's sales of the Licensed Products to all Non-Licensor Channels (Combined U.S. and non-U.S.). The sales to which the royalty rates will be applied, except for sales to Licensee Special Accounts, shall be based on Wholesale Price, and no reduction in the royalty shall be allowed for discounts given off Wholesale Price. With respect to sales to Licensee Special Accounts, the sales to which the royalty rates will be applied shall be based on actual invoice price net of all taxes, duties, freight, insurance and credits for returns actually made, but no deduction shall be made for discounts for cash or

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prompt payment or for uncollectible accounts. The base royalty rates to be applied to Licensee's sales are as follows:

*

With respect to all sales to Licensee Special Accounts, Licensee shall pay, in addition to the base royalty,

11.2 Starting in Contract Year 3 and continuing throughout the term of this Agreement, once Licensee's actual sales of the Licensed Products to Non-Licensor Channels in a particular Contract Year reach the established target sales figure for that Contract Year as set forth in Paragraph 10.1 above under the heading * , a royalty rate of * shall be applied to all sales in that Contract Year over and above the established target sales figure, and Licensee shall make its royalty payments on such sales in such year to Licensor based upon that * royalty rate, except that with respect to all such sales to Licensee Special Accounts, royalties shall be calculated as described in Schedule 4 attached hereto, and Licensee shall make its royalty payments on such sales in such year to Licensor based on such calculations. Starting in Contract Year 6 and continuing throughout the term of this Agreement, once Licensee's actual sales of the Licensed Products to Non-Licensor Channels in a particular Contract Year reach the established "super" target sales figure for that Contract Year as set forth in Paragraph 10.1 above under the heading * , a royalty rate of * shall be applied to all sales in that Contract Year over and above the established "super" target sales figure, and Licensee shall make its royalty payments on

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such sales in such year to Licensor based on that * royalty rate, except that with respect to all such sales to Licensee Special Accounts, royalties shall be calculated as described in Schedule 4 attached hereto and Licensee shall make its royalty payments on such sales in such year to Licensor based on such calculations.

11.3 If during a particular Contract Year Licensee's actual sales never reach the established minimum sales figure for that Contract Year as set forth in Paragraph 10.1 above under the heading *, Licensee shall pay to Licensor, within ninety (90) days following the conclusion of the Contract Year, an additional sum equal to the difference between the royalties actually paid by Licensee that Contract Year and the royalties that would have been paid by Licensee that Contract Year had Licensee's sales of the Licensed Products to Non-Licensor Channels been equal to the established minimum sales figure.

11.4 Licensee shall also pay to Licensor a royalty based on Licensee's sales of *. The sales to which the royalty rate will be applied shall be based on the Wholesale Price. The royalty rate to be applied to such sales shall be *. Said royalty is in addition to any royalty factor included in other sales by Licensee to Licensor.

11.5 Licensee shall make its royalty payments to Licensor on a quarterly basis, together with a statement setting forth the quarterly sales of the Licensed Products to Non-Licensor Channels, said payments and statements being due no later than thirty (30) days following the end of each Contract Year quarter. All royalty payments shall be made in U.S. Dollars. Except as provided in Paragraph 11.4, Licensee shall not pay royalties on its sale of Licensed Products to Licensor Channels.

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12. MARKETING AND ADVERTISING

12.1 Licensee shall prepare and submit to Licensor for approval all proposed advertising, promotional materials, product displays and product display policies for the Licensed Products. Licensor shall have final approval on all such advertising, promotion, product displays and product display policies, which approval shall not to be unreasonably withheld or delayed. Approval of any submission shall be deemed given in any event absent notice of disapproval within thirty (30) days after such submission.

12.2 No later than March 1 of each calendar year during the term of this Agreement, Licensee shall prepare and present to Licensor for feedback and input an annual operating plan setting forth the information described below (the "Plan"). The Plan shall set forth in reasonable detail, Licensee's plans for conducting the Licensed Products business during the next Contract Year and during the next three Contract Years, with particular emphasis on the marketing, promotion and sales of the Licensed Products. The Plan shall include, without limitation, (a) a description (including timing) of the types and numbers of designs intended to be developed or manufactured (including any new products); (b) sales volume projections by model type, in units and dollars; (c) price marketing strategies, including wholesale and suggested retail pricing by model type and market; (d) assessment of customer base and customers; (e) distribution, including distribution outlets and breakdown by geographic area; (f) advertising plans, number and cost of advertisements already ordered, where advertisements will be published, the fees paid to advertising agents, the proposed schedule and costs of any and all major advertising campaigns and the format for all advertising not already approved by Licensor; (g) media plan and budget, including breakdown by geographic area; (h) packaging, point of sale and trade exhibitions; and (i) the results of market research relating to the Licensed Products and similar products, and market

trends, and a detailed sales forecast by category, product group and market for the Licensed Products.

12.3 As soon as possible upon the execution hereof, and thereafter at all times during the term hereof, Licensee shall employ a Marketing Manager who shall be responsible for the day-to-day operation of the Licensed Products business, and who shall be mutually agreed upon by the parties. Licensee shall hire a sales manager for the Licensed Products business at least six months prior to March 1, 1998, the date intended for the Market Roll-Out of the Licensed Products. Licensee shall assign all needed designers to develop the Licensed Products.

12.4 Licensee agrees that at a minimum it will make the following annual advertising expenditures in connection with the Licensed Products:

*

In the event Licensee fails to make the foregoing minimum advertising expenditures in connection with the Licensed Products in any given Contract Year, Licensee shall have the first six months of the following Contract Year to make advertising expenditures sufficient to cover the shortfall. Any such advertising expenditures made to cover a previous Contract Year's shortfall shall not be credited toward Licensee's minimum required advertising expenditures for the Contract Year in which such shortfall expenditures are made. "Sales" as used in this paragraph shall mean all sales, based on Wholesale Price or based on actual invoice price in the specific case of sales to Licensee Special Accounts, of Licensed Products made by Licensee to Non-Licenser Channels anywhere in

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the world. All amounts are shown in U.S. Dollars. Licensee further agrees that in Contract Years 3 through 10, at least *

12.5 Licensee shall exercise reasonable efforts to maintain and safeguard the established image and good will represented by and embodied in the Trade Name and Licensed Marks. "Image" as used herein refers primarily to quality and style of packaging, advertising and promotion, creation and introduction of new product designs and styles, type of outlets with reference to the quality of service provided for and the quality of presentation of the Licensed Products. Licensee shall take all reasonable and necessary steps, and all steps reasonably requested by Licensor, to prevent or avoid any misuse of the Trade Name or Licensed Marks by any of Licensee's customers or contractors.

12.6 Licensor shall use reasonable efforts to assure that the established value associated with the Trade Name and Licensed Marks does not materially and substantially diminish.

12.7 Licensor agrees that its total retail advertising expenditures, including catalog expenditures, relating to the Licensed Products shall be

*

. If Licensor fails to spend this additional amount on advertising, the difference between the amount actually spent and the royalties actually received shall be credited against Licensee's future royalties. Within ninety (90) days following the end of each Contract Year of this Agreement, and within ninety (90) days

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after the termination of this Agreement, Licensor shall deliver to Licensee a statement signed by an authorized officer of Licensor reporting Licensor's actual advertising expenditures relating to the Licensed Products, Licensor's actual retail sales of Licensed Products, and Licensor's actual percentage rate of spending on advertising for COACH products other than the Licensed Products during the previous Contract Year.

12.8 The parties shall mutually agree upon and establish a minimum amount of space in Licensor's catalog to be devoted to the Licensed Products each Contract Year. Licensor agrees that the catalog space devoted to the Licensed Products shall not be less than that which Licensor devotes to its other product classifications having similar profit contribution, *

12.9 The parties agree that each party shall make no public statements, including without limitation any statements or comments to the press, regarding this Agreement, the relationship between the parties or the Licensed Products business, except with the prior consent of the other party; provided, however, that the foregoing shall not apply to any disclosure either party is required to make by law, including without limitation, disclosure required by the federal securities laws.

12.10 Licensor shall hire or assign a person at Licensor's business to coordinate Licensor's efforts relating to the marketing and sale of the Licensed Products.

13. BOOKS AND RECORDS

13.1 Licensee shall keep and maintain at its regular place of business, or at such off-site documents storage facility as Licensee shall use from time to time for the retention of its business records generally, complete and accurate records and accounts in accordance with Generally

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Accepted Accounting Principles showing the business transacted in connection with the Licensed Products manufactured and sold pursuant to this Agreement, including without limitation records and accounts relating to sales, shipments and orders for Licensed Products and expenditures on advertising for at least six (6) years following the creation of the record or account. Licensor shall keep and maintain at its regular place of business, or at such off-site document storage facility as Licensor shall use from time to time for the retention of business records generally, complete and accurate records and accounts in accordance with Generally Accepted Accounting Principles substantiating the information required to be reported by Licensor under Paragraphs 8.2 and 12.7 hereof, for at least six (6) years following the creation of such record or account or for such other period of time as specified in Licensor's written record retention policy.

13.2 Within ninety (90) days following the end of each Contract Year of this Agreement, and within ninety (90) days after the termination of this Agreement, Licensee shall deliver to Licensor a statement signed by an authorized officer of Licensee reporting actual sales of the Licensed Products to Non-Licensor Channels (based on Wholesale Price), royalties due, royalties paid and advertising expenditures during the preceding Contract Year. Sales of Licensed Products to Non-Licensor Channels shall be broken out to accurately reflect sales to U.S. Non-Licensor Channels, sales to Non-U.S. Non-Licensor Channels, sales to Licensee Special Accounts and sales by model type in units and dollars. Said statement shall also report actual sales of the Licensed Products to Licensor Channels. In the case of termination of this Agreement, such information shall be provided for the period ending at termination.

13.3 Both Licensor and Licensee, or either party's duly authorized agents or representatives, shall each have access to and the right to examine all records and accounts that the other party is required to maintain pursuant to Paragraph 13.1 at such party's premises, provided that any such

examination (a) shall be at the examining party's expense, (b) shall be during normal business hours upon reasonable prior notice which shall be no less than five (5) business days, and (c) shall not unreasonably interfere with the other party's operations and activities. Should an audit disclose that Licensee underpaid royalties for any given year, Licensee shall forthwith and upon written demand pay Licensor the amount owed, together with interest thereon, at a rate of ten percent (10%) per annum calculated from the due date of such royalties unless Licensee shall, by written notice sent to Licensor within twenty (20) days after notice to Licensee of such audit results, reasonably dispute the same in which event the parties shall each name an independent auditor who shall together appoint a third auditor to make a determination as to the matter, which determination shall be binding on the parties. Should an audit disclose that Licensee's annual advertising expenditures in any given year failed to meet the minimum required hereunder, Licensee shall forthwith upon written demand pay Licensor the difference, unless Licensee shall, by written notice sent to Licensor within twenty (20) days after notice to Licensee of such audit results, reasonably dispute the same in which event the parties shall each name an independent auditor who shall together appoint a third auditor to make a determination as to the matter, which determination shall be binding on the parties; or unless Licensee still has time to make up the shortfall pursuant to Paragraph 12.4. Further, should an undisputed audit or the binding determination made by any auditor appointed as hereinabove provided disclose that Licensee underpaid royalties by a margin exceeding five percent (5%) in any given year, or that Licensee's annual advertising expenditures failed to meet the minimum required hereunder by a margin exceeding five percent (5%), Licensee shall pay for all costs relating to the audit, including without limitation, all costs relating to any subsequent binding determinations made by any appointed auditor.

14. TERM AND TERMINATION

14.1 This Agreement shall remain in full force and effect from the date this Agreement is entered into by the parties until ten (10) years following the Market Roll-Out of the Licensed Products, subject to the termination provisions of Paragraphs 10.2 and 10.3 above or as provided below.

14.2 In the event either party commits a material breach of this Agreement, the other party may, upon ninety (90) days prior written notice, terminate the Agreement, provided, however, that the Agreement shall not be terminated if the breaching party cures the breach within said ninety (90) days after receipt of said notice.

14.3 Notwithstanding anything to the contrary in Paragraph 14.2, Licensor shall have the right to terminate this Agreement immediately upon notice to Licensee if any of the following events occur:

- (a) More than once during any Contract Year, any installment of royalty payments is not paid when due and such default continues for more than fifteen (15) days after written notice thereof to Licensee;
- (b) Licensee knowingly fails to manufacture the Licensed Products in accordance with the General Acceptance Requirements and quality standards prescribed in Paragraph 6 of this Agreement;
- (c) Licensee repeatedly fails to secure Licensor's approval as required herein;
- (d) Licensee intentionally uses the Trade Name or any of the Licensed Marks in a manner for which rights therein have not been granted and which use impacts materially and adversely upon the Trade Name or Licensed Marks;
- (e) Licensee commits any material fraud upon Licensor in connection with the performance of Licensee's obligations hereunder;
- (f) Licensee makes an intentional written material misrepresentation pertaining to sales of the Licensed Products;

(g) Licensee intentionally participates in the diversion of Licensed Products or knowingly permits a third party to do so.

Upon termination of this Agreement pursuant to this Paragraph 14.3, Licensor shall have the option to purchase Licensee's inventory of Licensed Products as provided below. If Licensor does not exercise its right to purchase Licensee's inventory of Licensed Products as provided below, Licensee shall, for a period of five (5) months from the date Licensor elects not to exercise its right to purchase Licensee's inventory of Licensed Products, have the right to sell its then-existing inventory of Licensed Products, provided such sales are made to one or more third parties to whom any Licensed Product was at any time previously sold under Paragraph 8.3 hereof on such terms and conditions as Licensee in its sole and absolute discretion shall deem appropriate, and further provided that Licensee otherwise complies with the terms herein, including the payment of royalties. Notwithstanding the foregoing, Licensee shall not dispose of its inventory as provided above without first providing to Licensor a detailed list of its existing inventory of Licensed Products, including Licensee's costs to manufacture or purchase such items and the date of purchase or manufacture; Licensee shall use its best efforts to provide such detailed list to Licensor as quickly as possible. Licensor shall have the right to conduct a physical inventory to verify such list. At any time within thirty (30) days of Licensor's receipt of Licensee's inventory list, Licensor shall have the option to purchase any or all of Licensee's inventory of Licensed Products * . In the event Licensor elects to purchase part or all of said inventory, Licensor shall at its own expense remove said inventory from Licensee's premises not more than sixty (60) days after notice to Licensee of Licensor's election to purchase. Payment for such inventory shall be made by Licensor within thirty (30) days after the removal of the last of Licensee's Licensed Products.

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14.4 Notwithstanding anything to the contrary in Paragraph 14.2, if Licensee files a petition in bankruptcy, or by an equivalent proceeding is adjudicated a bankrupt, or if a petition in bankruptcy is filed against Licensee and is not dismissed within sixty (60) days, or if Licensee becomes insolvent or makes an assignment for the benefit of creditors or any arrangement pursuant to any bankruptcy law, or if Licensee discontinues its business or if a receiver is appointed for Licensee, this Agreement shall automatically terminate without any notice whatsoever being necessary, to the full extent allowed by applicable law. All royalties on sales made prior to such act shall become immediately due and payable. In the event this Agreement is terminated pursuant to this paragraph, Licensee, its receivers, representatives, trustees, agents, administrators, successors and/or assigns, shall have no right to sell any of the Licensed Products covered by this Agreement or use the Trade Name in any manner whatsoever, except with the special consent and written instructions of Licensor, which instructions shall be followed. The non-assumption of this Agreement by a trustee presiding over a bankruptcy proceeding pursuant to any bankruptcy law where the Licensee is named as a debtor, shall operate to automatically terminate this Agreement, without any notice whatsoever being necessary, effective as of the date of the commencement of the bankruptcy proceedings.

14.5 Notwithstanding anything to the contrary in Paragraph 14.2, if Licensor files a petition in bankruptcy, or by an equivalent proceeding is adjudicated a bankrupt, or if a petition in bankruptcy is filed against Licensor and is not dismissed within sixty (60) days, or if Licensor becomes insolvent or makes an assignment for the benefit of creditors or any arrangement pursuant to any bankruptcy law, or if Licensor discontinues its business or if a receiver is appointed for Licensor, Licensee shall have the right to terminate this Agreement by giving written notice to Licensor within 30 days of such event.

14.6 Upon expiration or termination of this Agreement, Licensee shall cease using the Trade Name and Licensed Marks, provided, however, that unless such termination is pursuant to Paragraphs 10.2, 10.3, 14.3, 14.4 or 14.5, Licensee may, for a period of no more than six (6) months after expiration or termination, sell and distribute Licensed Products existing in inventory on the date of expiration or termination. Licensee remains liable for the payment of all royalties based on those sales and must otherwise comply with the terms herein. If at the end of six months Licensee still possesses inventory of Licensed Products, Licensee shall deliver to Licensor the remaining inventory, and Licensee's right to use the Licensed Marks pursuant to this Agreement shall cease. The transfer of remaining inventory from Licensee to Licensor shall be done on terms and conditions that the parties hereto will agree upon; provided, however, that in the event the parties are unable to agree on such terms and conditions on or before thirty (30) days prior to the conclusion of such six (6) month period, then Licensee shall have the right to transfer all or any part of such remaining inventory to one or more third parties to whom any Licensed Product was at any time previously sold under Paragraph 8.3 hereof on such terms and conditions as Licensee in its sole and absolute discretion shall deem appropriate. Upon expiration or termination of this Agreement for any reason, Licensee shall relinquish to Licensor all newly developed product design materials, prototypes, patterns, stylings and copyrightable material relating to the Licensed Products owned exclusively by Licensor, as provided in Paragraph 7.1 herein, along with all tools, dies and molds used to make Licensed Products from such product design materials, prototypes, patterns, stylings and copyrightable material, immediately upon expiration or termination of this Agreement.

15. INDEMNIFICATION

Except as provided in Paragraph 16 below, Licensee hereby agrees to pay on behalf of Licensor and to defend it against any and all claims, suits, liabilities, causes of action, settlements, costs, damages, or expenses, including reasonable attorneys' fees, arising out of Licensee's manufacture, packaging, sale, marketing or distribution of the Licensed Goods. This indemnification provision shall survive the termination of this Agreement.

16. TRADEMARK ENFORCEMENT

16.1 Licensee agrees to notify Licensor of any unauthorized use of the Licensed Name and Marks by others, promptly as it comes to Licensee's attention. Except as provided in Paragraph 16.2, Licensor shall have the sole right and discretion to bring infringement actions involving the Licensed Marks, and any award received by Licensor in any such actions shall belong solely to Licensor.

16.2 Licensor and Licensee shall cooperate in stopping, by any and all legal means available, the manufacture, sale or distribution of counterfeit watches or timepieces bearing marks which are identical to or indistinguishable from the Licensed Marks (hereinafter referred to as "Counterfeit Merchandise"). Licensee, in consultation with and after receiving approval from Licensor, shall have the right to bring counterfeiting actions against parties manufacturing, holding, selling or distributing Counterfeit Merchandise as information about such Counterfeit Merchandise is brought to Licensee's attention in the normal course of Licensee's anti-counterfeiting efforts. Licensee shall bear all costs associated with any such actions, and any award received by Licensee in any such actions shall belong solely to Licensee.

16.3 Licensor shall have the right to bring counterfeiting actions against parties manufacturing, holding, selling or distributing Counterfeit Merchandise as information about such Counterfeit Merchandise is brought to Licensor's attention in the normal course of Licensor's anti-counterfeiting efforts. Licensor shall bear all costs associated with any such actions, and any award received by Licensor in any such actions shall belong solely to Licensor.

16.4 In the event that a third party institutes a trademark infringement action against Licensee arising from Licensee's use of the Licensed Name and Marks, Licensee shall promptly notify Licensor. Licensor shall defend, at its own expense, any such action, and Licensee shall cooperate in such defense as reasonably requested by Licensor, at Licensor's expense. Licensor shall pay any settlements, costs, damages, or expenses, including reasonable attorneys' fees, resulting from any such action. Any award received by Licensor in such action shall belong solely to Licensor.

17. INSURANCE

17.1 Licensee shall obtain and maintain, at its own cost and expense, Commercial General Liability insurance and Umbrella liability insurance written on an occurrence basis with the following coverage and limits:

	Limits -----
General Aggregate Limit	\$5,000,000
Products/Completed Operations Aggregate Limit	\$3,000,000
Personal and Advertising Injury - Per Injury	\$3,000,000

17.2 Licensor shall be named as an additional insured on the Commercial General Liability policy. Licensee shall provide Licensor with a certificate of insurance evidencing all of the required coverage. The certificate shall also provide evidence that the policy has been amended to afford at least thirty (30) days advance written notice to Licensor of cancellation, nonrenewal or material change of any of the required coverages.

18. NO ASSIGNMENT OR SUBLICENSE BY LICENSEE

This Agreement and all its rights and duties hereunder are personal to the Licensee and shall not, without the written consent of Licensor, be assigned, sublicensed or otherwise encumbered by Licensee or by operation of law; provided, however, that notwithstanding anything to the contrary contained herein Licensee shall have the right (a) to have the Licensed Products manufactured by one or more third party manufacturers and, (b) to assign any or all of its rights and duties hereunder to any other corporation which is wholly owned, directly or indirectly, by Licensee provided that Licensee, simultaneously with such assignment, enters into an agreement with Licensor in a form reasonably satisfactory to Licensor by which Licensee guarantees all of the obligations, including without limitation, all financial and performance obligations, of such assignee.

19. CONDITION PRECEDENT

The effectiveness of this Agreement and each of the respective obligations of the parties hereunder is subject to satisfaction on or prior to June 1, 1997 of the following conditions:

(a) Licensor and Licensee shall have filed any and all notification and report forms required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "Act") in connection with this Agreement and the required waiting period (including any extensions

thereof) under the Act and the regulations promulgated thereunder shall have expired or notice of early termination shall have been received; and

(b) No investigation, action or proceeding by or before any court or other governmental body shall have been commenced or threatened, and no inquiry shall have been received that, in the opinion of either counsel to either Licensor or Licensee may lead to an action or proceeding to restrain or otherwise challenge the transaction contemplated under this Agreement.

20. MISCELLANEOUS

20.1 In the event that either party shall, at any time, waive any of its rights under this Agreement, or the performance by the other party of any of its obligations hereunder, such waiver shall not be construed as a continuing waiver of the same rights or obligations or a waiver of any other rights or obligations.

20.2 This Agreement constitutes the entire agreement between the parties as to the Licensed Marks and no modifications or revisions thereof shall be of any force or effect unless the same are in writing and executed by the parties hereto.

20.3 Any provisions of this Agreement which are, or shall be determined to be, invalid shall be ineffective, but such invalidity shall not affect the remaining provisions hereof. The titles to the paragraphs herein are for convenience only and have no substantive effect.

20.4 This Agreement is binding upon the parties hereto, any parent, subsidiary and affiliated companies and their successors and assigns.

20.5 Licensee shall be responsible for compliance with the requirements of all local laws in the countries where it manufactures, markets, distributes or sells the Licensed Products, except for obligations with respect to filing as registered user or similar obligations where required under

applicable trademark law. It is understood that Licensor is responsible for the costs and fees for, or incidental to, obtaining trademark registrations.

20.6 This Agreement shall be construed in accordance with and governed by the laws of the State of New York, applicable to contracts made and to be wholly performed therein without regard to its conflicts of law rules. Any action or proceeding arising out of or relating in any way to this Agreement, shall be brought and enforced in the courts of the United States for the Southern District of New York, or, if such courts do not have, or do not accept, subject matter jurisdiction over the action or proceeding, in the courts of the state of New York and each party hereby consents to the personal jurisdiction of each such court in respect of any such action or proceeding. Each of the parties hereby consents to service of process in any such action or proceeding by the mailing of copies thereof by Registered or Certified Mail, postage prepaid, return receipt requested, to it at its address provided for notices hereunder. The foregoing shall not limit the right of any of the parties to serve process in any other manner permitted by law or to obtain execution or enforcement of any judgment in any other jurisdiction. Each of the parties hereby waives (a) any objection that may now or hereafter have to the laying of venue of any action or proceeding arising under or related to the Agreement in the court located in the Borough of Manhattan, City and State of New York, (b) any claim that a court located in the Borough of Manhattan, City and State of New York is not a convenient forum for any such action or proceeding, and (c) any claim that is not subject to the personal jurisdiction of the courts of the United States of the Southern District of New York or of the courts of the State of New York located in the Borough of Manhattan, City and State of New York. Notwithstanding the foregoing, any matter as to which the parties are unable to agree as provided under Paragraph 2.2 shall be settled and determined by arbitration in New York, New

York, in accordance with and pursuant to the then existing rules of the American Bar Association. The arbitrator's decision shall be final and binding on the parties.

20.7 Licensee acknowledges that it has received a copy of the Sara Lee Corporation Supplier Selection Guidelines and Sara Lee Corporation Global Operating Principles (the "Guidelines"). Licensee hereby represents and warrants that it has reviewed and understands the Guidelines, and Licensee and any approved third-party manufacturer are presently in compliance and will remain in compliance with the Guidelines for the term of this Agreement. Furthermore, Licensee agrees to notify Licensor immediately if Licensee becomes aware that a violation by Licensee or any approved third-party manufacturer of the standards set forth in the Guidelines has occurred during the term of this Agreement. The Guidelines are hereby incorporated herein by reference.

20.8 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

20.9 All notices required hereunder shall be in writing and dispatched by overnight courier addressed to Licensee or Licensor as set forth below, and shall be effective upon receipt:

Licensor: Chairman and CEO
Coach
516 West 34th Street
New York, New York 10001

Copies to: Director of Intellectual Property
Coach
516 West 34th Street
New York, New York 10001

Chief Counsel - Intellectual Property
Sara Lee Corporation
470 Hanes Mill Road
Winston-Salem, North Carolina 27105

Licensee: President
Movado Group, Inc.
125 Chubb Avenue
Lyndhurst, New Jersey 07071

Copies to: Executive Vice President
Movado Group, Inc.
125 Chubb Avenue
Lyndhurst, New Jersey 07071

General Counsel
Movado Group, Inc.
125 Chubb Avenue
Lyndhurst, New Jersey 07071

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

Date: 12/9/96

COACH
A Division of Sara Lee Corporation

By: /s/ Lew Frankfurt

Name: Lew Frankfurt
Title: Chairman & CEO

Date:12/9/96

MOVADO GROUP, INC.

By: /s/ Efraim Grinberg

Name: Efraim Grinberg
Title: President

SCHEDULE 1

COACH

[COACH LOGO]

[GRAPHIC OF COACH KEY CHAIN]

SCHEDULE 2

Licensee Special Account

DFS

SCHEDULE 3

Licensor Special Accounts

3M	Goldman Sachs	Nomura Securities
Abbott Laboratories	Hachette Filipacchi	Oldsmobile
All State Insurance	HBO	Ono Pharmaceutical
Amer. Nat'l. Bank & Trust	Heublein	Ore-Ida Foods
Ameritech	Hewlett-Packard	Paddington Industries
Amoco	Hilton Hotels Corp.	Paine Webber
Anheuser-Busch	House of Seagram	Parade Publications
Apple Computer	Hyatt Hotels Corp.	Paychex
AT&T	IBM	PC Week
BioGen	Intel Corp.	Pennzoil
Boeing Portland	ISL Marketing (worldwide)	Pepsi Cola
Buick	John Hancock	Pepsico
Cadbury Beverages	JVC of America	Pfizer
Cadillac	Kendall	Phillips Petroleum
Capital Cities ABC	Kitz, Inc.	Pontiac
Chartwell Home Therapies	Kobrand	Price Waterhouse
Chase Manhattan	Kodak	Procter & Gamble
Cheesebrough-Ponds USA	KPMG Peat Marwick	Prudential, The
Chevrolet	Kraft	Purdue Fredrick Co.
Chrysler	Lerner & Co.	Rainbow Programming
Citibank	Levi Strauss & Co.	Raystark Productions
Club De La Tour	Lexus	Robert Fleming Inc.
CNA-ContinentalInsurance	Liberty Mutual	RR Donnelley & Sons
Conde Nast Publications	Lifetime	Salomon Brothers
Coopers & Lybrand	Lockheed Corp.	Sandoz Corp.
Coors Brewing Co.	Lotus	Sara Lee Companies
CS First Boston	Lucent Technologies	Schering-Plough
Dean Witter	Mattel Corporation	Schweppes USA
Digital Equipment	MCI	Shell Oil Co.
Disney	Mead World Headquarters	Smith Barney
Dole Food Co.	Merck & Co., Inc.	Sony
Dow Chemical Co.	Merrill Lynch	State Farm Insurance Co.
Dreamworks	Met Life	Texaco
Dun & Bradstreet	Miles Pharmaceutical	Texas Instruments
Duracell USA	Microsoft	Time Warner
Eisai USA	Mitsui Precious Metals	Towers Perrin
Eli Lilly	Mitsubishi, Inc.	Travelers Insurance
Elle	Mobil Oil	TWA
Ernst & Young	Morgan Stanley	United Airlines
ESPN	Moss Dynamic Engines	Universal Studios
Estee Lauder	Motorola	Vanity Fair
Exxon	MTV	Viacom
E.B. Harvey	M&M Bars	Wal*Mart
Ford Motor Co.	Nabisco Brands	Westinghouse Electric Corp.
Fortune	NBA	Whirlpool
Gap, The	NBC	Young & Rubicam
General Motors	NCR	
Gillette		

*

Schedule 4

* (CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24B-2 OF THE 1934 ACT.)

EXAMPLES OF ROYALTY PAYMENTS

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* (CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24B-2 OF THE 1934 ACT.)

EXAMPLES OF ROYALTY PAYMENTS

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* (CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24B-2 OF THE 1934 ACT.)

EXAMPLES OF ROYALTY PAYMENTS

*

(Thousands of US\$)

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* (CONFIDENTIAL PORTION OF THIS EXHIBIT OMITTED AND FILED SEPARATELY WITH THE SEC PURSUANT TO RULE 24B-2 OF THE 1934 ACT.)

MOVADO GROUP, INC.

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

	TWELVE MONTHS ENDED JANUARY 31, 1997 -----	TWELVE MONTHS ENDED JANUARY 31, 1996 -----
PRIMARY		
Net income	\$11,692 =====	\$ 9,724 =====
Weighted average number of common shares outstanding	6,012	6,007
Add common equivalent shares (determined using the "Treasury Stock" Method) representing shares issuable upon exercise of employee stock options	116 -----	33 -----
Weighted average number of shares used in primary net income per share	6,128 =====	6,040 =====
Primary net income per share	\$ 1.91 =====	\$ 1.61 =====
FULLY DILUTED		
Net income	\$11,692 =====	\$ 9,724 =====
Weighted average number of common shares outstanding	6,012	6,007
Add common equivalent shares (determined using the "Treasury Stock" Method) representing shares issuable upon exercise of employee stock options	171 -----	71 -----
Weighted average number of shares used in fully diluted net income per share	6,183 =====	6,078 =====
Fully diluted net income	\$ 1.89 =====	\$ 1.60 =====

SUBSIDIARIES OF THE REGISTRANT

All issued and outstanding shares of each of the following subsidiaries are wholly owned, directly or indirectly, by the Registrant except for statutorily required nominee shares in the case of the Hong Kong subsidiaries.

CALIFORNIA:

North American Watch Service Corporation

DELAWARE:

Movado International, Ltd.

NEW JERSEY:

EWC Marketing Corp.

SwissAm, Inc.

SWITZERLAND:

Concord Watch Company, S.A.

Movado Watch Company, S.A.

N.A. Trading, Ltd.

Montres Movado Bienne, S.A.

Grandjean, S.A.

CANADA:

North American Watch of Canada, Ltd.

GERMANY:

Movado Deutschland GmbH

Concord Deutschland GmbH

SINGAPORE:

SwissAm Pte., Ltd.

HONG KONG:

SwissAm, Ltd.

SwissAm Products, Ltd.

JAPAN:

Concord Movado Japan Co., Ltd.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-72232 and 333-13927) of Movado Group, Inc. of our report dated March 24, 1997, except as to note 16, which is as of April 3, 1997, appearing on page F-1 of this Form 10-K.

PRICE WATERHOUSE LLP
New York, New York
April 15, 1997

This schedule contains summary financial information extracted from the consolidated financial statement for the year ended January 31, 1997.

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YEAR	JAN-31-1997	FEB-01-1996	JAN-31-1997
			4,885
		0	
	75,688		
		0	
	87,177		
	184,664		15,066
		0	
	208,443		
	57,974		35,000
		0	
			60
		103,810	
208,443			
		215,107	
	215,107		95,031
		0	
		0	
	4,874		
	15,545		
		3,853	
	11,692		
		0	
		0	
			0
		11,692	
		1.91	
		1.89	