

MOVADO GROUP INC.

Movado Group, Inc. Announces Second Quarter Results

September 7, 2006

~ Gross Margin Expands to 62% ~

~ Operating Profit Increases 14.6% from LY ~

PARAMUS, N.J., Sept. 7 /PRNewswire-FirstCall/ -- Movado Group, Inc. (NYSE: MOV), today announced second quarter results for the period ended July 31, 2006.

Second Quarter Fiscal 2007

- * Net sales increased 9.8% to \$126.6 million from \$115.3 million last year.
- * Comparable store sales increased 9.3% at the Company's Movado boutiques versus a 2.3% increase in the year-ago period.
- * Gross margin improved 130 basis points to 62.0% compared to 60.7% last year.
- * Operating profit increased 14.6% to \$14.1 million, or 11.1% of sales, versus \$12.3 million, or 10.7% of sales in the year-ago period.
- * Net interest expense was \$0.3 million versus \$0.9 million last year:
 - * Interest expense for the quarter was the same as the year-ago period, \$0.9 million, with average borrowings in the quarter of \$99.3 million at an average borrowing rate of 3.7%.
 - * Interest income for the quarter was \$0.6 million due to short term investments of cash-on-hand resulting from the repatriation of foreign earnings under the American Jobs Creation Act.
- * Income tax expense of \$2.4 million reflects a 17.5% tax rate in the second quarter compared to income tax expense of \$2.9 million, or a 25.0% tax rate, recorded last year. The favorable tax rate benefited second quarter diluted earnings per share by \$0.04 and reflects the continued utilization of a Swiss net operating loss carryforward (NOL) acquired with the Ebel brand in fiscal 2005. The Company anticipates maintaining the 17.5% tax rate for the balance of fiscal 2007.
- * Net income increased to \$11.3 million, or \$0.43 per diluted share, compared to net income of \$8.6 million, or \$0.33 per diluted share, in the prior year period.

First Half Fiscal 2007

- * Net sales increased 10.5% to \$224.3 million from \$203.1 million last year.
- * Comparable store sales increased 7.0% at the Company's Movado boutiques versus a 2.7% comparable store sales gain in the year-ago period.
- * Gross margin was 61.6% compared to 60.5% last year.
- * Operating profit was \$17.5 million versus \$14.4 million in the year-ago period.
- * Net interest expense was \$0.4 million versus \$1.7 million last year:
 - * Interest expense for the first half of fiscal 2007 was \$1.9 million compared to \$1.8 million in the year-ago period. Average borrowings for the year-to-date period were \$102.8 million at an average borrowing rate of 3.6%.
 - * Interest income for the first half of fiscal 2007 was \$1.5 million due to short term investments of cash-on-hand resulting from the repatriation of foreign earnings under the American Jobs Creation Act.
- * Net income was \$14.2 million, or \$0.54 per diluted share, compared to net income of \$9.5 million, or \$0.37 per diluted share, in the prior year period.

Efraim Grinberg, President and Chief Executive Officer, commented, "We are very pleased with our performance for the first half of this year. Our strong results reflect the continued customer appeal of our diverse portfolio of brands, including the growing prominence of Ebel around the world, the

introduction of our new Hugo Boss watch collection, and the very successful launch and delivery of Series 800, a bold new sport collection from Movado. Looking ahead to the fall season, we are excited about the multitude of powerful marketing programs we have in place to support each of our brands."

Rick Cote, Executive Vice President and Chief Operating Officer, stated, "Improving our financial returns -- namely operating margin -- remains a top priority for our company. We are encouraged by the continued momentum we experienced in the second quarter with solid expansion achieved in both our gross margin and operating margin results."

Movado Group continues to project fiscal 2007 diluted earnings per share to range between \$1.53 and \$1.58. This guidance includes an approximate \$0.08 per diluted share expense associated with the adoption of FASB 123R and the shift in the composition of the Company's equity-based compensation plan from options toward restricted stock.

The Company's management will host a conference call today, September 7, 2006 at 10:00 a.m. Eastern Time to discuss its second quarter financial results. A live broadcast of the call will be available on the Company's website: www.movadogroup.com. This call will be archived online within one hour of the completion of the conference call.

Movado Group, Inc. designs, manufactures, and distributes Movado, Ebel, Concord, ESQ, Coach, Tommy Hilfiger and HUGO BOSS watches worldwide, and operates Movado boutiques and company stores in the United States. The Company plans to launch Juicy Couture watches in the fall of 2006 and LACOSTE watches in the spring of 2007.

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company has tried, whenever possible, to identify these forward-looking statements using words such as "expects," "anticipates," "believes," "targets," "goals," "projects," "intends," "plans," "seeks," "estimates," "may," "will," "should" and similar expressions. Similarly, statements in this press release that describe the Company's business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. Accordingly, such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the Company's actual results, performance or achievements and levels of future dividends to differ materially from those expressed in, or implied by, these statements. These risks and uncertainties may include, but are not limited to: the Company's ability to successfully introduce and sell new products, the Company's ability to successfully integrate the operations of newly acquired and/or licensed brands without disruption to its other business activities, changes in consumer demand for the Company's products, risks relating to the fashion and retail industry, import restrictions, competition, seasonality, commodity price and exchange rate fluctuations, changes in local or global economic conditions, and the other factors discussed in the Company's Annual Report on Form 10-K and other filings with the Securities and Exchange Commission. These statements reflect the Company's current beliefs and are based upon information currently available to it. Be advised that developments subsequent to this press release are likely to cause these statements to become outdated with the passage of time.

MOVADO GROUP, INC.
Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2006	2005	2006	2005
Net sales	\$126,588	\$115,326	\$224,332	\$203,082
Cost of sales	48,076	45,340	86,230	80,258
Gross profit	78,512	69,986	138,102	122,824
Selling, general and administrative expenses	64,438	57,701	120,594	108,400
Operating profit	14,074	12,285	17,508	14,424
Interest expense	(919)	(926)	(1,862)	(1,804)
Interest income	616	42	1,507	111
Minority interest	(15)	-	64	-
Income before income taxes	13,756	11,401	17,217	12,731
Income tax	2,407	2,850	3,013	3,183
Net income	\$11,349	\$8,551	\$14,204	\$9,548
Net income per diluted share	\$0.43	\$0.33	\$0.54	\$0.37
Shares used in per share				

computation	26,584	26,126	26,506	26,074
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MOVADO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)
(Unaudited)

	July 31, 2006	January 31, 2006	July 31, 2005
ASSETS			
Cash and cash equivalents	\$78,126	\$123,625	\$50,323
Trade receivables, net	128,416	109,852	108,775
Inventories	215,461	198,582	203,047
Other	34,712	26,596	33,392
Total current assets	456,715	458,655	395,537
Property, plant and equipment, net	51,931	52,168	52,687
Other assets	40,464	39,069	38,519
	\$549,110	\$549,892	\$486,743
LIABILITIES AND SHAREHOLDERS' EQUITY			
Loans payable to banks	\$0	\$0	\$37,500
Current portion of long-term debt	5,000	5,000	-
Accounts payable	40,266	35,529	35,283
Accrued liabilities	31,990	43,065	41,129
Deferred and current taxes payable	2,550	8,227	4,756
Total current liabilities	79,806	91,821	118,668
Long-term debt	91,978	104,955	45,000
Deferred and non-current income taxes	13,278	11,947	9,031
Other liabilities	20,112	19,491	17,363
Minority interest	245	-	-
Shareholders' equity	343,691	321,678	296,681
	\$549,110	\$549,892	\$486,743

SOURCE Movado Group, Inc.

CONTACT: Investor Relations - Suzanne Rosenberg, Vice President, Corporate Communications, Movado Group, Inc.,
+1-201-267-8000;
Melissa Myron, or Rachel Albert, both of Financial Dynamics for Movado Group, Inc.,
+1-212-850-5600