#### SECURITIES AND EXCHANGE COMMISSION WASHINGTON, DC 20549

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FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED APRIL 30, 1998

> 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) 125 CHUBB AVENUE, LYNDHURST, NEW JERSEY (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) 13-2595932 (IRS EMPLOYER IDENTIFICATION NO.) 07071 (ZIP CODE)

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

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

Indicate the number of shares outstanding of each of the Issuer's classes of Common Stock, as of the latest practicable date.

As of May 29, 1998 the Registrant had 3,539,020 shares of Class A Common Stock, par value \$0.01 per share, outstanding and 9,368,045 shares of Common Stock, par value \$0.01 per share, outstanding.

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## MOVADO GROUP, INC.

# INDEX TO QUARTERLY REPORT ON FORM 10-Q APRIL 30, 1998

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# Part I Financial Information

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## PART 1 - FINANCIAL INFORMATION ITEM 1. FINANCIAL STATEMENTS

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

	APRIL 30, 1998	January 31, 1998	April 30, 1997
ASSETS			
Current assets: Cash Trade receivables, net Inventories Other	\$ 2,387 82,645 110,025 24,946	<pre>\$ 10,874 92,386 98,183 18,206</pre>	\$5,330 76,117 95,637 18,382
Total current assets	220,003	219,649	195,466
Plant, property and equipment, net Other assets	21,575 11,183 \$ 252,761	18,909 10,511 \$ 249,069	16,393 9,429 \$ 221,288
LIABILITIES AND SHAREHOLDERS' EQUITY	=======		
Current liabilities: Loans payable to banks Current portion of long-term debt Accounts payable Accrued liabilities Deferred and current taxes payable	<pre>\$ 19,441 5,000 20,609 14,071 8,547</pre>	\$ 10,000 25,286 16,920 10,340	\$ 31,439 5,000 15,616 16,162 6,901
Total current liabilities	67,668	62,546	75,118
Long-term debt Deferred and non-current foreign income taxes Other liabilities	35,000 3,391 2,480	35,000 3,460 2,530	40,000 2,750 3,016
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; 9,336,204, 9,317,007 and 6,469,905 shares issued, respectively Class A Common Stock, \$0.01 par value, 10,000,000 shares authorized; 3,555,486, 3,556,793 and 4,849,440 shares	93	93	65
issued and outstanding, respectively Capital in excess of par value Retained earnings Accumulated other comprehensive income Treasury Stock, 17,251 shares, at cost	36 64,521 86,085 (6,385) (128)	36 64,475 86,194 (5,137) (128)	48 34,450 70,802 (4,833) (128)
	144,222	145,533	100,404
	\$ 252,761 ======	\$ 249,069 ======	\$ 221,288 =======

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	THREE MONTHS E	
		1997
Net sales	\$ 41,650	\$ 34,918
Costs and expenses: Cost of sales Selling, general and administrative	16,936 23,510	15,017 19,333
Operating income	1,204	568
Net interest expense	1,012	915
<pre>Income(loss) before income taxes</pre>	192	(347)
Provision for (benefit from) income taxes	44	(87)
Net income(loss)	\$ 148 ======	(\$ 260) ======
Basic net income (loss) per share	\$ 0.01 ======	(\$ 0.02) ======
Diluted net income (loss) per share	\$ 0.01 ======	(\$ 0.02) ======
Dividends declared per share	\$ 0.02 ======	\$ 0.02 ======
Average shares outstanding	12,873	11,302
Dilutive effect of stock options	680	303
Average shares outstanding assuming dilution	13,553 ======	11,605 ======

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	THREE MONTHS E	
	1998	
Cash flows from operating activities: Net income (loss) Adjustments to reconcile net income (loss) to net cash used in operating activities:	\$ 148	
Depreciation and amortization Deferred and non-current foreign income taxes Provision for losses on accounts receivable Changes in current assets and liabilities:	207	-
Trade receivables Inventories Other current assets Accounts payable Accrued liabilities Deferred & current taxes payable Increase in other non-current assets Increase(decrease) in other non-current liabilities	(12,365) (7,719) (4,558) (2,803) (1,683) (656)	(1,268) (10,038) (3,027) (9,475) 2,885 345 (1,673) (44)
Net cash used in operating activities	(18,888)	(22,113)
Cash flows used for investing activities: Capital expenditures Goodwill, trademarks and other intangibles	(3,626) (109)	(1,021) (201) (1,222)
Net cash used in investing activities	(3,735)	(1,222)
Cash flows from financing activities: Net proceeds from debt facilities Principal payments under capital leases Exercise of stock options Dividends paid	(75) 50 (257)	23,943 (51)  
Net cash provided by financing activities	14,159	23,892
Effect of exchange rate changes on cash	(23)	(112)
Net (decrease) increase in cash	(8,487)	445
Cash at beginning of period	10,874	4,885
Cash at end of period	\$  2,387 =======	\$  5,330 =======

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by Movado Group, Inc. (the "Company") in a manner consistent with that used in the preparation of the financial statements included in the Company's fiscal 1998 Annual Report filed on Form 10-K. In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the financial position and results of operations for the periods presented. These consolidated financial statements should be read in conjunction with the aforementioned annual report.

## NOTE 1 - STOCK SPLITS

On April 3, 1997, the Company's Board of Directors approved a five-for-four stock split of the Company's Common and Class A Common Stock. The stock split was effected May 1, 1997. On September 11, 1997, the Company's Board of Directors approved a three-for-two stock split of the Company's Common and Class A Common Stock. The stock split was effected September 29, 1997. The accompanying financial statements contained in this report have been retroactively adjusted to reflect the impact of the stock splits.

#### NOTE 2 - INVENTORIES

Inventories consist of the following (in thousands):

	APRIL 30, 1998	JANUARY 31, 1998	APRIL 30, 1997
Finished goods Work-in-process and component parts	\$ 68,999 41,026	\$ 61,960 36,223	\$ 57,948 37,689
	\$110,025	\$ 98,183	\$ 95,637
	=======	=======	=======

#### NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION

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

	THREE MONTHS ENDED APRIL 30,	
	1998	1997
Cash paid during the period for: Interest Income taxes	\$1,572 1,804	\$    378 216
Non-cash investing and financing activities: Dividend declared	\$	\$ 229

#### NOTE 4 - COMPREHENSIVE INCOME

As of February 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, (SFAS 130), "Reporting Comprehensive Income". SFAS 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Under SFAS 130, foreign currency translation adjustments, which had been reported separately in shareholders' equity prior to adoption, are included in other comprehensive income. No provision has been made for taxes on foreign subsidiaries' undistributed earnings, including cumulative translation adjustments with respect to such foreign subsidiaries, because it is management's intention to permanently reinvest the earnings of foreign subsidiaries within the business of those companies. Amounts in prior year financial statements have been reclassified to conform to SFAS 130.

The components of comprehensive income for the three months ended April 30, 1998 and 1997 are as follows (in thousands):

	1998	1997
Net income (loss) Foreign currency translation adjustment	\$ 148 (1,248)	(\$ 260) (2,977)
Comprehensive loss	(\$1,100) ======	(\$3,237) ======

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

#### FORWARD LOOKING STATEMENTS

Statements included under Management's Discussion and Analysis of Financial Condition and Results of Operations, in this report, 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, seasonality, availability of alternative sources of supply in the case of loss of any significant supplier, the Company's dependence on key officers, continued availability to the Company of financing and credit on favorable terms and success of hedging strategies in respect of currency exchange rate fluctuations.

#### RESULTS OF OPERATIONS

Three months ended April 30, 1998 compared to three months ended April 30, 1997.

Net Sales. Net sales increased 19.3% to \$41.7 million from \$34.9 million for the three months ended April 30, 1998 and April 30, 1997, respectively. The increase was attributable to a 17.0% increase in domestic sales and a 27.0% increase in international sales. The domestic sales increase was primarily due to a 17.4% increase in the Movado and ESQ brands as well as the initial shipments of the Coach watch line. The increase in domestic sales was partially offset by a decrease in sales of the Piaget brand. Piaget sales declines were primarily due to planned reductions in the distribution channels for the brand. The international sales increase was primarily due to a 42.1% increase in the Concord and Movado brands. International sales increases occurred primarily in the Far East and Middle East.

Gross Margins. Gross profit for the three months ended April 30, 1998 was \$24.7 million (59.3% of net sales) as compared to \$19.9 million (57.0% of net sales) for the comparable prior year period. The increase in gross margins as a percentage of sales reflects the initial launch of Coach, which has margins similar to the Company's other manufactured brands and a continued increase in the proportion of the Company's Concord, Movado and ESQ brands to total sales. The Company's margin also benefited from a decline in the value of the Swiss franc against the U.S. dollar which reduces the Company's production costs.

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Operating Expenses. Operating expenses increased 21.6% for the three months ended April 30, 1998 to 56.4% of net sales from 55.4% of net sales for the comparable prior year period. The increase in operating expenses occurred primarily in advertising and selling expense categories. The increase in advertising and marketing expenses primarily relate to the introduction of the Coach watch line and the opening of the first two retail Movado Boutiques. Selling expenses included an increase in variable selling expenses commensurate with sales growth in both domestic and international business, as well as pre-opening expenses for the Movado Boutiques.

Interest Expenses. Net interest expense, which consists primarily of interest on the Company's 6.56% Senior Notes ("Senior Notes") and borrowings against its working capital and revolving lines of credit was \$1.0 million for the three months ended April 30, 1998 as compared to \$915,000 for the three months ended April 30, 1997. The higher interest expense is predominately due to the shift from foreign bank borrowings, which generally had lower interest rates, which reduced the Company's overall hedging costs. The higher interest expense was offset somewhat by lower average debt outstanding.

Income Taxes. The Company recorded a provision for income taxes of \$44,000 for the three months ended April 30, 1998. Taxes were provided at a 23% effective rate which the Company believes will approximate the effective annual rate for fiscal 1999; 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 loss carryforwards in certain jurisdictions. The 23% effective rate differs from the United States statutory rate due to the mix of earnings between the Company's U.S. and international operations, the most significant of which are located in Switzerland. The Company's international operations are generally subject to tax rates that are significantly lower than U.S. statutory rates. At April 30, 1997, the Company recorded a benefit from taxes of \$87,000. Taxes were provided at a 25% effective rate at April 30, 1997.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity needs have been, and are expected to remain, primarily a function of its seasonal working capital requirements which have increased due to significant growth in 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 its domestic banks. The Company's future requirements for capital will relate not only to working capital requirements for the expected continued growth of its existing brands, but also to fund new lines of business, including the Company's new Coach watch line which was launched Spring 1998 and the Movado Boutiques. In addition, the Company is required to make a \$5 million sinking fund payment on February 1, 1999 in connection with its Senior Notes.

The Company's revolving credit and working capital lines with its domestic bank group provide for a three year \$90.0 million unsecured revolving line of credit, pursuant to an Amended and Restated Credit Agreement, dated as of July 23, 1997, among the Company, the Chase Manhattan Bank, as agent, Fleet Bank N.A. as co-agent, and other banks signatory thereto ("Restated Bank Credit Agreement"), and a \$31.6 million of uncommitted working capital lines of credit. At April 30, 1998,

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the Company had \$24.4 million in outstanding balances under the Restated Bank Credit Agreement, \$5.0 million of which is included in Long-term debt.

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In March 1998, the Company's Board of Directors authorized the repurchase of 400,000 shares of the Company's Common Stock. The Company has not made any such repurchases to date.

As of April 30, 1998, the Company's debt to total capitalization ratio was 29.2% as compared to 23.6% at January 31, 1998 and 43.2% at April 30, 1997. The increase in the debt to total capitalization from January 31, 1998 is primarily due to an increase in loans payable to banks to fund the Company's working capital increase and capital expenditures. The decrease in the debt to total capitalization ratio from April 30, 1997 is predominantly due to the sale in a registered offering of an additional 1.5 million shares of common stock on October 21, 1997.

The Company's net working capital consisting primarily of trade receivables and inventories amounted to \$152.3 million at April 30, 1998, \$157.1 million at January 31, 1998 and \$120.3 million at April 30, 1997. The decrease in working capital from January 31, 1998 is primarily the result of an increase in current liabilities, especially loans payable to banks, proceeds of which were used to purchase inventories and for capital expenditures. The increase in working capital from April 30, 1997 is primarily due to an increase in receivables and inventory due to growth in the Company's business.

Accounts receivable at April 30, 1998 were \$82.6 million as compared to \$92.4 million at January 31, 1998 and \$76.1 million at April 30, 1997. The growth in accounts receivable from April 30, 1997 is primarily the result of growth in the Company's business. The decrease of accounts receivable from January 31, 1998 is primarily the result of collections of year-end receivables.

Inventories at April 30, 1998 were \$110.0 million as compared to \$98.2 million at January 31, 1998 and \$95.6 million at April 30, 1997. The increase from January 31, 1998 and April 30, 1997 relates to the anticipation of the upcoming selling season, the Company's new Coach watch line and new product lines for the Movado Boutiques.

The Company's fiscal 1999 year-to-date capital expenditures approximate \$3.6 million as of April 30, 1998 and \$1.0 million as of April 30, 1997. Expenditures in fiscal 1999 primarily related to improvements in the Company's management and sales management information systems. The Company expects that its capital expenditures in fiscal 1999 will exceed the average levels experienced annually over the last three fiscal years due to planned continued improvements in management information systems, including retail information systems and expansion of its outlet store network as well as the introduction of the Movado Boutiques.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits
  - 27.1 Restated Financial Data Schedule for the three months ended July 31, 1996, submitted to the Securities and Exchange Commission in electronic format.
  - 27.2 Restated Financial Data Schedule for the three months ended October 31, 1996, submitted to the Securities and Exchange Commission in electronic format.
  - 27.3 Restated Financial Data Schedule for the twelve months ended January 31, 1997, submitted to the Securities and Exchange Commission in electronic format.
  - 27.4 Restated Financial Data Schedule for the three months ended April 30, 1997, submitted to the Securities and Exchange Commission in electronic format.
  - 27.5 Restated Financial Data Schedule for the three months ended July 31, 1997, submitted to the Securities and Exchange Commission in electronic format.
  - 27.6 Restated Financial Data Schedule for the three months ended October 31, 1997, submitted to the Securities and Exchange Commission in electronic format.
  - 27.7 Financial Data Schedule for the three months ended April 30, 1998, submitted to the Securities and Exchange Commission in electronic format.
- (b) Reports on Form 8-K

None

## SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOVADO GROUP, INC. (Registrant)

Dated:	June 12, 1998	By:	/s/ Kenneth J. Adams
			Kenneth J. Adams Senior Vice President and Chief Financial Officer (Chief Financial Officer)
Dated:	June 12, 1998	By:	/s/ John J. Rooney
			John J. Rooney Corporate Controller (Principal Accounting Officer)

#### EXHIBIT INDEX

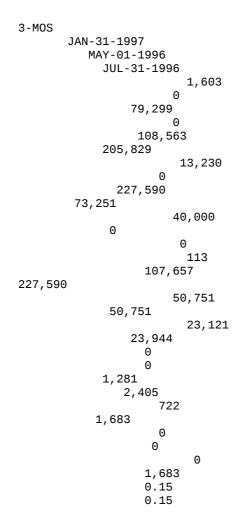
EXHIBIT NUMBER

## Description

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- 27.6 Restated Financial Data Schedule for the three months ended October 31, 1997, submitted to the Securities and Exchange Commission in electronic format.
- 27.7 Financial Data Schedule for the three months ended April 30, 1998, submitted to the Securities and Exchange Commission in electronic format.

THIS RESTATED FINANCIAL DATA CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JULY 31, 1996.

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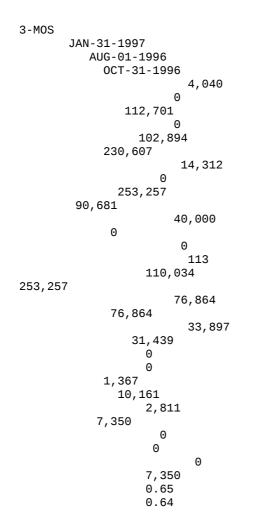


AMOUNTS HAVE BEEN RESTATED TO GIVE RETROACTIVE EFFECT TO A FIVE-FOR-FOUR STOCK SPLIT EFFECTED MAY 1, 1997 AND A THREE-FOR-TWO STOCK SPLIT EFFECTED SEPTEMBER 29, 1997.

AMOUNT REPRESENTS EPS BASIC AND NOT EPS PRIMARY

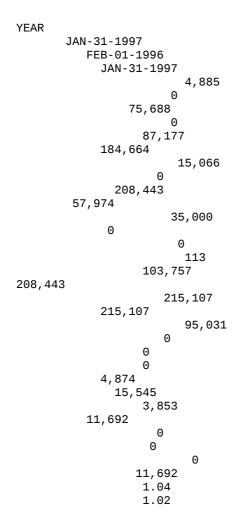
THIS RESTATED FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 1996.

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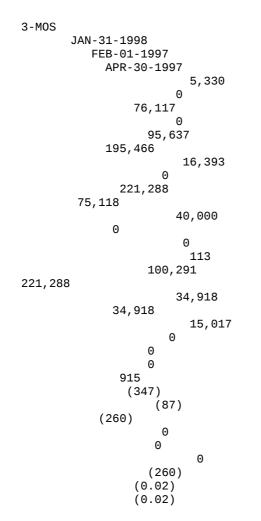
AMOUNTS HAVE BEEN RESTATED TO GIVE RETROACTIVE EFFECT TO A FIVE-FOR-FOUR STOCK SPLIT EFFECTED MAY 1, 1997 AND A THREE-FOR-TWO STOCK SPLIT EFFECTED SEPTEMBER 29, 1997. AMOUNT IS FOR EPS BASIC AND NOT FOR EPS PRIMARY THIS RESTATED FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED JANUARY 31, 1997.

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AMOUNTS HAVE BEEN RESTATED TO GIVE RETROACTIVE EFFECT TO A FIVE-FOR-FOUR STOCK SPLIT EFFECTED MAY 1, 1997 AND A THREE-FOR-TWO STOCK SPLIT EFFECTED SEPTEMBER 29, 1997. AMOUNT IS REPORTED AS EPS BASIC AND NOT FOR EPS PRIMARY THIS RESTATED FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED APRIL 30, 1997.

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THE AMOUNT IS REPORTED AS EPS BASIC AND NOT FOR EPS PRIMARY AMOUNTS HAVE BEEN RESTATED TO GIVE RETROACTIVE EFFECT TO A THREE-FOR-TWO STOCK SPLIT EFFECTED SEPTEMBER 29, 1997. THIS RESTATED FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JULY 31, 1997.

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3-M0S JAN-31-1998 MAY-01-1997 JUL-31-1997 1,493 0 89,549 0 105,819 219,559 16,738 0 246,302 99,585 40,000 0 0 113 100,292 246,302 56,994 56,994 24,768 0 0 0 1,368 3,141 786 2,355 0 0 0 2,355 .21 .20

THE AMOUNT IS REPORTED AS EPS BASIC AND NOT FOR EPS PRIMARY

THIS RESTATED FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 1997

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3-M0S JAN-31-1998 AUG-01-1997 OCT-31-1997 2,882 0 125,670 0 103,574 248,310 17,358 0 275,999 82,537 40,000 0 0 129 145,161 275,999 84,536 84,536 35,438 0 0 0 1,685 12,015 2,707 9,308 0 0 0 9,308 0.81 0.77

THE AMOUNT IS REPORTED AS EPS BASIC AND NOT FOR EPS PRIMARY

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED APRIL 30, 1998

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3-M0S JAN-31-1999 FEB-01-1998 APR-30-1998 2,387 0 82,645 0 110,025 220,003 21,575 0 252,761 67,668 35,000 0 0 129 144,093 252,761 41,650 41,650 16,936 0 0 0 1,012 192 44 148 0 0 0 148 .01 .01

THE AMOUNT IS REPORTED AS EPS BASIC AND NOT FOR EPS PRIMARY