

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended July 31, 2006

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

For the transition period from _____ to _____

Commission File Number 1-16497

MOVADO GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

New York
(State or Other Jurisdiction
of Incorporation or Organization)

13-2595932
(IRS Employer
Identification No.)

650 From Road, Paramus, New Jersey
(Address of Principal Executive Offices)

07652
(Zip Code)

(201) 267-8000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" or "large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock and class A common stock as of August 31, 2006 were 19,036,033 and 6,657,159, respectively.

MOVADO GROUP, INC.

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July 31, 2006

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

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

	July 31, 2006	January 31, 2006	July 31, 2005
	-----	-----	-----
ASSETS			
Current 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 assets	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
	-----	-----	-----
Total assets	\$549,110	\$549,892	\$486,743
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Loans payable to banks	\$ --	\$ --	\$ 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
Current taxes payable	1,674	7,724	--
Deferred taxes	876	503	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
	-----	-----	-----
Total liabilities	205,174	228,214	190,062
	-----	-----	-----
Commitments and contingencies (Note 8)			
Minority interest	245	--	--
Shareholders' equity:			
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; no shares issued	--	--	--
Common Stock, \$0.01 par value, 100,000,000 shares authorized; 23,661,968, 23,215,836 and 23,116,663 shares issued, respectively	237	232	231
Class A Common Stock, \$0.01 par value, 30,000,000 shares authorized; 6,700,909, 6,766,909 and 6,773,258 shares issued and outstanding, respectively	67	68	68
Capital in excess of par value	113,405	107,965	103,470
Retained earnings	247,656	236,515	221,981
Accumulated other comprehensive income	34,812	27,673	21,997
Treasury Stock, 4,676,117, 4,613,645 and 4,613,645 shares, respectively, at cost	(52,486)	(50,775)	(51,066)
	-----	-----	-----
Total shareholders' equity	343,691	321,678	296,681
	-----	-----	-----
Total liabilities and equity	\$549,110	\$549,892	\$486,743
	=====	=====	=====

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(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	64,438	57,701	120,594	108,400
Operating income	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
Provision for income taxes	2,407	2,850	3,013	3,183
Net income	\$ 11,349	\$ 8,551	\$ 14,204	\$ 9,548
Earnings per share:				
Basic	\$ 0.44	\$ 0.34	\$ 0.56	\$ 0.38
Diluted	\$ 0.43	\$ 0.33	\$ 0.54	\$ 0.37
Weighted-average shares outstanding:				
Basic	25,661	25,241	25,550	25,148
Diluted	26,584	26,126	26,506	26,074

See Notes to Consolidated Financial Statements

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

	Six Months Ended July 31,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 14,204	\$ 9,548
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	7,736	7,816
Deferred income taxes	(1,351)	(731)
Provision for losses on accounts receivable	1,739	600
Provision for losses on inventory	319	300
Stock-based compensation	1,340	624
Excess tax benefit from stock-based compensation	(1,345)	--
Minority interest	(64)	--
Changes in assets and liabilities:		
Trade receivables	(17,858)	(3,813)
Inventories	(13,146)	(27,078)
Other current assets	(5,575)	(4,312)
Accounts payable	4,059	(1,526)
Accrued liabilities	(8,893)	(6,363)
Current taxes payable	(4,704)	159
Other non-current assets	(1,448)	(912)
Other non-current liabilities	616	174
Net cash used in operating activities	(24,371)	(25,514)
Cash flows from investing activities:		
Capital expenditures	(6,811)	(7,879)
Trademarks	(381)	(343)
Net cash used in investing activities	(7,192)	(8,222)
Cash flows from financing activities:		
Net (repayments) / proceeds of bank borrowings	(15,161)	37,500
Stock options exercised and other changes	1,048	(819)
Excess tax benefit from stock-based compensation	1,345	--
Dividends paid	(3,063)	(2,520)
Net cash (used in) / provided by financing activities	(15,831)	34,161
Effect of exchange rate changes on cash and cash equivalents	1,895	(13,884)
Net decrease in cash and cash equivalents	(45,499)	(13,459)
Cash and cash equivalents at beginning of period	123,625	63,782
Cash and cash equivalents at end of period	\$ 78,126	\$ 50,323

See Notes to Consolidated Financial Statements

MOVADO GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 consolidated financial statements included in the Company's fiscal 2006 Annual Report filed on Form 10-K. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, consisting of only normal and recurring adjustments, necessary for a fair statement of the financial position and results of operations for the periods presented. These consolidated financial statements should be read in conjunction with the aforementioned Annual Report. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

NOTE 1 - RECLASSIFICATION

Certain reclassifications were made to prior years' financial statement amounts and related note disclosures to conform to the fiscal 2007 presentation.

NOTE 2 - STOCK-BASED COMPENSATION

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, as amended and restated as of April 8, 2004, the Compensation Committee of the Board of Directors, which is comprised of four of the Company's outside directors, has the authority to grant incentive stock options and nonqualified stock options to purchase, as well as stock appreciation rights and stock awards, up to 9,000,000 shares of Common Stock. Options granted to participants under the Plan generally become exercisable in equal installments over three or five years 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.

On February 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS No. 123(R)"), electing to use the modified prospective application transition method, and accordingly, prior period financial statements have not been restated. Under this method, the fair value of all stock options granted after adoption and the unvested portion of previously granted awards must be recognized in the Consolidated Statements of Income. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of each option at the grant date which requires certain assumptions be made. The expected life of stock option grants is determined using historical data and represents the time period which the stock option is expected to be outstanding until it is exercised. The risk free interest rate is the yield on the grant date of U.S. Treasury constant maturities with a maturity date closest to the expected life of the stock option. The expected stock price volatility is derived from historical volatility and calculated based on the estimated term structure of the stock option grant. The expected dividend yield is calculated using the expected annualized dividend which remains constant during the expected term of the option.

The weighted-average assumptions used with the Black-Scholes option-pricing model for the calculation of the fair value of stock option grants during the six months ended July 31, 2006 were: expected term of 5.59 years;

risk-free interest rate of 5.01%; expected volatility of 31.78% and dividend yield of 1.29%. The weighted-average grant date fair value of options granted during the six months ended July 31, 2006 was \$6.34.

Total compensation expense for unvested stock option grants recognized during the three and six months ended July 31, 2006 was approximately \$0.2 million, net of a tax benefit of \$0.1 million and \$0.4 million, net of a tax benefit of \$0.2 million, respectively. Expense related to stock option compensation is recognized on a straight-line basis over the vesting term. As of July 31, 2006, there was approximately \$3.0 million of unrecognized compensation cost related to unvested stock options. These costs are expected to be recognized over a weighted-average period of 2.5 years. Total cash received for stock option exercises during the six months ended July 31, 2006 amounted to approximately \$2.4 million. Windfall tax benefits realized on these exercises were approximately \$1.0 million.

Prior to February 1, 2006, employee stock options were accounted for under the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at grant date over the amount an employee must pay to acquire the stock. Accordingly, compensation expense had not been recognized for stock options granted at or above fair value. Had compensation expense been determined and recorded based upon the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", net income (in thousands) and net income per share would have been reduced to pro forma amounts for the three months and six months ended July 31, 2005 as follows:

(In thousands, except per share data)	Three Months Ended July 31, 2005 -----	Six Months Ended July 31, 2005 -----
Net income as reported	\$8,551	\$ 9,548
Fair value based compensation expense, net of taxes	(673)	(1,511)
	-----	-----
Pro forma net income	\$7,878	\$ 8,037
	=====	=====
Basic earnings per share:		
As reported	\$ 0.34	\$ 0.38
Pro forma under SFAS No. 123	\$ 0.31	\$ 0.32
Diluted earnings per share:		
As reported	\$ 0.33	\$ 0.37
Pro forma under SFAS No. 123	\$ 0.30	\$ 0.31

The weighted-average assumptions used with the Black-Scholes option-pricing model for the calculation of the fair value of stock option grants during the six months ended July 31, 2005 were: expected term of 7.0 years; risk-free interest rate of 3.76%; expected volatility of 46.52% and dividend yield of 1.75%. The weighted-average grant date fair value of options granted during the six months ended July 31, 2005 was \$8.16.

Stock option activity for the six months ended July 31, 2006 is summarized as follows:

	Number of Options -----	Weighted- Average Exercise Price -----
January 31, 2006	3,169,613	\$12.96
Options granted	21,000	\$19.33
Options exercised	(42,564)	\$ 8.96
	-----	-----
April 30, 2006	3,148,049	\$13.06
Options granted	97,000	\$18.41
Options exercised	(242,015)	\$ 8.33
Options cancelled	(20,000)	\$14.32
	-----	-----
July 31, 2006	2,983,034	\$13.61
	=====	=====

The total intrinsic value of stock options exercised for the six months ended July 31, 2006 and 2005 was approximately \$4.0 million and \$6.2 million, respectively. The total fair value of the stock options vested for the six months ended July 31, 2006 and 2005 was approximately \$1.9 million and \$10.3 million, respectively.

The following table summarizes outstanding and exercisable stock options as of July 31, 2006:

Range of Exercise Prices -----	Number Outstanding -----	Weighted- Average Remaining Contractual Life (years) -----	Weighted- Average Exercise Price -----	Number Exercisable -----	Weighted- Average Exercise Price -----
\$ 3.12 - \$ 6.22	135,060	3.2	\$ 4.25	135,060	\$ 4.25
\$ 6.23 - \$ 9.34	156,198	4.1	\$ 7.26	156,198	\$ 7.26
\$ 9.35 - \$12.45	754,564	3.2	\$10.67	730,464	\$10.70
\$12.46 - \$15.57	1,198,465	5.0	\$14.53	908,365	\$14.65
\$15.58 - \$18.68	720,747	7.0	\$18.13	376,416	\$18.36
\$18.69 - \$21.81	18,000	9.1	\$19.76	334	\$18.75
	-----	-----	-----	-----	-----
	2,983,034	5.0	\$13.61	2,306,837	\$12.90
	-----	---	-----	-----	-----

The total intrinsic value of outstanding and exercisable stock options as of July 31, 2006 was approximately \$26.6 million and \$22.2 million, respectively.

Under the 1996 Stock Incentive Plan, the Company has the ability to grant restricted stock to certain employees. Restricted stock grants generally vest three to five years from the date of grant. Expense for these grants is recognized on a straight-line basis over the vesting period. The fair value of restricted stock grants is equal to the closing price of the Company's publicly-traded common stock on the grant date.

On May 31, 2006, the Compensation Committee of the Board of Directors adopted the Executive Long Term Incentive Plan (the "LTIP") authorized by section 9 of the Plan. The LTIP provides for the award of "Performance Share Units" that are equivalent, one for one, to shares of the Company's common stock and that vest based on the Company's achievement of its operating margin goal for the fiscal year ending January 31,

2009. The number of actual shares earned by a participant is based on the Company's actual performance at the end of the award period and can range from 0% to 150% of the participant's target award. Total target awards of 189,500 Performance Share Units were granted by the Compensation Committee on May 31, 2006 that vest over three and five year periods.

Total compensation expense for restricted stock grants and for grants of Performance Share Units under the LTIP (together "restricted stock") recognized during the three months ended July 31, 2006 and 2005 was \$0.3 million, net of a tax benefit of \$0.2 million, and \$0.2 million, net of a tax benefit of \$0.1 million, respectively. Total compensation expense for restricted stock grants recognized during the six months ended July 31, 2006 and 2005 was \$0.4 million, net of a tax benefit of \$0.3 million, and \$0.4 million, net of a tax benefit of \$0.2 million, respectively. Prior to February 1, 2006, compensation expense for restricted stock grants was reduced as actual forfeitures of the awards occurred. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant in order to estimate the amount of share-based awards that will ultimately vest and thus, current period compensation expense has been adjusted for estimated forfeitures based on historical data. As of July 31, 2006, there was approximately \$4.9 million of unrecognized compensation cost related to unvested restricted stock, including those issued under the LTIP. These costs are expected to be recognized over a weighted-average period of 3.0 years.

Restricted stock activity for the six months ended July 31, 2006 are summarized as follows:

	Number of Restricted Stock Units -----	Weighted- Average Grant Date Fair Value -----
January 31, 2006	321,090	\$14.39
Units granted	46,400	\$20.43
Units vested	(92,390)	\$ 9.83
Units forfeited	(220)	\$13.27
	-----	-----
April 30, 2006	274,880	\$16.95
Units granted	194,000	\$18.20
Units vested	(4,550)	\$ 9.98
Units forfeited	(8,410)	\$16.64
	-----	-----
July 31, 2006	455,920 =====	\$17.56 =====

Restricted stock units are exercised simultaneously when they vest and are issued from the pool of authorized shares. The total intrinsic value of restricted stock units that vested during the six months ended July 31, 2006 was approximately \$1.9 million. The windfall tax benefits realized on the vested restricted stock grants for the six months ended July 31, 2006 were \$0.3 million. The weighted-average grant date fair values for restricted stock grants for the six months ended July 31, 2006 and 2005 were \$18.63 and \$17.89, respectively. Outstanding restricted stock units had a total intrinsic value of approximately \$10.3 million as of July 31, 2006.

NOTE 3 - COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss) for the three months and six months ended July 31, 2006 and 2005 are as follows (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2006	2005	2006	2005
Net income	\$11,349	\$ 8,551	\$14,204	\$ 9,548
Net unrealized gain on investments, net of tax	13	143	20	153
Effective portion of unrealized gain (loss) on hedging contracts, net of tax	157	(4,790)	2,062	(5,127)
Foreign currency translation adjustment (1)	(100)	(19,545)	5,057	(21,736)
Total comprehensive income (loss)	<u>\$11,419</u>	<u>(\$15,641)</u>	<u>\$21,343</u>	<u>(\$17,162)</u>

(1) The currency translation adjustments are not adjusted for income taxes as they relate to permanent investments in international subsidiaries.

NOTE 4 - SEGMENT INFORMATION

The Company conducts its business primarily in two operating segments: Wholesale and Retail. The Company's Wholesale segment includes the designing, manufacturing and distribution of quality watches. The Retail segment includes the Movado Boutiques and outlet stores.

The Company divides its business into two major geographic segments: Domestic, which includes the results of the Company's North American, Caribbean and Tommy Hilfiger South American operations, and International, which includes the results of the Company's operations in all other parts of the world. The Company's International operations are principally conducted in Europe, the Middle East and Asia. The Company's International assets are substantially located in Switzerland.

Operating Segment Data for the Three Months Ended July 31, 2006 and 2005 (in thousands):

	Net Sales		Operating Income	
	2006	2005	2006	2005
Wholesale	\$106,108	\$ 95,658	\$13,210	\$12,177
Retail	20,480	19,668	864	108
Consolidated total	<u>\$126,588</u>	<u>\$115,326</u>	<u>\$14,074</u>	<u>\$12,285</u>

Operating Segment Data for the Six Months Ended July 31, 2006 and 2005 (in thousands):

	Net Sales		Operating Income (Loss)	
	2006	2005	2006	2005
Wholesale	\$187,110	\$168,263	\$17,896	\$15,911
Retail	37,222	34,819	(388)	(1,487)
Consolidated total	<u>\$224,332</u>	<u>\$203,082</u>	<u>\$17,508</u>	<u>\$14,424</u>

	Total Assets		
	July 31, 2006	January 31, 2006	July 31, 2005
Wholesale	\$483,625	\$484,767	\$420,266
Retail	65,485	65,125	66,477
Consolidated total	<u>\$549,110</u>	<u>\$549,892</u>	<u>\$486,743</u>

Geographic Segment Data for the Three Months Ended July 31, 2006 and 2005 (in thousands):

	Net Sales		Operating Income	
	2006	2005	2006	2005
Domestic	\$ 94,356	\$ 89,231	\$ 3,794	\$ 4,986
International	32,232	26,095	10,280	7,299
Consolidated total	<u>\$126,588</u>	<u>\$115,326</u>	<u>\$14,074</u>	<u>\$12,285</u>

Geographic Segment Data for the Six Months Ended July 31, 2006 and 2005 (in thousands):

	Net Sales		Operating Income	
	2006	2005	2006	2005
Domestic	\$166,910	\$157,306	\$ 728	\$ 3,669
International	57,422	45,776	16,780	10,755
Consolidated total	<u>\$224,332</u>	<u>\$203,082</u>	<u>\$17,508</u>	<u>\$14,424</u>

Domestic and International net sales are net of intercompany sales of \$60.5 million and \$59.3 million for the three months ended July 31, 2006 and 2005, respectively.

Domestic and International net sales are net of intercompany sales of \$110.0 million and \$105.3 million for the six months ended July 31, 2006 and 2005, respectively.

	Total Assets		
	July 31, 2006	January 31, 2006	July 31, 2005
Domestic	\$353,226	\$391,310	\$276,343
International	195,884	158,582	210,400
Consolidated total	<u>\$549,110</u>	<u>\$549,892</u>	<u>\$486,743</u>

Long-Lived Assets

	July 31, 2006	January 31, 2006	July 31, 2005
Domestic	\$37,126	\$37,903	\$38,932
International	14,805	14,265	13,755
Consolidated total	\$51,931	\$52,168	\$52,687

NOTE 5 - EXECUTIVE RETIREMENT PLAN

The Company has a number of employee benefit plans covering substantially all employees. Certain eligible executives of the Company have elected to defer a portion of their compensation on a pre-tax basis under a defined contribution, supplemental executive retirement plan (SERP) sponsored by the Company. The SERP was adopted effective June 1, 1995, and provides eligible executives with supplemental pension benefits in addition to amounts received under the Company's other retirement plans. The Company makes a matching contribution which vests over five years. For the three months ended July 31, 2006 and 2005, the Company recorded an expense related to the SERP of \$0.1 million for each period. For the six months ended July 31, 2006 and 2005, the Company recorded an expense related to the SERP of \$0.3 million for each period.

NOTE 6 - INVENTORIES

Inventories consist of the following (in thousands):

	July 31, 2006	January 31, 2006	July 31, 2005
Finished goods	\$142,594	\$135,160	\$128,746
Component parts	65,392	59,325	68,251
Work-in-process	7,475	4,097	6,050
	\$215,461	\$198,582	\$203,047

NOTE 7 - EARNINGS PER SHARE

The Company presents net income per share on a basic and diluted basis. Basic earnings per share is computed using weighted-average shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of shares outstanding adjusted for dilutive common stock equivalents.

The weighted-average number of shares outstanding for basic earnings per share were 25,661,000 and 25,241,000 for the three months ended July 31, 2006 and 2005, respectively. For diluted earnings per share, these amounts were increased by 923,000 and 885,000 for the three months ended July 31, 2006 and 2005, respectively, due to potentially dilutive common stock equivalents issuable under the Company's stock option plan and restricted stock grants.

The weighted-average number of shares outstanding for basic earnings per share were 25,550,000 and 25,148,000 for the six months ended July 31, 2006 and 2005, respectively. For diluted earnings per share, these amounts were increased by 956,000 and 926,000 for the six months ended July 31, 2006 and 2005, respectively, due to potentially dilutive common stock equivalents issuable under the Company's stock option plan and restricted stock grants.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

At July 31, 2006, the Company had outstanding letters of credit totaling \$1.2 million with expiration dates through August 31, 2007. One bank in the domestic bank group has issued irrevocable standby letters of credit for retail and operating facility leases to various landlords, for the administration of the Movado Boutique private-label credit card and Canadian payroll to the Royal Bank of Canada.

As of July 31, 2006, two European banks have guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the amount of \$3.3 million in various foreign currencies.

The Company is involved from time to time in legal claims involving trademarks and intellectual property, contracts, employee relations and other matters incidental to the Company's business. Although the outcome of such matters cannot be determined with certainty, the Company's general counsel and management believe that the final outcome would not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

NOTE 9 - RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes (an interpretation of FASB Statement No. 109)" which is effective for fiscal years beginning after December 15, 2006. This interpretation clarifies the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company is currently evaluating the impact of this interpretation.

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

FORWARD-LOOKING STATEMENTS

Statements in this quarterly report on Form 10-Q, including, without limitation, statements under this Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report, as well as statements in future filings by the Company with the Securities and Exchange Commission ("SEC"), in the Company's press releases and oral statements made by or with the approval of an authorized executive officer of the Company, which are not historical in nature, are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates, forecasts and projections about the Company, its future performance, the industry in which the Company operates and management's assumptions. Words such as "expects", "anticipates", "targets", "goals", "projects", "intends", "plans", "believes", "seeks", "estimates", "may", "will", "should" and variations of such words and similar expressions are also intended to identify such forward-looking statements. The Company cautions readers that forward-looking statements include, without limitation, those relating to the Company's future business prospects, projected operating or financial results, revenues, working capital, liquidity, capital needs, plans for future operations, expectations regarding capital expenditures and operating expenses, effective tax rates, margins, interest costs, and income as well as assumptions relating to the foregoing. Forward-looking statements are subject to certain risks and uncertainties, some of which cannot be predicted or quantified. Actual results and future events could differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the SEC including, without limitation, the following: general economic and business conditions which may impact disposable income of consumers in the United States and the other significant markets where the Company's products are sold, general uncertainty related to possible terrorist attacks and the impact on consumer spending, changes in consumer preferences and popularity of particular designs, new product development and introduction, competitive products and pricing, seasonality, availability of alternative sources of supply in the case of the loss of any significant supplier, the loss of significant customers, the Company's dependence on key employees and officers, the ability to successfully integrate the operations of acquired businesses without disruption to other business activities, the continuation of licensing arrangements with third parties, the ability to secure and protect trademarks, patents and other intellectual property rights, the ability to lease new stores on suitable terms in desired markets and to complete construction on a timely basis, continued availability to the Company of financing and credit on favorable terms, business disruptions, disease, general risks associated with doing business outside the United States including, without limitation, import duties, tariffs, quotas, political and economic stability, and success of hedging strategies with respect to currency exchange rate fluctuations.

These risks and uncertainties, along with the risk factors discussed under Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K, should be considered in evaluating any forward-looking statements contained in this Quarterly Report on Form 10-Q or incorporated by reference herein. All forward-looking statements speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are qualified by the cautionary statements in this section. The Company undertakes no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenues and expenses. Estimates by their nature are based on judgments and available information. Therefore, actual results could materially differ from those estimates under different assumptions and conditions.

Critical accounting policies are those that are most important to the portrayal of the Company's financial condition and the results of operations and require management's most difficult, subjective and complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's most critical accounting policies have been discussed in the Company's Annual Report on Form 10-K for the year ended January 31, 2006. In applying such policies, management must use significant estimates that are based on its informed judgment. Because of the uncertainty inherent in these estimates, actual results could differ from estimates used in applying the critical accounting policies. Changes in such estimates, based on more accurate future information, may affect amounts reported in future periods.

As of July 31, 2006, except as noted below, there have been no material changes to any of the critical accounting policies as disclosed in its Annual Report on Form 10-K for the fiscal year ended January 31, 2006.

On February 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS No. 123(R)"), electing to use the modified prospective application transition method, and accordingly, prior period financial statements have not been restated. Under this method, the fair value of all employee stock options granted after adoption and the unvested portion of previously granted awards must be recognized in the Consolidated Statements of Income. Prior to February 1, 2006, employee stock option grants were accounted for under the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at grant date over the amount an employee must pay to acquire the stock. Accordingly, compensation expense had not been recognized for employee stock options granted at or above fair value.

Overview

The Company divides its watch business into distinct categories. The luxury category is comprised of the Ebel and Concord brands. The accessible luxury category is comprised of the Movado and ESQ brands. The licensed brands category represents all brands distributed under licensing agreements and includes Coach, Hugo Boss and Tommy Hilfiger.

Results of operations for the three months ended July 31, 2006 as compared to the three months ended July 31, 2005

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

	Three Months Ended July 31,	
	2006	2005
Wholesale:		
Domestic	\$ 73,876	\$ 69,563
International	32,232	26,095
Retail	20,480	19,668
Net Sales	\$126,588	\$115,326

Net sales increased by \$11.3 million or 9.8% for the three months ended July 31, 2006 as compared to the three months ended July 31, 2005.

Sales in the domestic wholesale segment were \$73.9 million for the three months ended July 31, 2006 representing a 6.2% increase above prior year sales of \$69.6 million. The increase of \$4.3 million was attributed to higher sales in the accessible luxury brands category. Movado sales were above prior year by \$5.0 million as the brand achieved increased demand in the major chain and department store businesses in part due to the successful launch of the Series 800 sport collection. ESQ sales were above prior year by \$1.1 million primarily due to new door openings as the brand continues to gain positive retailer response to the new model introductions as well as the ESQ&U marketing campaign. Sales of both luxury brands were down by \$3.4 million year over year. Ebel sales were \$1.7 million below prior year primarily the result of the timing of new product launches in the first quarter this fiscal year compared to the second quarter of the prior year. Concord sales decreased by \$1.7 million as planned. The Company is in the process of developing a strategic plan for the re-launch of the Concord brand. Sales of licensed brands were above the prior year period by \$1.6 million.

Sales in the international wholesale segment were \$32.2 million or 23.5% above prior year sales of \$26.1 million. In the luxury brands category, sales increased by \$1.7 million. Increased sales of \$2.9 million were recorded for Ebel primarily due to the Brasilia collection launch, while Concord sales decreased by \$1.2 million for the same reasons as in the domestic wholesale segment. In the accessible luxury brands category, Movado sales were below prior year by \$1.1 million due to planned reductions in the brand's overseas distribution. In the licensed brands category, sales were above prior year by \$6.0 million. The licensed brands growth was primarily due to the launch of the new collection of Hugo Boss watches, which did not contribute significantly to revenues in the prior year.

Sales in the retail segment were \$20.5 million or 4.1% above prior year sales of \$19.7 million. The increase was driven by an overall 20.9% increase in Movado Boutique sales. This was the result of a 9.3% comparable store sales increase in the Movado Boutiques along with sales from four non-comparable stores year over year. Sales by the Company's outlet stores were below prior year by 7.1%. This was the result of an 8.7% comparable store sales decrease. The Company operated 28 Movado Boutiques and 29 outlet stores at July 31, 2006 compared to 27 Movado Boutiques and 28 outlet stores at July 31, 2005.

The Company considers comparable store sales to be sales of stores that were open as of February 1st of the last year through January 31st of the current year. The Company had 24 comparable Movado Boutiques and 26 comparable outlet stores for purposes of the three months ended July 31, 2006. The sales from stores that have been relocated, renovated or refurbished are included in the calculation of comparable store sales. The method of calculating comparative store sales varies across the retail industry. As a result, the calculation of comparative store sales may not be the same as measures reported by other companies.

Gross Profit. Gross profit for the three months ended July 31, 2006 was \$78.5 million or 62.0% of net sales as compared to \$70.0 million or 60.7% of net sales for the three months ended July 31, 2005. The increase in gross profit of \$8.5 million was primarily the result of the higher sales volume along with increases generated from the margin percentage improvement. The increase in gross profit as a percentage of sales was driven by higher margins in the Movado Boutiques due to both product mix and better jewelry margins. In addition, increases were recorded across most brands largely due to higher margin percentages on new product introductions.

Selling, General and Administrative ("SG&A"). Selling, general and administrative expenses for the three months ended July 31, 2006 were \$64.4 million or 50.9% of net sales as compared to \$57.7 million or 50.0% of net sales for the three months ended July 31, 2005. The dollar increase reflects spending primarily to invest in the Company's growth initiatives, including higher marketing spending of \$1.3 million to support the sales

growth initiatives, added spending of \$0.6 million in support of the retail expansion and higher payroll and related expenses of \$3.1 million reflecting salary increases, increased headcount to support the growth for both new and existing brands and higher equity compensation costs. In addition, as a result of the consolidation of the Company's majority-owned joint venture with TWC SA ("TWC") established to distribute the licensed brands in France and Germany, \$0.7 million of expense was included in the consolidated results.

Wholesale Operating Income. Operating income in the wholesale segment increased by \$1.0 million to \$13.2 million. The increase was the net result of higher gross profit of \$7.2 million, partially offset by the increase in SG&A expenses of \$6.2 million.

The higher gross margin of \$7.2 million was the result of the increase in net sales of \$10.5 million as well as improved gross margin percentage in most brands largely due to higher margins on new product introductions. The increase in the SG&A expenses of \$6.2 million was primarily due to higher marketing spending of \$1.3 million to support the sales growth initiatives and higher payroll and related expenses of \$3.1 million reflecting salary increases, increased headcount to support the growth for both new and existing brands and higher equity compensation costs. In addition, as a result of the consolidation of the Company's majority-owned joint venture with TWC, \$0.7 million of expense was recorded in the wholesale segment's results.

Retail Operating Income. Operating income of \$0.9 million and \$0.1 million were recorded in the retail segment for the three months ended July 31, 2006 and 2005, respectively.

The increase in operating income was the net result of higher gross profit of \$1.4 million offset by higher SG&A expenses of \$0.6 million. The increased gross profit was primarily attributed to improved margin percentage in the Movado Boutiques. The higher SG&A expenses were primarily the result of added spending for the seven non-comparable stores.

Interest Expense. Interest expense for the three months ended July 31, 2006 and 2005 was \$0.9 million for each period. Average borrowings were \$99.3 million at an average borrowing rate of 3.7% for the three months ended July 31, 2006 compared to average borrowings of \$72.1 million at an average rate of 5.2% for the three months ended July 31, 2005. The lower average borrowing rate was due to the shifting of debt from the U.S. to Switzerland, which is at a more favorable borrowing rate.

Interest Income. Interest income was approximately \$0.6 million for the three months ended July 31, 2006 as compared to approximately \$40 thousand for the three months ended July 31, 2005. The repatriated foreign earnings of \$150.0 million in the fourth quarter of fiscal year 2006 under the American Jobs Creation Act of 2004 resulted in significantly higher cash balances in the United States. The cash invested in the United States generated interest income at the rate of 4.9%.

Income Taxes. The Company recorded a tax expense of \$2.4 million for the three months ended July 31, 2006 as compared to a tax expense of \$2.9 million for the three months ended July 31, 2005. Taxes were recorded at an effective tax rate of 17.5% and 25.0% for the three months ended July 31, 2006 and 2005, respectively. The lower effective tax rate was the result of the Company's adoption of tax planning strategies in Switzerland which will enable it to utilize a greater portion of the acquired Ebel net operating loss carryforward.

Net Income. For the three months ended July 31, 2006, the Company recorded net income of \$11.3 million as compared to \$8.6 million for the three months ended July 31, 2005.

Results of operations for the six months ended July 31, 2006 as compared to the six months ended July 31, 2005

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

	Six Months Ended July 31,	
	----- 2006	2005 -----
Wholesale:		
Domestic	\$129,688	\$122,487
International	57,422	45,776
Retail	37,222	34,819
	-----	-----
Net Sales	\$224,332	\$203,082
	=====	=====

Net sales increased by \$21.3 million or 10.5% for the six months ended July 31, 2006 as compared to the six months ended July 31, 2005.

Sales in the domestic wholesale segment were \$129.7 million or 5.9% above prior year sales of \$122.5 million. The increase of \$7.2 million was primarily attributed to higher sales in the accessible luxury brands. Movado sales were above prior year by \$7.2 million as major chain and department stores had increased sell through at retail. ESQ sales were above prior year by \$1.9 million primarily due to new door openings as the brand continues to gain positive retailer response to the new model introductions as well as the ESQ&U marketing campaign. In the luxury brands category, Ebel sales were relatively flat year over year while Concord sales declined by \$3.9 million as planned. The Company is in the process of developing a strategic plan for the re-launch of the Concord brand. Sales in the licensed brands category were above the prior year period by \$1.5 million.

Sales in the international wholesale segment were \$57.4 million or 25.4% above prior year sales of \$45.8 million. In the luxury brands category, sales increased by \$6.1 million. Increased sales of \$8.4 million were recorded for Ebel primarily due to the Brasilia collection launch, while lower sales of \$2.3 million were recorded in Concord for the same reasons as in the domestic wholesale segment. In the accessible luxury brands category, Movado sales were below prior year by \$2.6 million due to planned reductions in the brand's overseas distribution. In the licensed brands category, sales were above prior year by \$8.7 million primarily driven by the launch of the new collection of Hugo Boss watches, which did not contribute significantly to revenues in the prior year.

Sales in the retail segment were \$37.2 million or 6.9% above prior year sales of \$34.8 million. The increase was driven by an overall 16.6% increase in Movado Boutique sales. This was the result of a 7.0% comparable store sales increase in the Movado Boutiques along with sales from four non-comparable stores year over year. Sales by the Company's outlet stores were below prior year by 0.9%. This was the result of a 2.6% comparable store sales decrease somewhat offset by higher sales from non-comparable stores year over year. The Company operated 28 Movado Boutiques and 29 outlet stores at July 31, 2006 compared to 27 Movado Boutiques and 28 outlet stores at July 31, 2005.

Gross Profit. Gross profit for the six months ended July 31, 2006 was \$138.1 million or 61.6% of net sales as compared to \$122.8 million or 60.5% of net sales for the six months ended July 31, 2005. The increase in gross profit of \$15.3 million was primarily the result of the higher sales volume. The increase in gross profit as a

percentage of sales was driven by higher margins in the Movado Boutiques due to both product mix and better jewelry margins. In addition, percentage increases were recorded across most brands largely due to new product introductions.

Selling, General and Administrative. Selling, general and administrative expenses for the six months ended July 31, 2006 were \$120.6 million or 53.8% of net sales as compared to \$108.4 million or 53.4% of net sales for the six months ended July 31, 2005. The increase reflects spending primarily to invest in the Company's growth initiatives, including higher marketing spending of \$2.5 million to support the sales growth initiatives, added spending of \$1.2 million in support of the retail expansion and higher payroll and related expenses of \$5.2 million reflecting salary increases, increased headcount to support the growth for both new and existing brands and higher equity compensation costs. In addition, as a result of the consolidation of the Company's majority-owned joint venture with TWC, \$1.1 million of expense was included in the consolidated results.

Wholesale Operating Income. Operating income in the wholesale segment increased by \$2.0 million to \$17.9 million. The increase was the net result of higher gross profit of \$13.0 million, partially offset by the increase in SG&A expenses of \$11.0 million.

The higher gross margin of \$13.0 million was primarily the result of the increase in net sales of \$18.8 million. The increase in the SG&A expenses of \$11.0 million was primarily due to higher marketing spending of \$2.5 million to support the sales growth initiatives and higher payroll and related expenses of \$5.2 million reflecting salary increases, increased headcount to support the growth for both new and existing brands and higher equity compensation costs. In addition, as a result of the consolidation of the Company's majority-owned joint venture with TWC, \$1.1 million of expense was recorded in the wholesale segment's results.

Retail Operating Loss. Operating losses of \$0.4 million and \$1.5 million were recorded in the retail segment for the six months ended July 31, 2006 and 2005, respectively.

The decrease in operating loss was the net result of higher gross profit of \$2.3 million offset by higher SG&A expenses of \$1.2 million. The increased gross profit was primarily attributable to improved margin percentage in the Movado Boutiques. The higher SG&A expenses were primarily the result of added spending for the seven non-comparable stores.

Interest Expense. Interest expense for the six months ended July 31, 2006 and 2005 was \$1.9 million and \$1.8 million, respectively. Average borrowings were \$102.8 million at an average borrowing rate of 3.6% for the six months ended July 31, 2006 compared to average borrowings of \$61.9 million at an average rate of 5.4% for the six months ended July 31, 2005. The lower average borrowing rate was due to the shifting of debt from the U.S. to Switzerland, which is at a more favorable borrowing rate.

Interest Income. Interest income was \$1.5 million for the six months ended July 31, 2006 as compared to \$0.1 million for the six months ended July 31, 2005. The repatriated foreign earnings of \$150.0 million in the fourth quarter of fiscal year 2006 under the American Jobs Creation Act of 2004 resulted in significantly higher cash balances in the United States. The cash invested in the United States generated interest income at the rate of 4.7%.

Income Taxes. The Company recorded a tax expense of \$3.0 million for the six months ended July 31, 2006 as compared to a tax expense of \$3.2 million for the six months ended July 31, 2005. Taxes were recorded at an effective tax rate of 17.5% and 25.0% for the six months ended July 31, 2006 and 2005, respectively. The lower effective tax rate is the result of the Company's adoption of tax planning strategies in Switzerland which will enable it to utilize a greater portion of the acquired Ebel net operating loss carryforward.

Net Income. For the six months ended July 31, 2006, the Company recorded net income of \$14.2 million as compared to \$9.5 million for the six months ended July 31, 2005.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was \$24.4 million for the six months ended July 31, 2006 as compared to \$25.5 million for the six months ended July 31, 2005. The cash used in operating activities reflects the historic pattern of the Company to fund its working capital needs in the first half of the year due to the seasonal nature of the business. For the six months ended July 31, 2006, the most significant changes in operating assets were the increases in accounts receivable of \$17.9 million, primarily resulting from the growth in sales and an increase of \$13.1 million in inventory levels, primarily in anticipation of the upcoming holiday selling season. In addition, \$9.5 million of cash was used to reduce total current liabilities but was offset by cash from net earnings of \$14.2 million for the six months ended July 31, 2006. For the six months ended July 31, 2005, the most significant changes in operating assets were the increases in accounts receivable of \$3.8 million, primarily resulting from the growth in sales and an increase of \$27.1 million in inventory levels. This was partially offset by net earnings of \$9.5 million for the six months ended July 31, 2005.

Cash used in investing activities amounted to \$7.2 million and \$8.2 million for the six months ended July 31, 2006 and 2005, respectively. The cash used during both periods consisted of the capital expenditures primarily related to the expansion and renovations of retail stores, the acquisition of tooling for new product introductions and computer hardware and software enhancements. Capital expenditures in the 2005 period also included the acquisition of machinery and equipment to further automate distribution activities.

Cash used in financing activities amounted to \$15.8 million for the six months ended July 31, 2006 compared to cash provided of \$34.2 million for the six months ended July 31, 2005. Cash used in financing activities for the six months ended July 31, 2006 was primarily to pay down long-term debt, while cash provided in the six months ended July 31, 2005 resulted primarily from short-term borrowings required to fund the Company's working capital needs.

During fiscal 1999, the Company issued \$25.0 million of Series A Senior Notes under a Note Purchase and Private Shelf Agreement dated November 30, 1998. These notes bear interest of 6.90% per annum, mature on October 30, 2010 and are subject to annual repayments of \$5.0 million commencing October 31, 2006. These notes contain certain financial covenants including an interest coverage ratio and maintenance of consolidated net worth and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. At July 31, 2006, the Company was in compliance with all financial and non-financial covenants and \$25.0 million of these notes were issued and outstanding.

As of March 21, 2004, the Company amended its Note Purchase and Private Shelf Agreement, originally dated March 21, 2001, to expire on March 21, 2007. This agreement allows for the issuance, for up to three years after the date thereof, of senior promissory notes in the aggregate principal amount of up to \$40.0 million with maturities up to 12 years from their original date of issuance. On October 8, 2004, the Company issued, pursuant to the Note Purchase Agreement, 4.79% Senior Series A-2004 Notes due 2011 (the "Senior Series A-2004 Notes"), in an aggregate principal amount of \$20.0 million, which will mature on October 8, 2011 and are subject to annual repayments of \$5.0 million commencing on October 8, 2008. Proceeds of the Senior Series A-2004 Notes have been used by the Company for capital expenditures, repayment of certain of its debt obligations and general corporate purposes. These notes contain certain financial covenants, including an interest coverage ratio and maintenance of consolidated net worth and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt

outstanding. As of July 31, 2006, the Company was in compliance with all financial and non-financial covenants and \$20.0 million of these notes were issued and outstanding.

On December 15, 2005, the Company as parent guarantor, and its Swiss subsidiaries, MGI Luxury Group S.A. and Movado Watch Company SA as borrowers, entered into a credit agreement with JPMorgan Chase Bank, N.A., JPMorgan Securities, Inc., Bank of America, N.A., The Bank of New York and Citibank, N.A. (the "Swiss Credit Agreement") which provides for a revolving credit facility of 90.0 million Swiss francs and matures on December 15, 2010. The obligations of the Company's two Swiss subsidiaries under this credit agreement are guaranteed by the Company under a Parent Guarantee, dated as of December 15, 2005, in favor of the lenders. The Swiss Credit Agreement contains financial covenants, including an interest coverage ratio, average debt coverage ratio and limitations on capital expenditures and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. Borrowings under the Swiss Credit Agreement bear interest at a rate equal to the LIBOR (as defined in the Swiss Credit Agreement) plus a margin ranging from .50% per annum to .875% per annum (depending upon a leverage ratio). As of July 31, 2006, the Company was in compliance with all financial and non-financial covenants and had 64.0 million Swiss francs, with a dollar equivalent of \$52.0 million, outstanding under this revolving credit facility.

On December 15, 2005, the Company and its Swiss subsidiaries, MGI Luxury Group S.A. and Movado Watch Company SA, entered into a credit agreement with JPMorgan Chase Bank, N.A., JPMorgan Securities, Inc., Bank of America, N.A., The Bank of New York and Citibank, N.A. (the "US Credit Agreement") which provides for a revolving credit facility of \$50.0 million (including a sublimit for borrowings in Swiss francs of up to \$25.0 million) with a provision to allow for an increase of an additional \$50.0 million subject to certain terms and conditions. The US Credit Agreement will mature on December 15, 2010. The obligations of MGI Luxury Group S.A. and Movado Watch Company SA are guaranteed by the Company under a Parent Guarantee, dated as of December 15, 2005, in favor of the lenders. The obligations of the Company are guaranteed by certain domestic subsidiaries of the Company under subsidiary guarantees, in favor of the lenders. The US Credit Agreement contains financial covenants, including an interest coverage ratio, average debt coverage ratio and limitations on capital expenditures and certain non-financial covenants that restrict the Company's activities regarding investments and acquisitions, mergers, certain transactions with affiliates, creation of liens, asset transfers, payment of dividends and limitation of the amount of debt outstanding. Borrowings under the US Credit Agreement bear interest, at the Company's option, at a rate equal to the Adjusted LIBOR (as defined in the US Credit Agreement) plus a margin ranging from .50% per annum to .875% per annum (depending upon a leverage ratio), or the Alternate Base Rate (as defined in the US Credit Agreement). As of July 31, 2006, the Company was in compliance with all financial and non-financial covenants, and there were no outstanding borrowings against this line.

On June 16, 2006, the Company renewed a line of credit letter agreement with Bank of America and an amended and restated promissory note in the principal amount of up to \$20.0 million payable to Bank of America, originally dated December 12, 2005. Pursuant to the line of credit letter agreement, Bank of America will consider requests for short-term loans and documentary letters of credit for the importation of merchandise inventory, the aggregate amount of which at any time outstanding shall not exceed \$20.0 million. The Company's obligations under the agreement are guaranteed by its subsidiaries, Movado Retail Group, Inc. and Movado LLC. Pursuant to the amended and restated promissory note, the Company promised to pay to Bank of America \$20.0 million, or such lesser amount as may then be the unpaid balance of all loans made by Bank of America to the Company thereunder, in immediately available funds upon the maturity date of June 16, 2007. The Company has the right to prepay all or part of any outstanding amounts under the promissory note without penalty at any time prior to the maturity date. The amended and restated promissory note bears interest at an annual rate equal to either (i) a floating rate equal to the prime rate or (ii) such fixed rate as may be agreed upon

by the Company and Bank of America for an interest period which is also then agreed upon. The amended and restated promissory note contains various representations and warranties and events of default that are customary for instruments of that type. As of July 31, 2006, there were no outstanding borrowings against this line.

On July 31, 2006, the Company renewed a promissory note, originally dated December 13, 2005, in the principal amount of up to \$37.0 million, at a revised amount of up to \$7.0 million, payable to JPMorgan Chase Bank, N.A. ("Chase"). Pursuant to the promissory note, the Company promised to pay to Chase \$7.0 million, or such lesser amount as may then be the unpaid balance of each loan made or letter of credit issued by Chase to the Company thereunder, upon the maturity date of July 31, 2007. The Company has the right to prepay all or part of any outstanding amounts under the promissory note without penalty at any time prior to the maturity date. The promissory note bears interest at an annual rate equal to either (i) a floating rate equal to the prime rate, (ii) a fixed rate equal to an adjusted LIBOR plus 0.625% or (iii) a fixed rate equal to a rate of interest offered by Chase from time to time on any single commercial borrowing. The promissory note contains various events of default that are customary for instruments of that type. In addition, it is an event of default for any security interest or other encumbrance to be created or imposed on the Company's property, other than as permitted in the lien covenant of the US Credit Agreement. Chase issued 11 irrevocable standby letters of credit for retail and operating facility leases to various landlords, for the administration of the Movado Boutique private-label credit card and Canadian payroll to the Royal Bank of Canada totaling \$1.2 million with expiration dates through August 31, 2007. As of July 31, 2006, there were no outstanding borrowings against this promissory note.

A Swiss subsidiary of the Company maintains unsecured lines of credit with an unspecified length of time with a Swiss bank. Available credit under these lines totaled 8.0 million Swiss francs, with dollar equivalents of \$6.5 million and \$6.2 million at July 31, 2006 and 2005, respectively. As of July 31, 2006, two European banks have guaranteed obligations to third parties on behalf of two of the Company's foreign subsidiaries in the amount of \$3.3 million in various foreign currencies. As of July 31, 2006, there were no outstanding borrowings against these lines.

The Company paid dividends per share of \$0.06 or approximately \$3.1 million, for the six months ended July 31, 2006 and \$0.05 per share or approximately \$2.5 million for the six months ended July 31, 2005.

Cash and cash equivalents at July 31, 2006 amounted to \$78.1 million compared to \$50.3 million at July 31, 2005. The increase in cash and cash equivalents primarily relates to the Company's borrowings in the fourth quarter of fiscal 2006 to repatriate foreign earnings to the United States under the American Jobs Creation Act of 2004.

Management believes that the cash on hand in addition to the expected cash flow from operations and the Company's short-term borrowing capacity will be sufficient to meet its working capital needs for at least the next 12 months.

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet financing or unconsolidated special-purpose entities.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes (an interpretation of FASB Statement No. 109)" which is effective for fiscal years beginning after December 15, 2006. This interpretation clarifies the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company is currently evaluating the impact of this interpretation.

Item 3. Quantitative and Qualitative Disclosure about Market Risks

Foreign Currency and Commodity Price Risks

A significant portion of the Company's purchases are denominated in Swiss francs. The Company reduces its exposure to the Swiss franc exchange rate risk through a hedging program. Under the hedging program, the Company manages most of its foreign currency exposures on a consolidated basis, which allows it to net certain exposures and take advantage of natural offsets. The Company uses various derivative financial instruments to further reduce the net exposures to currency fluctuations, predominately forward and option contracts. These derivatives either (a) are used to hedge the Company's Swiss franc liabilities and are recorded at fair value with the changes in fair value reflected in earnings or (b) are documented as cash flow hedges with the gains and losses on this latter hedging activity first reflected in other comprehensive income, and then later classified into earnings in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), as amended by SFAS No. 137, SFAS No. 138 and SFAS No. 149. In both cases, the earnings impact is partially offset by the effects of currency movements on the underlying hedged transactions. If the Company did not engage in a hedging program, any change in the Swiss franc to local currency would have an equal effect on the Company's cost of sales. In addition, the Company hedges its Swiss franc payable exposure with forward contracts. As of July 31, 2006, the Company's entire net forward contracts hedging portfolio consisted of 128.0 million Swiss francs equivalent for various expiry dates ranging through July 20, 2007. If the Company were to settle its Swiss franc forward contracts at July 31, 2006, the net result would have been a gain of \$0.9 million, net of tax of \$0.6 million. As of July 31, 2006, the Company had 31.0 million Swiss franc option contracts related to cash flow hedges for various expiry dates ranging through April 30, 2007. If the Company were to settle its Swiss franc option contracts at July 31, 2006, the net result would have been a net loss of approximately \$70 thousand.

The Company's Board of Directors authorized the hedging of the Company's Swiss franc denominated investment in its wholly-owned Swiss subsidiaries using purchase options under certain limitations. These hedges are treated as net investment hedges under SFAS No. 133. As of July 31, 2006, the Company did not hold a purchased option hedge portfolio related to net investment hedging.

Commodity Risk

Additionally, the Company has a hedging program related to gold used in the manufacturing of the Company's watches. Under this hedging program, the Company purchases various commodity derivative instruments, primarily future contracts. These derivatives are documented as SFAS No. 133 cash flow hedges, and gains and losses on these derivative instruments are first reflected in other comprehensive income, and later reclassified into earnings, partially offset by the effects of gold market price changes on the underlying actual gold purchases. If the Company did not engage in a gold hedging program, any changes in the gold price would have an equal effect on the Company's cost of sales. The Company did not hold any futures contracts in its gold hedge portfolio related to cash flow hedges as of July 31, 2006.

Debt and Interest Rate Risk

In addition, the Company has certain debt obligations with variable interest rates, which are based on Swiss LIBOR plus a fixed additional interest rate. The Company does not hedge these interest rate risks. The Company also has certain debt obligations with fixed interest rates. The differences between the market based interest rates at July 31, 2006, and the fixed rates were unfavorable. The Company believes that a 1% change in interest rates would affect the Company's net income by approximately \$0.5 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as such terms are defined in Rule 13a-15(e) under the Securities Exchange Act, as amended. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the three months ended July 31, 2006, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

As of July 31, 2006, there have been no material changes to any of the risk factors previously reported in its Annual Report on Form 10-K for the fiscal year ended January 31, 2006.

Item 6. Exhibits

- 10.1 Line of Credit Letter Agreement dated as of June 16, 2006 between the Registrant and Bank of America, N.A. and Amended and Restated Promissory Note dated as of June 16, 2006 to Bank of America, N.A.
- 10.2 Promissory Note dated as of July 31, 2006 to JPMorgan Chase Bank, N.A.
- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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: September 7, 2006

By: /s/ Eugene J. Karpovich

Eugene J. Karpovich
Senior Vice President and
Chief Financial Officer
(Chief Financial Officer)
(Duly Authorized Officer)

/s/ Ernest R. LaPorte

Ernest R. LaPorte
Vice President of Finance
(Principal Accounting Officer)

BANK OF AMERICA, N.A.
SUCCESSOR BY MERGER TO FLEET NATIONAL BANK
AMENDED AND RESTATED
PROMISSORY NOTE

\$20,000,000.00

As of June 16, 2006

No later than JUNE 15, 2007 (the "Maturity Date"), for value received, MOVADO GROUP, INC., having its principal office at 650 From Road, Paramus, New Jersey 07652 (the "Borrower"), promises to pay to the order of BANK OF AMERICA, SUCCESSOR BY MERGER TO FLEET NATIONAL BANK, having an office at 1185 Avenue of the Americas, New York, New York, 10036 (the "Bank"), at such office of the Bank or at such other place as the holder hereof may from time to time appoint in writing, in lawful money of the United States of America in immediately available funds, the principal sum of TWENTY MILLION and 00/100 DOLLARS (\$20,000,000.00) Dollars or such lesser amount as may then be the aggregate unpaid principal balance of all loans made by the Bank to the Borrower hereunder (each a "Loan" and collectively the "Loans") as shown on the books and records of the Bank. The Borrower also promises to pay interest (computed on the basis of a 360 day year for actual days elapsed) at said office in like money on the unpaid principal amount of each Loan from time to time outstanding at a rate per annum, to be elected by the Borrower at the time each Loan is made, equal to either (i) a fluctuating rate equal to the Prime Rate, which rate will change when and as the Prime Rate changes and which such changes in the rate of interest resulting from changes in the Prime Rate shall take effect immediately without notice or demand of any kind (a Loan bearing interest at this rate is sometimes hereinafter called a "Prime Loan"), or (ii) a fixed rate as may be agreed upon between the Borrower and the Bank (an "Agreed Rate") for an Interest Period which is also then agreed upon (a Loan bearing interest at this rate is sometimes hereinafter called an "Agreed Rate Loan"); provided, however, that (a) no Interest Period with respect to an Agreed Rate Loan shall extend beyond the Maturity Date, (b) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day and (c) if prior to the end of any such Interest Period of an Agreed Rate Loan the Borrower and the Bank fail to agree upon a new Interest Period therefor so as to maintain such Loan as an Agreed Rate Loan within the pertinent time set forth in Section 1 hereof, such Agreed Rate Loan shall automatically be converted into a Prime Loan at the end of such Interest Period and shall be maintained as such until a new Interest Period therefor is agreed upon. Interest on each Loan shall be payable monthly on the first day of each month commencing the first such day to occur after a Loan is made hereunder and, together with unpaid principal, on the Maturity Date. Interest on Agreed Rate Loans shall also be payable on the last day of each Interest Period applicable thereto. The Borrower further agrees that upon and during the continuance of an Event of Default and/or after any stated or any accelerated maturity of Loans hereunder, all Loans shall bear interest (computed daily) at, (i) with respect to Agreed Rate Loans, a rate equal to the greater of 2% per annum in excess of the rate then applicable to Agreed Rate Loans and 2% per annum in excess of the rate then applicable to

Prime Loans, payable no later than the Maturity Date, and (ii) with respect to Prime Loans, a rate equal to 2% per annum in excess of the rate then applicable to Prime Loans, payable no later than the Maturity Date. Furthermore, if the entire amount of any principal and/or interest required to be paid pursuant to this Note is not paid in full within ten (10) days after the same is due, the Borrower shall further pay to the Bank a late fee equal to five percent (5%) of the required payment. In no event shall interest payable hereunder be in excess of the maximum rate of interest permitted under applicable law. If any payment to be so made hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day and, to the extent permitted by applicable law, interest thereon shall be payable at the then applicable rate during such extension.

All payments made in connection with this Note shall be in lawful money of the United States in immediately available funds without counterclaim or setoff and free and clear of and without any deduction or withholding for, any taxes or other payments. All such payments shall be applied first to the payment of all fees, expenses and other amounts due to the Bank (excluding principal and interest), then to accrued interest, and the balance on account of outstanding principal; provided, however, that after the occurrence of and during the continuance of an Event of Default, payments will be applied to the obligations of the Borrower to the Bank as the Bank determines in its sole discretion. The Borrower hereby expressly authorizes the Bank to record on the attached schedule the amount and date of each Loan, the rate of interest thereon, Interest Period thereof and the date and amount of each payment of principal. All such notations shall be presumptive as to the correctness thereof; provided, however, the failure of the Bank to make any such notation shall not limit or otherwise affect the obligations of the Borrower under this Note.

In consideration of the granting of the Loans evidenced by this Note, the Borrower hereby agrees as follows:

1. Loan Requests. Requests for Prime Loans and Agreed Rate Loans may be made up until 1 p.m. on the date the Loan is to be made. Any request for a Loan must be written. The Bank shall have no obligation to make any Loan hereunder.

2. Prepayment. The Borrower may prepay any Prime Loan at any time in whole or in part without premium or penalty. Each such prepayment shall be made together with interest accrued thereon to and including the date of prepayment. The Borrower may prepay an Agreed Rate Loan only upon at least three (3) Business Days prior written notice to the Bank (which notice shall be irrevocable) and any such prepayment shall occur only on the last day of the Interest Period for such Agreed Rate Loan.

3. Indemnity; Yield Protection. The Borrower shall pay to the Bank, upon request of the Bank, such amount or amounts as shall be sufficient (in the reasonable opinion of the Bank) to compensate it for any loss, cost, or reasonable expense incurred as a result of: (i) any payment of an Agreed Rate Loan on a date other than the last day of the Interest Period for such Loan; (ii) any failure by Borrower to borrow an Agreed Rate Loan on the date specified by Borrower's written notice; (iii) any failure of Borrower to pay an

Agreed Rate Loan on the date for payment specified in Borrower's written notice. Without limiting the foregoing, Borrower shall pay to Bank a "yield maintenance fee" in an amount computed as follows: The current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made, shall be subtracted from Cost of Funds in effect at the time of prepayment. If the result is zero or a negative number, there shall be no yield maintenance fee. If the result is a positive number, then the resulting percentage shall be multiplied by the amount of the principal balance being prepaid. The resulting amount shall be divided by 360 and multiplied by the number of days remaining in the term chosen pursuant to the Fixed Rate Election as to which the prepayment is made. Said amount shall be reduced to present value calculated by using the above referenced United States Treasury securities rate and the number of days remaining in the term chosen pursuant to the Fixed Rate Election as to which prepayment is made. The resulting amount shall be the yield maintenance fee due to Bank upon the payment of an Agreed Rate Loan. Each reference in this paragraph to "Fixed Rate Election" shall mean the election by Borrower of Loan to bear interest based on an Agreed Rate. If by reason of an Event of Default, the Bank elects to declare the Loans and/or the Note to be immediately due and payable, then any yield maintenance fee with respect to an Agreed Rate Loan shall become due and payable in the same manner as though the Borrower has exercised such right of prepayment.

For the purpose of this Section 3 the determination by the Bank of such losses and reasonable expenses shall in the absence of manifest error, be conclusive if made reasonably and in good faith.

4. Increased Costs. If the Bank reasonably determines that the effect of any applicable law or government regulation, guideline or order or the interpretation thereof by any governmental authority charged with the administration thereof (such as, for example, a change in official reserve requirements which the Bank is required to maintain in respect of loans or deposits or other funds procured for funding such loans) is to increase the cost to the Bank of making or continuing Agreed Rate Loans hereunder or to reduce the amount of any payment of principal or interest receivable by the Bank thereon, then the Borrower will pay to the Bank such additional amounts as the Bank may reasonably determine to be required to compensate the Bank for such additional costs or reduction. Any additional payment under this section will be computed from the effective date at which such additional costs have to be borne by the Bank. A certificate as to any additional amounts payable pursuant to this Section 4 setting forth the basis and method of determining such amounts shall be conclusive, absent manifest error, as to the determination by the Bank set forth therein if made reasonably and in good faith. The Borrower shall pay any amounts so certified to it by the Bank within 10 days of receipt of any such certificate.

5. Warranties and Representations. The Borrower represents and warrants that: a) it is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and is qualified to do business and is in good standing under the laws of every state where its failure to so qualify would have a material and adverse effect on the business, operations, property or other condition of the Borrower; b) the execution,

issuance and delivery of this Note by the Borrower are within its corporate powers and have been duly authorized, and the Note is valid, binding and enforceable in accordance with its terms, and is not in violation of law or of the terms of the Borrower's Certificate of Incorporation or By-Laws and does not result in the breach of or constitute a default under any indenture, agreement or undertaking to which the Borrower is a party or by which it or its property may be bound or affected; c) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Note, except those as have been obtained; d) the financial statements of the Borrower heretofore furnished to the Bank are complete and correct in all material respects and fairly represent the financial condition of the Borrower and its subsidiaries as at the dates thereof and for the periods covered thereby, which financial condition has not materially, adversely, changed since the date of the most recently dated balance sheet heretofore furnished to the Bank; e) no Event of Default (as hereinafter defined) has occurred and no event has occurred which with the giving of notice or the lapse of time or both would constitute an Event of Default; f) the Borrower shall not use any part of the proceeds of any Loan to purchase or carry any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to others for the purpose of purchasing or carrying any margin stock; g) there is no pending or, to the knowledge of the Borrower, threatened action or proceeding affecting the Borrower before any court, governmental agency or arbitrator which, if determined adversely to the Borrower would have a materially adverse effect on the financial condition or operations of the Borrower except as described in the financial statements of the Borrower heretofore furnished to the Bank; and h) on the occasion of the granting of each Loan all representations and warranties contained herein shall be true and correct and with the same force and effect as though such representations and warranties had been made on and as of the date of the making of each such Loan.

6. Events of Default. Upon the occurrence of any of the following specified events of default (each an "Event of Default"): a) default in making any payment of principal, interest, or any other sum payable under this Note when due; or b) default by the Borrower or any Guarantor (i) of any other obligation hereunder or (ii) in the due payment of any other obligation owing to the Bank under this Note or c) default by Borrower or any Guarantor in the due payment of any other indebtedness for borrowed money or default in the observance or performance of any covenant or condition contained in any agreement or instrument evidencing, securing, or relating to any such indebtedness, which causes or permits the acceleration of the maturity thereof, provided that the aggregate amount of such indebtedness shall be \$5,000,000 or more; or d) any representation or warranty made by the Borrower herein or in any certificate furnished by the Borrower in connection with the Loans evidenced hereby or pursuant to the provisions hereof, proves untrue in any material respect; or e) the Borrower or any Guarantor becomes insolvent or bankrupt, is generally not paying its debts as they become due, or makes an assignment for the benefit of creditors, or a trustee or receiver is appointed for the Borrower or any Guarantor or for the greater part of the properties of the Borrower or any Guarantor with the consent of the Borrower or any such Guarantor, or if appointed without the consent of the Borrower or any such Guarantor, such trustee or receiver is not discharged within 30 days, or bankruptcy, reorganization, liquidation or similar proceedings are instituted by or against

the Borrower or any Guarantor under the laws of any jurisdiction, and if instituted against the Borrower or any such Guarantor are consented to by it or remain undismissed for 30 days, or a writ or warrant of attachment or similar process shall be issued against a substantial part of the property of the Borrower or any Guarantor not in the possession of the Bank and same shall not be released or bonded within 30 days after levy; or f) any garnishment, levy, writ or warrant of attachment or similar process shall be issued and served against the Bank, which garnishment, levy, writ or warrant of attachment or similar process relates to property of the Borrower or any Guarantor in the possession of the Bank; or h) the Bank shall have determined, in its reasonable discretion, that one or more conditions exist or events have occurred which have resulted or may result in a material adverse change in the business, properties or financial condition of the Borrower or any Guarantor as determined in the reasonable discretion of the Bank or one or more other conditions exist or events have occurred with respect to the Borrower or any Guarantor which the Bank deems materially adverse; then, in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Bank may declare the principal and the accrued interest in respect of all Loans under this Note to be, whereupon the Note shall become, immediately due and payable without presentment, protest or other notice of any kind, all of which are expressly waived by the Borrower.

7. Set off. At any time, without demand or notice (any such notice being expressly waived by the Borrower), the Bank may setoff any and all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of the Bank or any entity under the control of Bank of America Corporation and its successors or assigns, or in transit to any of them, or any part thereof and apply same to any of the Liabilities or obligations of the Borrower or any Guarantor even though unmatured and regardless of the adequacy of any other collateral securing the Liabilities. ANY AND ALL RIGHTS TO REQUIRE THE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LIABILITIES, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER OR ANY GUARANTOR ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED. The term "Liabilities" shall include this Note and obligations and liabilities of the Borrower to the Bank under this Note, now or hereafter existing, arising directly between the Borrower and the Bank or acquired by assignment, conditionally or as collateral security by the Bank, absolute or contingent, joint and/or several, secure or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, direct or indirect, including, but without limiting the generality of the foregoing, indebtedness, obligations or liabilities to the Bank of the Borrower as a member of any partnership, syndicate, association or other group, and whether incurred by the Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise.

8. Definitions. As used herein:

(a) "Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in the State of New York are authorized or required to close under the laws of the State of New York and to the extent "Business Day" is used in

the context of any other specific city it shall mean any date on which commercial banks are open for business in that city.

(b) "Cost of Funds" means the per annum rate of interest which the Bank is required to pay, or is offering to pay, for wholesale liabilities, adjusted for reserve requirements and such other requirements as may be imposed by federal, state or local government and regulatory agencies, as reasonably determined by the Bank.

(c) "Guarantors" shall mean all active domestic subsidiaries of the Borrower.

(d) "Interest Period" means that period selected by the Borrower, within the limitations of the first paragraph of this Note, during which an Agreed Rate Loan may bear interest at an Agreed Rate.

(e) "Loan Documents" means this Note, and each document, instrument or agreement executed pursuant hereto or thereto or in connection herewith or therewith.

(f) "Prime Rate" means the variable per annum rate of interest so designated from time to time by the Bank as its prime rate. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate being charged to any customer.

9. Miscellaneous.

(a) The Borrower shall pay on demand all reasonable expenses of the Bank in connection with the preparation, administration, default, collection, waiver or amendment of this Note or any of the other Loan Documents, and/or in connection with Bank's exercise, preservation or enforcement of any of its rights, remedies or options hereunder and/or thereunder, including, without limitation, fees of outside legal counsel, accounting, consulting, brokerage or other similar professional fees or expenses, and any fees or expenses associated with travel or other costs relating to any appraisals or examinations conducted in connection with the Liabilities or any collateral therefor, and the amount of all such expenses shall, until paid, bear interest at the rate applicable to principal hereunder (including any default rate) and be an obligation secured by any collateral.

(b) No modification or waiver of any provision of this Note shall be effective unless such modification or waiver shall be in writing and signed by a duly authorized officer of the Bank, and the same shall then be effective only for the period and on the conditions and for the specific instances specified in such writing. No failure or delay by the Bank in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any rights, power or privilege.

(c) Borrower hereby waives presentment, notice of protest, notice of dishonor, and any and all other notices or demands except as otherwise expressly provided for herein.

(d) This Note and the other Loan Documents shall be construed in accordance with and governed by the laws of the State of New York (excluding the laws applicable to conflicts or choice of law). The Borrower agrees that any suit for the enforcement of this Note or any of the other Loan Documents may be brought in the courts of the State of New York or any Federal court sitting therein and consents to the nonexclusive jurisdiction of such court and service of process in any such suit being made upon the Borrower by mail at the address set forth in the first paragraph of this Note. The Borrower hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient forum.

(e) The Bank may at any time pledge all or any portion of its rights under this Note and the other Loan Documents to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release the Bank from its obligations under any of such Loan Documents.

(f) All agreements between the Borrower (and each Guarantor and each other party obligated for payment on this Note) and the Bank are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to the Bank for the use or the forbearance of the indebtedness evidenced hereby exceed the maximum permissible under applicable law. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Note shall be governed by such new law as of its effective date. In this regard, it is expressly agreed that it is the intent of the Borrower and the Bank in the execution, delivery and acceptance of this Note to contract in strict compliance with the laws of the State of New York from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof or of any of the Loan Documents at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from circumstances whatsoever the Bank should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced hereby and not to the payment of interest. This provision shall control every other provision of the Loan Documents between the Borrower, each Guarantor, each other party obligated on this Note and the Bank.

(g) ARBITRATION AND WAIVER OF JURY TRIAL

(i) THIS PARAGRAPH CONCERNS THE RESOLUTION OF ANY CONTROVERSIES OR CLAIMS BETWEEN THE PARTIES, WHETHER ARISING IN CONTRACT, TORT OR BY STATUTE, INCLUDING BUT NOT LIMITED TO CONTROVERSIES OR CLAIMS THAT ARISE OUT OF OR RELATE TO: (i) THE LOAN DOCUMENTS (INCLUDING ANY RENEWALS, EXTENSIONS OR

MODIFICATIONS); OR (ii) ANY DOCUMENT RELATED TO THE NOTE ("COLLECTIVELY A "CLAIM"). FOR THE PURPOSES OF THIS ARBITRATION PROVISION ONLY, THE TERM "PARTIES" SHALL INCLUDE ANY PARENT CORPORATION, SUBSIDIARY OR AFFILIATE OF THE BANK INVOLVED IN THE SERVICING, MANAGEMENT OR ADMINISTRATION OF ANY OBLIGATION DESCRIBED OR EVIDENCED BY THE LOAN DOCUMENTS.

(ii) AT THE REQUEST OF ANY PARTY TO THE LOAN DOCUMENTS, ANY CLAIM SHALL BE RESOLVED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (TITLE 9, U.S. CODE) (THE "ACT"). THE ACT WILL APPLY EVEN THOUGH THE LOAN DOCUMENTS PROVIDE THAT THEY ARE GOVERNED BY THE LAW OF A SPECIFIED STATE. THE ARBITRATION WILL TAKE PLACE ON AN INDIVIDUAL BASIS WITHOUT RESORT TO ANY FORM OF CLASS ACTION.

(iii) ARBITRATION PROCEEDINGS WILL BE DETERMINED IN ACCORDANCE WITH THE ACT, THE THEN-CURRENT RULES AND PROCEDURES FOR THE ARBITRATION OF FINANCIAL SERVICES DISPUTES OF THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THEREOF ("AAA"), AND THE TERMS OF THIS PARAGRAPH. IN THE EVENT OF ANY INCONSISTENCY, THE TERMS OF THIS PARAGRAPH SHALL CONTROL. IF AAA IS UNWILLING OR UNABLE TO (i) SERVE AS THE PROVIDER OF ARBITRATION OR (ii) ENFORCE ANY PROVISION OF THIS ARBITRATION CLAUSE, ANY PARTY TO THE LOAN DOCUMENTS MAY SUBSTITUTE ANOTHER ARBITRATION ORGANIZATION WITH SIMILAR PROCEDURES TO SERVE AS THE PROVIDER OF ARBITRATION.

(iv) THE ARBITRATION SHALL BE ADMINISTERED BY AAA AND CONDUCTED, UNLESS OTHERWISE REQUIRED BY LAW, IN THE STATE SPECIFIED IN THE GOVERNING LAW SECTION OF THE LOAN DOCUMENTS. ALL CLAIMS SHALL BE DETERMINED BY ONE ARBITRATOR; HOWEVER, IF CLAIMS EXCEED FIVE MILLION DOLLARS (\$5,000,000), UPON THE REQUEST OF ANY PARTY, THE CLAIMS SHALL BE DECIDED BY THREE ARBITRATORS. ALL ARBITRATION HEARINGS SHALL COMMENCE WITHIN NINETY (90) DAYS OF THE DEMAND FOR ARBITRATION AND CLOSE WITHIN NINETY (90) DAYS OF COMMENCEMENT AND THE AWARD OF THE ARBITRATOR(S) SHALL BE ISSUED WITHIN THIRTY (30) DAYS OF THE CLOSE OF THE HEARING. HOWEVER, THE ARBITRATOR(S), UPON A SHOWING OF GOOD CAUSE, MAY EXTEND THE COMMENCEMENT OF THE HEARING FOR UP TO AN ADDITIONAL SIXTY (60) DAYS. THE ARBITRATOR(S) SHALL PROVIDE A CONCISE WRITTEN STATEMENT OF REASONS FOR THE AWARD. THE ARBITRATION AWARD MAY BE SUBMITTED TO ANY COURT HAVING JURISDICTION TO BE CONFIRMED, JUDGMENT ENTERED AND ENFORCED.

(v) THE ARBITRATOR(S) WILL GIVE EFFECT TO STATUTES OF LIMITATION IN DETERMINING ANY CLAIM AND MAY DISMISS THE ARBITRATION ON THE BASIS THAT THE CLAIM IS BARRED. FOR PURPOSES OF THE APPLICATION OF THE STATUTE OF LIMITATIONS, THE SERVICE ON AAA UNDER APPLICABLE AAA RULES OF A NOTICE OF CLAIM IS THE EQUIVALENT OF THE FILING OF A LAWSUIT. ANY DISPUTE CONCERNING THIS ARBITRATION PROVISION OR WHETHER A CLAIM IS ARBITRABLE SHALL BE DETERMINED BY THE ARBITRATOR(S). THE ARBITRATOR(S) SHALL HAVE THE POWER TO AWARD LEGAL FEES PURSUANT TO THE TERMS OF THE LOAN DOCUMENTS.

(vi) THIS PARAGRAPH DOES NOT LIMIT THE RIGHT OF ANY PARTY TO: (I) EXERCISE SELF-HELP REMEDIES, SUCH AS BUT NOT LIMITED TO, SETOFF; (II) INITIATE JUDICIAL OR NON-JUDICIAL FORECLOSURE AGAINST ANY REAL OR PERSONAL PROPERTY COLLATERAL; (III) EXERCISE ANY JUDICIAL OR POWER OF SALE RIGHTS, OR (IV) ACT IN A COURT OF LAW TO OBTAIN AN INTERIM REMEDY, SUCH AS BUT NOT LIMITED TO, INJUNCTIVE RELIEF, WRIT OF POSSESSION OR APPOINTMENT OF A RECEIVER, OR ADDITIONAL OR SUPPLEMENTARY REMEDIES.

(vii) THE FILING OF A COURT ACTION IS NOT INTENDED TO CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE SUING PARTY, THEREAFTER TO REQUIRE SUBMITTAL OF THE CLAIM TO ARBITRATION.

(viii) BY AGREEING TO BINDING ARBITRATION, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM. FURTHERMORE, WITHOUT INTENDING IN ANY WAY TO LIMIT THE LOAN DOCUMENTS TO ARBITRATE, TO THE EXTENT ANY CLAIM IS NOT ARBITRATED, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF SUCH CLAIM. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THE LOAN DOCUMENTS.

(ix) EXCEPT AS PROHIBITED BY LAW, THE BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THE BORROWER CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE BANK HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BANK WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE BANK TO ACCEPT THIS NOTE AND MAKE THE LOANS.

(h) Upon receipt of an affidavit of an officer of the Bank as to the loss, theft, destruction or mutilation of this Note or any other Loan Document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note or other security document, the Borrower will issue, in lieu thereof, a replacement Note or other security document in the same principal amount thereof and otherwise of like tenor.

(i) The Bank shall have the unrestricted right at any time and from time to time, and without the consent of or notice to the Borrower or any other party obligated on this Note, to grant to one or more banks or other financial institutions (each, a "Participant") participating interests in any obligation of the Bank to extend credit to the Borrower and/or any or all of the Liabilities held by the Bank. In the event of any such grant by the Bank of a participating interest to a Participant, whether or not upon notice to the Borrower, the Bank shall remain responsible for the performance of its obligations hereunder and the Borrower shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations hereunder. The Bank may furnish any information concerning the Borrower in its possession from time to time to prospective assignees and Participants, provided that the Bank shall require any such prospective assignee or Participant to agree in writing to maintain the confidentiality of such information.

(j) This Note shall be binding upon and inure to the benefit of the Borrower, the Bank, all future holders of this Note and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights under this Note without the prior written consent of the Bank. The term "Bank" as used herein shall be deemed to include the Bank and its successors, endorsees and assigns. The Bank shall have the unrestricted right at any time or from time to time, and without the Borrower's consent, to assign all or any portion of its rights and obligations hereunder and/or under any of the other Loan Documents to one or more Banks (each, an "Assignee"), and the Borrower agrees that it shall execute, or cause to be executed, such documents, including without limitation, amendments to this Note and to any other documents, instruments and agreements executed in connection herewith as the Bank shall deem necessary to effect the foregoing. In addition, at the request of the Bank and any such Assignee, the Borrower shall issue one or more new promissory notes, as applicable, to any such Assignee and, if the Bank has retained any of its rights and obligations hereunder following such assignment, to the Bank, which new promissory notes shall be issued in replacement of, but not in discharge of, the liability evidenced by the promissory note held by the Bank prior to such assignment and shall reflect the amount of Loans held by such Assignee and the Bank after giving effect to such assignment. Upon the execution and delivery of appropriate assignment documentation, amendments and any other documentation required by the Bank in connection with such assignment, and the payment by Assignee of the purchase price agreed to by the Bank, and such Assignee, such Assignee shall be a party to this Agreement and shall have all of the rights and obligations of the Bank hereunder and under each other assigned Loan Document (and under any and all other guaranties, documents, instruments and agreements executed in connection herewith) to the extent that such rights and obligations have been assigned by the Bank pursuant to the assignment documentation between the Bank and such Assignee, and the Bank shall be released from its obligations hereunder and thereunder to a corresponding extent.

(k) This Note and the other Loan Documents are intended by the parties as the final, complete and exclusive statement of the transactions evidenced thereby. All prior or contemporaneous promises, agreements and understandings, whether oral or written, are deemed to be superceded by this Note and such other Loan Documents, and no party is relying on any promise, agreement or understanding not set forth in this Note or such other Loan Documents. Neither this Note nor any of such other Loan Documents may be amended or modified except by a written instrument describing such amendment or modification executed by the Borrower and the Bank.

(l) This Note shall replace and supersede the Amended and Restated Promissory Note made by the Borrower to the order of the Bank dated as of December 12, 2005 (the "Prior Note"); provided, however, that the execution and delivery of this Note shall not in any circumstance be deemed to have terminated, extinguished or discharged the Borrower's indebtedness under such Prior Note, all of which indebtedness shall continue under and be governed by this Note and the documents, instruments and agreements executed pursuant hereto or in connection herewith. This Note is a replacement, consolidation, amendment and restatement of the Prior Note and IS NOT A NOVATION. The Borrower shall also pay and this Note shall also evidence any and all unpaid interest on all Loans made by the Bank to the Borrower pursuant to Prior Note, and at the interest rate specified therein, for which this Note has been issued as replacement therefor.

MOVADO GROUP, INC.

By: /s/ Timothy F. Michno

Name: Timothy F. Michno
Title: General Counsel

(CHASE LOGO)

PROMISSORY NOTE

\$7,000,000

July 31, 2006

For value received, the undersigned unconditionally promises to pay to the order of JPMORGAN CHASE BANK, N.A. (hereinafter the "Bank") at its offices at 695 Route 46 West, Fairfield, New Jersey 07004, or to such other address as the Bank may notify the undersigned in writing, the principal sum of Seven Million Dollars (\$7,000,000) (the "Note Amount") or, if less, such unpaid principal amount of each loan (a "Loan") (as recorded on the grid attached hereto or on any additional pages thereof) made by the Bank to the undersigned and outstanding under this note on July 31, 2007 (the "Maturity Date").

The undersigned promises to pay interest on the unpaid balance of the principal amount of each such Loan from and including the date of such Loan to the last day of the interest Period thereof at either (i) a floating rate per annum equal to the Prime Rate (a "Prime Loan"); (ii) a fixed rate per annum equal to the Adjusted LIBO Rate applicable to such Loan plus 0.625% (a "Eurodollar Loan"); or (iii) a fixed rate per annum equal to the Money Market Rate applicable to such Loan (a "Money Market Loan"). Any principal not paid when due shall bear interest from and including the date due until paid in full at a rate per annum equal to the Default Rate. Interest shall be payable on the relevant Interest Payment Date and shall be calculated on the basis of a year of 360 days for the actual number of days elapsed. Any extension of time for the payment of the principal of this note resulting from the due date falling on a non-Banking Day shall be included in the computation of interest.

Anything in this note to the contrary notwithstanding, no Loans shall be made hereunder, no letters of credit shall be issued by the Bank for the account of the undersigned ("Letters of Credit") and no drafts shall be drawn by the undersigned and accepted by the Bank ("Acceptance") if, as a result thereof, the aggregate unpaid principal balance of all Loans made by the Bank to the undersigned hereunder plus the aggregate undrawn face amount of all Letters of Credit, the aggregate unreimbursed amount of all drafts drawn under Letters of Credit and the aggregate outstanding face amount of Acceptances would exceed the Note Amount or Reduced Note Amount as applicable for the relevant period.

The date, amount, rate of interest and maturity date of each Loan and payment(s) (if any) of principal, the Loan(s) to which such payment(s) will be applied (which shall be at the discretion of the Bank) and the outstanding principal balance of Loans shall be recorded by the Bank on its books and records (which may be electronic in nature) and at any time and from time to time may be, and shall be prior to any transfer and delivery of this note, entered by the Bank on the schedule attached or any continuation of the schedule attached hereto by the Bank (at the discretion of the Bank, any such entries may aggregate Loans (and payments thereon) with the same interest rate and tenor and, if made on a given date, may show only the Loans outstanding on such date). Any such entries shall be conclusive in the absence of manifest error. The failure by the Bank to make any or all such entries shall not relieve the undersigned from its obligation to pay any and all amounts due hereunder.

1. DEFINITIONS. The terms listed below shall be defined as follows:

"Adjusted LIBO Rate" means the LIBO Rate for such Loan divided by one minus the Reserve Requirement.

"Banking Day" means any day on which commercial banks are not authorized or required to close in New York City and whenever such day relates to a Eurodollar Loan or notice with respect to any Eurodollar Loan, a day on which dealings in U.S. dollar deposits are also carried out in the London interbank market.

"Code" means the Uniform Commercial Code of the State of New York.

"Default Rate" means, in respect of any amount not paid when demanded, a rate per annum during the period commencing on the date of demand until such amount is paid in full equal to: (a) if a Prime Loan, a floating rate of 2% above the rate of interest thereon; (b) if a Eurodollar Loan or Money Market Loan, a fixed rate of 2% above the rate of interest in effect thereon at the time of demand until the last day of the Interest Period thereof and, thereafter, a floating rate of 2% above the rate of interest for a Prime Loan.

"Event of Default" means each of the events stated in Section 7.

"Facility Documents" means this note or any document executed by the undersigned or by any Third Party granting security or support for this note and all other agreements, instruments or other documents executed by the undersigned or a Third Party or otherwise executed in connection with this note, whether by guaranty, subordination, grant of a security interest or any other credit support, or which is contained in any certificate, document, opinion, financial or other statement furnished at the time under or in connection with any Facility Document.

"Interest Payment Date" means (a) with respect to any Prime Loan, the last day of each month, or (b) with respect to any Eurodollar Loan or Money Market Loan, the last day of the Interest Period applicable to which such Loan is a part and, in the case of a Eurodollar Loan or a Money Market Loan with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interests Period" means (a) with respect to any Eurodollar Loan, the period commencing on the date of such Loan and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the undersigned may elect or (b) with respect to any Money Market Loan, the period commencing on the date of such Loan and ending on the last day of the period for which such Loan is offered, as recorded by the Bank on the grid hereto; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless in the case of a Eurodollar Loan only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Loan that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Loan initially shall be the date on which such Loan is made and, in the case of the continuation of a Loan, thereafter shall be the effective date of the most recent conversion or continuation of such Loan.

"Liabilities" means all obligations and liabilities of the undersigned to the Bank or its affiliates of whatever nature, including payment of this note, whether now existing or hereafter incurred or acquired.

whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, primary or secondary, sole, joint, several or joint and several, secured or unsecured.

"LIBO Rate" means, with respect to any Eurodollar Loan for any Interest Period, the rate quoted by the principal London branch of the Bank at approximately 11:00 a.m. London time two (2) Business Days' prior to the first day of such Interest Period for the offering to leading banks in the London interbank market of dollar deposits in immediately available funds, for a period for the offering to leading banks in the London interbank market of dollar deposits in immediately available funds, for a period and in an amount, comparable to such Interest Period and the principal amount of such Eurodollar Loan, as it appears on Page 3756 of the Moneyline Telerate Markets.

"Money Market Rate" means, if offered, a rate of interest per year as offered by the Bank from time to time on any single commercial borrowing during the period offered on such Loan. The Money Market Rate of interest available for any subsequent borrowings may differ since Money Market Rates may fluctuate on a daily basis.

"Prime Rate" means that floating rate of interest from time to time announced publicly by the Bank in New York, New York as its prime rate. The Prime Rate shall be automatically adjusted on the date of any change thereto.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System.

"Regulatory Change" means any change after the date of this note in United States federal, state or municipal laws or any foreign laws or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks, including the Bank, of or under any United States federal, state or municipal laws or any foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Reserve Requirement" means, for any Eurodollar loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during the term of such Loan under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding one billion U.S. dollars, or as otherwise established by the Board of Governors of the Federal Reserve System and any other banking authority to which the Bank is subject, against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (x) any category of liabilities which includes deposits by reference to which the LIBO Rate is to be determined or (y) any category of extensions of credit or other assets which include Eurodollar Loans. The Reserve Requirement shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Third Party" means any third party who supports or is liable with respect to this note due to the execution of any document granting support or security or for this note, whether by guaranty, subordination, grant of security or any other credit support.

2. BORROWINGS AND PREPAYMENTS. The undersigned shall give the Bank notice of each borrowing request by 12:00 noon, New York City time three (3) Banking Days prior to each requested borrowing of a Eurodollar Loan and by 12:00 noon New York City time on the date of each requested borrowing of a Prime Loan or a Money Market Loan; provided that no Eurodollar Loan shall be in a minimum amount equal to less than \$100,000. The undersigned shall have the right to make prepayments of principal at any time or from time to time; provided that: (a) the undersigned shall give the Bank

irrevocable notice of each prepayment by 12:00 noon New York City time three (3) Banking Days prior to prepayment of a Eurodollar Loan, one (1) Banking Day prior to prepayment of Money Market Loan and by 12:00 noon New York City time on the date of prepayment of a Prime Loan; (b) Eurodollar Loans and Money Market Loans may be prepaid prior to the last day of the Interest Period thereof only if accompanied by payment of the additional payments calculated in accordance with paragraph 5 below; and (c) all prepayments shall be in a minimum amount equal to the lesser \$100,000 or the unpaid principal amount of this note. If the undersigned fails to notify the Bank, in accordance with the terms hereof, prior to the maturity date of any Eurodollar Loan or Money Loan to continue such Loan as a Eurodollar Loan or Money Market Loan, such Loan shall be converted to a Prime Loan on its maturity date.

3. ADDITIONAL COSTS. (a) If as a result of any Regulatory Change which (i) changed the basis of taxation of any amounts payable to the Bank under this note (other than taxes imposed on the overall net income of the Bank or the lending office by the jurisdictions in which the principal office of the Bank or the lending office are located) or (ii) imposes or modifies any reserve, special deposit, deposit insurance or assessments, minimum capital, capital ratios or similar requirements relating to any extension of credit or other assets of, or any deposits with or other liabilities of the Bank, or (iii) imposes any other condition affecting this note, the Bank determines (which determination shall be conclusive absent manifest error) that the cost to it of making or maintaining a Eurodollar Loan or a Money Market Loan is increased or any amount received or receivable by the Bank under this note is reduced, then the undersigned will pay to the Bank on demand an additional amount that the Bank determines will compensate it for the increased cost or reduction in amount.

(b) Without limiting the effect of the foregoing provisions of this Section 3 (but without duplication), the undersigned shall pay to the Bank from time to time on request such amounts as the Bank may determine to be necessary to compensate the Bank for any costs which it determines are attributable to the maintenance by it or any of its affiliates pursuant to any law or regulation of any jurisdiction or any interpretation, directive or request (whether or not having the force of law and whether in effect on the date of this note or thereafter) of any court or governmental or monetary authority of capital in respect of the Loans hereunder (such compensation to include, without limitation, an amount equal to any reduction in return on assets or equity of the Bank to a level below that which it could have achieved but for such law, regulation, interpretation directive or request).

4. UNAVAILABILITY, INADEQUACY OR ILLEGALITY OF LIBO RATE. Anything herein to the contrary notwithstanding, if the Bank reasonably determines (which determination shall be conclusive) that:

(a) quotations of interest rates for the relevant deposits referred to in the definition of LIBO Rate are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for a Eurodollar Loan; or

(b) the definition of LIBO Rate does not adequately cover the cost to the Bank of making or maintaining a Eurodollar Loan; or

(c) as a result of any Regulatory Change (or any change in the interpretation thereof) adopted after the date hereof, the principal office of the Bank or the lending office is subject to any taxes, reserves, limitations, or other charges, requirements or restrictions on any claims of such office on non-United States residents (including, without limitation, claims on non-United States offices or affiliates of the Bank) or in respect of the excess above a specified level of such claims; or

(d) it is unlawful for the Bank or the lending office to maintain any Eurodollar Loan at the LIBO Rate.

THEN, the Bank shall give the undersigned prompt notice thereof, and so long as such condition remains in effect, any existing Eurodollar Loan shall bear interest as a Prime Loan and the Bank shall make no Eurodollar Loans.

5. BREAK FUNDING PAYMENTS. In the event of (a) the payment of any principal of any Eurodollar Loan or Money Market Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan or Money Market Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure to borrow, convert, continue on the date specified in any notice delivered pursuant hereto, then, in any such event, the undersigned shall compensate the Bank for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan or Money Market Loan, such loss, cost or expense to the Bank shall be deemed to include an amount determined by the Bank to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Eurodollar Loan or Money Market Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Eurodollar Loan or the Money Market Rate that would have been applicable to such Money Market Loan, as the case may be, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Eurodollar Loan or Money Market Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which the Bank would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of the Bank setting forth any amount or amounts that the Bank is entitled to receive pursuant to this Section shall be delivered to the Bank and shall be conclusive absent manifest error. The undersigned shall pay the Bank the amount shown as due on any such certificate within 10 days after receipt thereof.

6. BANK'S RIGHT OF SETOFF. The Bank retains all rights of setoff that it may have under applicable law or contract, including, without limitation, at its option, to setoff balances (general or special, time or demand, provisional or final) held by it for the account of the undersigned at any of Bank's offices, in dollars or in any other currency, against any amount payable under this Note which is not paid when due (regardless of whether such balances are then due to the undersigned).

7. EVENTS OF DEFAULT. If any of the following events of default shall occur with respect to any of the undersigned or any Third Party:

(a) the undersigned shall fail to pay any principal, interest or any other amount payable under this note, or any other Liability, as and when due and payable; or

(b) the undersigned or any Third Party shall fail to perform or observe any covenant or agreement contained in any Facility Document, and such failure shall continue for 30 consecutive days; or

(c) the undersigned or any Third Party shall fail to pay when due any indebtedness in excess of \$5,000,000 or more (including but not limited to indebtedness for borrowed money) or if any such indebtedness shall become due and payable, or be capable of being due and payable at the option of the holder thereof, prior to the scheduled maturity thereof; or

(d) the undersigned or any Third Party: (i) shall generally not, or be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; (ii) shall make an assignment for the benefit

of creditors; (iii) shall commence any proceeding or file a petition seeking relief under any bankruptcy, insolvency, reorganization, receivership, dissolution, liquidation or other similar Federal, state or foreign law or seeking the appointment of a receiver, trustee, custodian, conservator or similar official for all or a substantial part or its property or (iv) shall have any such proceeding commenced or petition filed against it and the same shall remain undismissed for a period of 30 days or shall consent or acquiesce thereto; or

(e) the undersigned or any Third Party shall merge or consolidate with or into, or convert into, any other legal entity; or

(f) any Facility Document shall at any time and for any reason cease to be in full force and effect or shall be declared null and void, or the undersigned or any relevant Third Party shall deny or contest any further liability or obligation thereunder or the validity or enforceability thereof or of any lien or security interest created thereby; or

(g) any lien, mortgage, pledge, security interest or other encumbrance of any kind shall be created or imposed upon any property or asset of the undersigned or any Third Party without the Bank's written consent thereto, except as permitted pursuant to Section 8.3 of the Credit Agreement dated as of December 15, 2005 among the undersigned (as Borrower), the Lenders signatory thereto and the Bank (as Administrative Agent, Swingline Bank and Issuing Agent); or

(h) any action or proceeding before any court or governmental agency or authority which involves forfeiture of any property or assets of the undersigned or a Third Party shall have been commenced or if any such forfeiture or other seizure or assumption of custody or control over such assets by any court or governmental agency or authority shall occur; or

(i) one or more verdicts, judgments, decrees or orders for the payment of money in excess of \$5,000,000 in the aggregate shall be rendered against the undersigned and shall continue in effect for a period of 60 consecutive days without being vacated, or stayed pending appeal (or the satisfaction or bonding or any such verdict, judgment, decree or order shall, in the Bank's reasonable judgment, constitute a material adverse change), any proceedings to execute any such verdict, judgment, decree or order shall be commenced, or if any attachment, distraint, levy or other restraint shall be placed upon any property or assets of the undersigned or any Third Party;

THEN, in any such case, the unpaid principal amount of this note, together with accrued interest and all other Liabilities, shall immediately become due and payable without any notice or other action by the Bank. The undersigned waive(s) presentment, notice of dishonor, protest and any other notice or formality with respect to this note. All rights and remedies provided in this note or otherwise available to the Bank shall be cumulative and not exclusive and each may be exercised by the Bank from time to time and as often as may be necessary.

8. ENFORCEMENT. The Bank may, upon the occurrence and continuation of an Event of Default, proceed to enforce payment of the same and exercise any of or all the rights and remedies afforded the Bank by the Code or otherwise possessed by the Bank. Any requirement of the Code for reasonable notice to the undersigned shall be deemed to have been complied with if such notice is mailed, postage prepaid, to the undersigned and such other persons entitled to notice, at the addresses shown on the records of the Bank at least four (4) Business Days prior to the time of sale, disposition or other event requiring notice under the Code.

9. TRANSFER. Upon any transfer of this note, the undersigned hereby waiving notice of any such transfer, the Bank may deliver the Assets With Bank or any part thereof to the transferee who shall

thereupon became vested with all the rights herein or under applicable law given to the Bank with respect thereto and the bank shall transfer forever be relieved and fully discharge from any liability or responsibility in the matter; but the Bank shall retain all rights hereby given to it with respect to any Liabilities and Assets With Bank not so transferred. No modification or waiver of any of the provisions of this note shall be effective unless in writing, signed by the Bank, and only to the extent therein set forth; nor shall any such waiver be applicable except in the specific instance for which given. This agreement set forth the entire understanding of the parties, and the undersigned acknowledges that no oral or other agreements, conditions, promises, understandings, representations or warranties exist in regard to the obligations hereunder, except those specifically set forth herein.

10. JURISDICTION AND WAIVER. The undersigned hereby irrevocably consents to the in personam jurisdiction of the federal and/or state courts located within the State of New York over controversies arising from or relating to this note or the Liabilities AND IRREVOCABLY WAIVES TRIAL BY JURY AND the right to interpose any counterclaim or offset of any nature in any such litigation. The undersigned further irrevocably waives presentment, demand, protest, notice of dishonor and all other notices or demands of any kind in connection with this note or any liabilities.

11. MISCELLANEOUS. Each reference herein to the Bank shall be deemed to include its successor, endorsees, and assigns, in whose favor the provisions hereof shall also inure. Each reference herein to the undersigned shall be deemed to include the successors and assigns of the undersigned, all of whom shall be bound by the provisions hereof.

The undersigned agrees to pay to the Bank, as soon as incurred, all costs and reasonable and documented expenses incidental to the care, preservation, processing, sale or collection of or realization upon any of or all the Assets With Bank or incurred in connection with the enforcement or collection of this note, or in any way relating to the rights of the Bank hereunder, including reasonable outside counsel fees and expenses. Each and every right and remedy hereby granted to the Bank or allowed to it by law shall be cumulative and not exclusive and each may be exercised by the Bank from time to time and as often as may be necessary. The undersigned shall have the sole responsibility for notifying the Bank in writing that the undersigned wishes to take advantage of any redemption, conversion or other similar right with respect to any of the Assets With Bank. The Bank may release any party (including any partner of any undersigned) without notice to any of the undersigned, whether as co-maker, endorsers, guarantors, sureties, assign or otherwise, without affecting the liability of any of the undersigned hereof or any partner of any undersigned hereof.

12. GOVERNING LAW. This note shall be governed by and construed in accordance with the laws of the State of New York and, as to interest rates, applicable Federal law.

MOVADO GROUP, INC.

By: /s/ Eugene J. Karpovich

Name: Eugene J. Karpovich
Title: SVP, CFO

Address for notices: 650 From Road
Paramus, New Jersey 07652
Attn: Eugene J. Karpovich,
Senior Vice President &
Chief Financial Officer
Telecopier: 201-267-8240
Telephone: 201-267-8600

CERTIFICATIONS

I, Efraim Grinberg, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Movado Group, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 7, 2006

/s/ Efraim Grinberg

Efraim Grinberg
President and Chief Executive Officer

CERTIFICATIONS

I, Eugene J. Karpovich, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Movado Group, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 7, 2006

/s/ Eugene J. Karpovich

Eugene J. Karpovich
Senior Vice President and
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Movado Group, Inc. (the "Company") for the quarter ended July 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report") the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 7, 2006

/s/ Efraim Grinberg

Efraim Grinberg
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Movado Group, Inc. (the "Company") for the quarter ended July 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report") the undersigned hereby certifies, in the capacity indicated below and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 7, 2006

/s/ Eugene J. Karpovich

Eugene J. Karpovich
Senior Vice President and
Chief Financial Officer